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Mustafa Dokmetas
Turkish Airlines Japan



Opening doors

Why foreign firms want in on public procurement

Gridlock

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Liquor bottle blues

Traceability laws protect consumer safety

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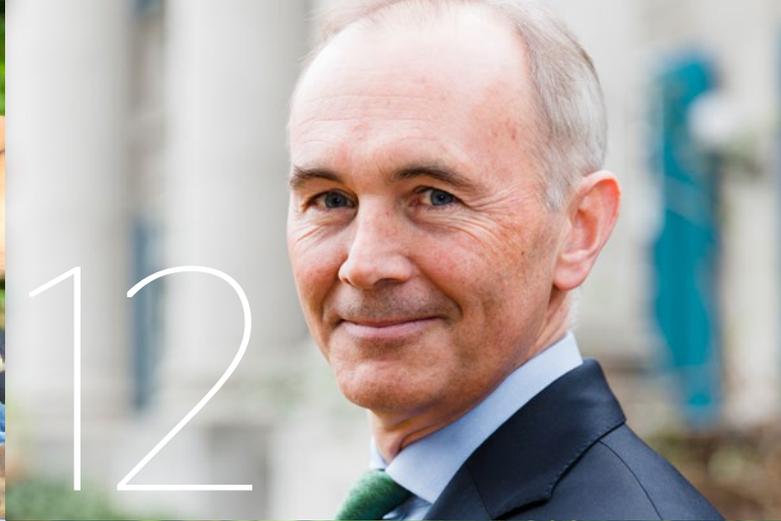
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Publisher **Vickie Paradise Green**
paradise@paradigm.co.jp

Editor-in-chief **Mike de Jong**
dejong@paradigm.co.jp
Senior Editor **David Umeda**

Creative Director **Paddy O'Connor**
Art Director **Cliff Cardona**

Advertising Sales
Nicole Alarie
Tapo J Mandal
advertising@paradigm.co.jp

Production and distribution
Daisuke Inoue
eurobiz@paradigm.co.jp

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Contributors

Justin McCurry is the Tokyo correspondent for the London-based *Guardian* and *Observer* newspapers. He graduated from the London School of Economics and earned a master's degree in Japanese studies from London University.

"The devil, as they say, is in the detail. That certainly holds true when it comes to hammering out a free trade deal, as I discovered while talking to officials and executives about public procurement. It may be a technical and procedural minefield, but for European firms, improving



Justin McCurry examines free trade and public procurement, page 8.

transparency in the way government entities tender for goods and services could open the door to the lucrative, and largely untapped, public procurement market in Japan."



David McNeill explains how Japan's feed-in tariff plan has hit a snag, page 16.

David McNeill writes for *The Economist*, *The Irish Times* and other publications.

He is co-author of the acclaimed book of stories about Great Tohoku Earthquake survivors, *Strong in the Rain* (Palgrave Macmillan, 2012).

"Some of us made rash predictions after Fukushima that Japan would permanently switch off its nuclear reactors. This being Japan, nothing is that simple, but the energy revolution has begun nevertheless."

Simon Scott is a Tokyo-based freelance journalist and copywriter. He is Japan correspondent for the *New Zealand Herald* and also a regular contributor to *The Japan Times*.

"Japan has long had a reputation as a country which strictly regulates food and beverages, both imported and domestic, and this has resulted in the country's well-earned reputation for quality. Knowing this, it came as a surprise that high-quality European alcoholic beverages are being



Simon Scott writes that missing numbers on liquor bottles put consumer safety at risk, page 22.

imported and freely sold here with their lot codes removed – a practice strictly outlawed in the European Union and most OECD countries."

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You might say that culture is best learned at the dining table. That is certainly my philosophy, after a career spent cooking and tasting my way around the world. Originally from New York — one of the world's great food cities — I packed up my culinary kit early and headed first to Arizona, where I graduated from the Scottsdale Culinary Institute. After working under high profile chefs at restaurants in Phoenix and Portland, I ended up in Seattle, where I earned the Chefs of America award for the Pacific Northwest region.



Next, I moved to Puerto Rico, where I learned about the fabulous bounty of Caribbean cuisine as chef at Hermes in San Juan and the Palmas del Mar Resort.

Finally, my travel bug pushed me to Japan, as chef at the Tokyo American Club. Much of what I am today I owe to working in Tokyo. I am still inspired by the city to this day.

These days, I'm back Stateside, where I work as Vice President of Food and Beverage for a golf platform based out of Hawaii.

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Writers, energy and liquor bottles

I'd like to start this month by highlighting the work of one of our longest serving contributors. Geoff Botting is a veteran freelance journalist who has been covering our In Committee column since the very first issue of *EURObiZ Japan*. And it hasn't been an easy task.

Every month, Geoff delves into the detailed and often difficult realm of committee policies and recommendation. And each month, frankly, he makes otherwise dry content come alive. Geoff spends much of his time tracking down busy EBC committee members for comments (sometimes also a difficult task) and then turns complex concepts into readable copy. It's not as easy as he makes it look. Thanks for your tireless efforts, Mr Botting.

This month, Geoff turns the spotlight on the Financial Reporting Committee (page 32), and its efforts to move Japan closer to harmonised accounting standards. As with many of the barriers to



free and open trade here, the committee believes that harmonisation would help Japan's economy.

Public procurement is another area that many hope will help. It's a big part of the on-going Free Trade Agreement-Economic Partnership Agreement talks between Japan and the European Union. This month, Justin McCurry (page 8) examines the issue, and tells us why opening up protected markets helps everyone involved.

From the "best-laid plans" category,

David McNeill also weighs in on Japan's feed-in tariff mess (page 16). His article explains how an idea that sounds good in principle – paying people to produce energy – hasn't been so successful in practice.

Simon Scott's article on liquor lot codes (page 22) might make you double-check your next bottle of whiskey. In Japan, shady importers have been removing codes from liquor bottles and reselling products that are possibly past-due. The reason? Japan lacks proper laws to safeguard liquor traceability. Simon's article highlights how small numbers at the bottom of a bottle are a big issue for public safety.

Thanks for reading, everyone! 



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Opening doors

Why foreign firms want in on public procurement

Text **JUSTIN MCCURRY**

Public and "procurement" are not two words that usually get the political juices flowing. Yet the inability, thus far, of European companies to tap into Japan's huge market in government-affiliated tenders is essential to on-going free trade agreement discussions between the European Union and Japan.

With the next round of negotiations due to begin in late February, pressure is building for the two sides to close the public procurement gap to give EU firms better access to a market estimated to be worth €550 billion a year.

As signatories to the 1994 World Trade Organisation Agreement on Public Procurement, both parties are required to improve transparency and fairness in tenders for goods and services offered by public entities, including the central government, local authorities and private firms contracted by the public sector.

The tenders are an eclectic mix, ranging from state-of-the-art satellite technology to office furniture and cleaning services. In 2013 alone, tender notices in Japan numbered more than 135 million.

The EU's mission, say officials, is to pressure Japan into demonstrating its commitment to openness by lifting the

non-tariff barriers that have hampered the ability of European firms to do business here.

"Public procurement is a big issue in the FTA [Free Trade Agreement] negotiations, and the EU Commission continues to attach great importance to it," said Bjorn Kongstad, policy director at the European Business Council in Japan.

The consensus view is that foreign firms are at an immediate disadvantage, partly as a result of the language barrier, but also because of a culture of favouritism towards trusted domestic companies and a reluctance to bridge the gap in such areas as safety requirements, production standards and licensing procedures.

Lyckle Griek, project manager in the Japan tax and public procurement helpdesk at the EU-Japan Centre for Industrial Cooperation, believes the origins of the problem lie in divergent views about the role of public procurement.

"Public procurement in the EU is seen as a powerful instrument to strengthen the internal market and especially to stimulate competitiveness and innovation, while, in Japan, government procurement is an important tool for supporting local economies and businesses," says Griek.

He shares concerns voiced by European firms that the language







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barrier had put the brakes on potential PP bids, particularly among European SMEs (small to medium-sized enterprises) confronted with tender calls that do not fall under the WTO regime, and so are compiled exclusively in Japanese.

"For foreign companies, in particular the smaller ones, the translation back and forth is quite a financial burden, making a competitive and profit-making bid difficult," says Griek. "Although online tendering is developing rapidly, obtaining details of the tender online or contacting the contracting offices by online means are still rather rare."

Critics list complicated, and often opaque, licensing procedures and a "staggering" amount of paperwork among their main grievances.

Public works projects are particularly problematic because the "secretive" procedures tend to favour Japanese contractors who are often asked

to act as consultants, and so can anticipate tenders earlier than their potential competitors.

Despite the barriers, several successes have been registered by EU firms, among them the Thales Group, a French multinational specialising in electrical systems, which recently won a project from East Japan Railway Company (JR East) for a signalling system along parts of the Joban line in Tokyo.

"Thales is very honoured by JR East's decision and its flexibility to select a foreign-based vendor like us for this type of important programme," says Naoto Nishiyama, vice-president and general manager at Thales Japan.

Then there is AgustaWestland which, at the end of last year, secured an order for an AW139 helicopter from Iwate prefecture's fire-fighting service. The Anglo-Italian firm, which has headquarters in Tokyo and centres that provide maintenance and repair services, has

already sold 38 of the same helicopter model in Japan to such clients as the National Police Agency and the Japan Coast Guard.

But those victories obscure a bigger picture in which European companies are largely absent from Japan's public works sector, whose regulations and complex licensing procedures work in favour of established domestic construction giants.

Japan's rail industry is a good example. While the European market has long been open to Japanese firms, only 2% of the market here is governed by international procurement rules, according to the Association of the European Rail Industry (UNIFE). This is a source of deep frustration, given that Japan's rail

these codes," the EBC said in its *Taking Action* white paper, a 2014 report on the Japanese business environment.

Supporters of more transparent and inclusive public procurement and tendering say it would not only be fairer, but also lead to improvements in goods and services once tenders are open to genuine competition.

Rolls-Royce is one European company that is poised to take advantage of a more open public procurement environment, says Haru Tsuyukubo, president of the firm's Japan unit. "At Rolls-Royce, we have done, and are still doing ... extensive benchmarking about customer specifications, requirements and regulations," adds Tsuyukubo. "This makes us competitive in terms of securing new business."

Discussions over public procurement are at a critical juncture. Business representatives and officials on both sides are wary of speaking out

“PUBLIC PROCUREMENT IS A SECTOR OF MAJOR **ECONOMIC IMPORTANCE** IN BOTH THE EUROPEAN UNION AND JAPAN”

Timo Hammaren

passenger market is 27 times the size of the EU's.

With an eye on the success of wider FTA talks, the EU last autumn dropped its opposition to excluding three major Japanese railway companies from the WTO's government procurement agreement. The accord requires international competitive bids for procurements of a certain sum or above. But Japan had argued that the WTO rules should not apply to the companies – JR East, Central Japan Railway (JR Tokai) and West Japan Railway (JR West) – since the state had sold its shares in them in 2006.

European officials, though, hope Japanese rail companies will voluntarily observe the spirit of the WTO agreement. "The strict adherence of the three JR companies to their voluntary codes of conduct remains a critical issue for the EU suppliers, and the government needs to ensure full compliance with

of turn. Some of the European firms contacted by *EURObiZ* did not respond or declined to comment.

With the next official round of FTA talks just around the corner, procurement looks likely to remain a key part of the negotiations.

"Public procurement is a sector of major economic importance in both the European Union and Japan," says Timo Hammaren, head of the trade section at the EU Delegation to Japan. "In the EU, purchases by governments correspond to around 19% of GDP and companies whose business directly depends on procurement represent over 30 million jobs.

"Our past estimates indicate that the potential for opening up Japan's public procurement market further is around €74 billion. No wonder that leaders on both sides have highlighted a number of times the need for ambitious market access negotiations in the area of procurement." 



Ties that bind

Mike de Jong talks with UK Ambassador Tim Hitchens

Photos **BENJAMIN PARKS**

The relationship between Japan and Great Britain dates back to 1600, when the first Englishman, William Adams, arrived on the shores of Kyushu. British Ambassador Tim Hitchens' personal connection with Japan isn't quite so long, but does range back to his teenage years. First having come here in 1977, when his father was in the Royal Navy, Hitchens today oversees British interests in his adopted country. He spoke to *EURObiZ Japan* about the future of Japan-UK relations.

Much interest is focused on the free trade negotiations between Japan and the European Union. What would you consider the benefits of free trade for the UK and the EU?

I've got no doubt it would benefit the whole of the EU. I think if one looks at the free trade agreement that was signed between the EU and [South] Korea three years ago – that has opened up British exports, as well as broader European exports to South Korea, over the course of the last three years. So there's a great deal to play for. As far as the EU-Japan connection, we're very clear that there is one of three great trade negotiations going on at the moment. We have the EU-Japan EPA, the TTIP [The Transatlantic Trade Investment Partnership] connecting Europe and the US, and we have the

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TPP connecting the Pacific. In a way, they will create a ring of steel in setting the standard for trade negotiations, which will be important not just for those three regions of the world, but [also] for anyone else who wants to join in to free trade arrangements in the future. We're really building the rules for the 21st century ...

Are there specific areas of interest for UK companies and exporters in these negotiations?

We have narrow interest in pharmaceuticals, medical implements, processed foods and government procurement ... But in addition to the narrow interests, this is something bigger and broader that will give impetus to not just the Japanese market or the European market, but also to markets which need



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best, but for us [to solve] together – because these are issues for any of us who have a nuclear industry that is over 50 years old. We all have to find ways around this.

The UK is said to be the top European partner for Japanese investment and

scientific collaboration. Can you expand on that?

I would broaden it around science and tertiary education as a whole. Because, where in Japan, the very best science and research is done within the really impressive, big companies, in Britain, almost all the top-level research happens within – or is linked to – universities. So what we're trying to do is make more of those connections between British universities and Japanese companies.

Britain has taken a leading role in encouraging Japan to support sustainable growth and to play an active role in climate negotiations. Why is that?

Our starting point is that climate change is the biggest challenge facing us all. And one can actually say that the greatest threat of the 21st century is not terrorism, is not the recovering economy – it is climate change. The nuclear issue, for example ... we see it as a subset of climate change. How do you deliver a low-carbon economy? The British experience was that between 2008 – when our economy collapsed – and 2013, it was a very difficult period for the British economy. But, the “green sector” – goods

and services, which reduce carbon emissions – grew at 4% every year. So our experience is that green growth is real. One of the challenges of Japan is that there can be a mindset that says there is a choice between being green or growing. There is solid evidence that says it's not a choice. In fact, it's a no-brainer: You have to go green. And there are leading technologies in Japan that will allow Japan to be a leader in this.

There is nervousness in Japan and elsewhere about the UK's future in the EU. We may not know what will happen in the future, but how do you address this uncertainty?

There has been a grand deal between the UK and Japan, since the time of Mrs. [Margaret] Thatcher, that Britain would be the most active member state in advancing the single market, within the European Union. And that that would create an environment in which Japanese companies invested in the UK, revived our manufacturing sector – and then could export into the whole, single market. And that fundamental equation still exists. It's the position of the British government that we want to stay within the European Union. We want to help change the European Union so it's a more competitive environment. As [German Chancellor] Angela Merkel regularly says, you have 7% of the population of the world in the European Union, and we pay 50% of the social security. You cannot have both things happen unless you have high rates of growth; and, therefore, it's a key task for all member states ... that growth has to be the heart of the deal. Therefore, Britain is very keen to find ways in which we can work with the rest of Europe to have a growth agenda. 

a boost in demand. And this will give them that boost.

Are there other areas where you see the possibility of a bilateral trade relationship growing?

I think that, compared with when I was here in the '80s, this is no longer a closed market. It's a very easy market to enter; it's very difficult to make lots of money and grow fast once you've entered. The challenge is all about how you are successful in the market. And where I see particular opportunities, for both Japanese and European firms, are in the ways in which we can bring our different ways of doing things together. [For example], just a few weeks ago at the embassy, we had experts on British animation talking to Japanese experts on animation. And we're both really good, but at different parts of the industry, so [it's important] bringing that together so we can work as one.

There are [other] areas, such as decommissioning of nuclear sites. Clearly, we've got some immediate challenges, but there are also plenty of future challenges, where the answer is not simply for Japan Inc. to huddle in a group and decide what they think is

Gridlock

Japan's feed-in tariff programme becomes a solar shambles

Text DAVID MCNEILL

As the hulking corpse of Fukushima's Daiichi nuclear power plant smouldered in 2011, experts began predicting an energy revolution. Japan would turn its back on nuclear power and embrace renewables, they said. There were strong precedents: Germany, the world's fourth-largest industrial nation, committed in June 2011 to replacing nuclear power with renewables by 2022. Italy voted overwhelmingly by referendum the same month to abandon plans to restart its nuclear programme.

Nearly four years later, the aftermath of Fukushima's triple meltdown is messier than those European examples. Japan's government has committed to restarting idling reactors (such as in Kyushu's Kagoshima prefecture), making it almost certain that some will come back online, perhaps this year. But the nation has also become one of the planet's most dynamic markets for green energy. A feed-in-tariff, introduced in 2012 and guaranteeing ¥42 a kilowatt-hour (kWh) to producers – roughly double the UK rate – has triggered more than 1.2 million applications, mostly for solar-power installations.

If all these projects went ahead, Japan

could leave most of its nuclear stations switched off, says Mika Ohbayashi of the Japan Renewable Energy Foundation, a Tokyo-based think-tank. But there's a problem: Japan's power utilities say they are overwhelmed and have revolted. Many are blocking access to the grid. Kyushu Electric Power, which supplies electricity to nine million households in Japan's sunny south, was the first to balk, in September of last year, after 72,000 solar-power producers rushed to beat the deadline for a cut in the guaranteed tariff to ¥32 a kWh. It is accepting no new applications to the grid until it has settled concerns about the reliability of supply from the new producers.

The Ministry of Economy, Trade and Industry (METI) is backing the utilities. A government panel is probing the solar shambles ahead of a March decision on purchase prices for renewable energy. Analysts expect METI to cut the prices that utilities must pay energy producers. Thousands of small producers such as Yauemon Sato, are furious. Sato has rented land in his native Fukushima, hired a workforce and lined up ¥80 million in capital from local investors and banks. His company says it can produce electricity for 750 households. "Now all our plans have been put on hold," he laments.

Experts say Japan's government should have anticipated the problems it is having with its drive for renewables. Germany triggered a similar stampede of small producers during the period of 2009-12, by offering them guaranteed prices for 20 years and priority access to the grid. That has helped push clean energy's share to nearly a remarkable quarter of Germany's power consumption; but it also has driven up electricity bills: subsidies cost consumers €16 billion in 2013, according to *The Economist*. And some power utilities are suing the government, saying their business has been damaged by the subsidies.

METI could have learned from Germany's mistakes by being less generous with its guaranteed tariffs for the renewables producers and by ensuring that the transmission grid was modernised to prepare for their arrival, says Tom O'Sullivan, an independent energy consultant and founder of Tokyo-based Mathyos Japan. "Ideally, the ministry should have created a separate grid operator, independent of the big power utilities," he continues. At present, the utilities own everything and have little incentive to let independents onto the system.

The utilities' objections have added to doubts about Japan's plan to increase

renewables' share of electricity output to 20% by 2030, almost double its pre-Fukushima share, when nuclear energy provided about 30% of the nation's electricity. So far, just 12% of the solar power that METI has approved has been installed, and much of the rest may prove uneconomic, says Ohbayashi, given that in less-sunny parts, solar panels' output will be more sporadic.

So how have the problems in the market affected foreign players? Etrion, a Canadian solar power company that, until 2012, did most of its business in Europe, says it has been forced to do some belt-tightening in Japan. The company develops solar projects here with Hitachi and has 34 Megawatts (MW) of solar power under construction and more than 138MW under development. "Everybody is working to reduce costs," says Marco A Northland, Etrion's chief executive officer.

He points out, however, that the feed-in tariff is only one factor in doing business – the cost of financing, technology, construction and location all play a part, too. "We continue to be bullish about Japan," he says. The company is committed to reaching 300MW of solar power by 2017.

First Solar, the largest maker of solar panels in America, says a shakeout in Japan is inevitable. Far from being deterred, the company supports stricter METI screening to flush out the system, says Jack Curtis, its vice-president of business development for the Asia-Pacific. "The market is actually due for some level of rationalisation; the ¥42 was at a level that was going to encourage a massive take-up of the programme." He says the company can make money with a tariff of ¥30 – First Solar has already installed a 1.3MW station in Kyushu and intends to invest \$100 million in the country. "That remains unchanged."

Marco agrees on the need for rationalisation: METI is working in the right direction, to filter out unfeasible companies and work on a more orderly process with the utilities, he says. "There was a little bit of confusion and frustration; but METI is trying to regulate better, so these issues with utilities for grid connection of solar projects should be resolved."

Not everyone is as kind. Critics say the utilities should invest more in storage and backup technologies, so they can cope at times when solar plants are not producing enough power to meet demand. They are sceptical of claims

by Kyushu Electric Power and other firms that they are motivated only by the need to avoid blackouts. Japan's problems with its grid are real, says Mycle Schneider, a Paris-based energy consultant, but this is not enough to justify blocking all new renewable plants. The utilities are "scared to death" – "and rightly so" – that the rise of so many independent producers will wreck their business models, he says.

Japan's shift to more sustainable energy will not come cheap. The government may have to spend \$60 billion over the next two decades subsidising the preferential tariffs for renewables producers, predicts Yasuyo Yamazaki, a former investment banker who heads the country's largest solar-energy project. But he believes this would be money well spent. Since Japan switched off its nuclear plants, the cost of importing fossil fuels has soared, to \$250 billion a year. Instead of tapping taxpayers for yet more money to upgrade the grid, Yamakazi believes the government could mobilise Japan's vast pool of private savings, now tied up in pension funds and low-yielding accounts, by putting the right incentives in place. But whatever happens, he says, there is no going back – Japan's energy market has turned a corner. [e](#)

“THE MINISTRY SHOULD HAVE CREATED A **SEPARATE GRID OPERATOR**, INDEPENDENT OF THE BIG POWER UTILITIES”

Tom O'Sullivan

SPAINING

Mustafa Dokmetas, Turkish Airlines Japan

Text **CHRISTOPHER S THOMAS**

Photo **BENJAMIN PARKS**

Mustafa Dokmetas, Tokyo general manager of Turkish Airlines, has arrived in Japan at a difficult time in the airline industry, at least for European carriers. Outbound travellers from Japan are way down, mostly due to the weak yen – with prices based on the euro. “Demand is shrinking drastically. Over the last two years, it’s down 40%,” says Dokmetas. “This is due mostly to the weaker yen, as well as the conflict in the [Middle East] region, which heightens the perceived risk associated with travel.”

Of course, there is also inbound travel from Europe, but Japanese customers tend to spend more; and, as Dokmetas notes, “there is also a huge difference in prices, up to 60% to 70% lower”, for tickets to Japan.

In general, Japanese go to Europe for cultural tours, not for the beaches or resorts. “In Turkey, we have a lot of sites for them to see, things we can offer,” he says. “For example, sites under UNESCO



THE GLOBE

protection, such as Cappadocia – the Japanese love to go and see them. But they only go once. The attitude among most vacation travellers is, ‘I have used this product, I have been there, so why should I go again?’”

This is difficult because, basically, the product he is selling is Turkey. “The problem is that we do not have a product that changes, to encourage repeat visits. So our first priority in Japan is to enrich and enhance the product,” he says.

“This is the main issue. Also, the perceived risk – people here see some news about conflict near Turkey and they think the whole area is risky. Our job is to convince them it is not; the conflict is quite far away, and the destination is perfectly safe.”

Dokmetas is developing new products that play to his company’s strengths. “New markets are always a risk, but given the difficulty and expense of competing on the most heavily travelled routes – Tokyo to Heathrow, Paris, Rome, etc. – we realise that niche markets are the key to our future growth strategy,” he says.

“For example, we are trying to promote the Balkans, where we are very strong. We have a very broad network

in the former Yugoslavian republics – Kosovo, Montenegro, Serbia, Croatia, Slovenia, Macedonia – and much less competition.” In such markets, “you get more from your investment. Competitors are weak or don’t exist at all.”

The passenger numbers are lower, granted, but the knock-on effects can be significant, particularly in the “beyond market”, or transfers from major hubs to smaller destinations in different countries. Turkish Airlines, with its vast network in the region, is well

even for me,” he says. “We decided to change it and make it better for the agencies. And the reaction was resistance. Intense resistance, even from our own employees: ‘No, we can’t change it. This is too new’.”

Meanwhile, he has also discovered the happy counterpart to that resistance – the enthusiasm and focus of the Japanese once they get on board. After the initial foot-dragging, the shift to the new system turned out to be faster and smoother than he had expected. “In the end, they saw the financial gain from

the new model, and they said, ‘Why not?’; and it was okay.”

In his five years with Turkish Airlines, Dokmetas has seen his share of cultural challenges. His previous posting was in Isfahan, the cultural capital of Iran

and the former political capital as well, before Teheran, where he set up a new destination. “It was really challenging culturally, even though Turkey and Iran share a very long border, and the two countries have a lot of cultural mixing,” he notes.

But after that experience, Japan has been even more of a shock. “In many ways it was even more difficult coming here, from a very rule-less country to a very rule-y one. There are a lot of rules in Europe, sure, but here there are so many rules, I almost started missing easy-going Europe. I can’t find a single similarity between Tokyo and Isfahan – people have two arms, two legs; these are the main similarities.”

Even after seven months, “it’s still hard to get used to. I’ve been in many countries, but this is a completely new experience.” 

“OUR FIRST PRIORITY IN JAPAN IS TO ENRICH AND ENHANCE THE PRODUCT”

positioned for this potentially lucrative trade, and Dokmetas is pushing promotional activities with embassies.

He’s also working hard to figure out the market here. “Japan is like a different planet,” he says. “Because of my job and also my interests, I travel a lot. But this is, I think, the most different country I have ever seen.”

He has been adapting fast, though, dealing with the challenges of doing business in Japan, and confronting realities that will sound rather familiar to readers of *EURObiZ Japan*.

“Resistance to change is very strong here,” he notes. For example, upon his arrival in July, Dokmetas quickly implemented changes to the incentive models – making them simpler and more efficient – that the airline offers to agencies. “The previous one was very complicated and hard to understand,

Felix Einzel

From courts to court

Text **MIKE DE JONG**

Photo **BENJAMIN PARKS**

Do you like natto?

Time spent working in Japan:

My whole professional career

Career regret (if any): My childhood dream was to become a volcanologist; and even though I was born in the right country, my father talked me out of it

Favourite saying: 七転び八起き
Stumble 7 times; Stand up 8 times

Favourite book: *Patentgesetz mit EPUE* written by Schulte. A book about German Patent Law, which changed my whole view about patents

Cannot live without: Chocolate and other sweets

Lesson learned in Japan: To wait for the right moment

Secret of success in business: Do a good job educating and selecting the next generation's management

Favourite place to dine out: Ramen place called "Tenryu" in Asakusabashi

Do you like Natto: I have it almost every day (not kidding), based on my wife's firm belief that it helps lower blood pressure

“IT WAS A GREAT EXPERIENCE. I WAS VERY NERVOUS, THOUGH”

Early in the morning, while it's cold and dark, and most people are still asleep, Felix Einsel is awake. And he's heading to the courts. Three times a week, at the ripe hour of 6:30 am, Einsel plays a spirited game of tennis – something he's done most of his adult life.

"I have had this habit for the last 20 years, although I have become a lot slower than I was," he laughs. The game doesn't just keep him in good shape. It has even led to imperial connections. He once had the chance to play with Japan's Emperor Akihito on the same team.

"I felt very honoured," he says. "It was a great experience. I was very nervous, though."

During the day, Einsel also finds himself in a different kind of court – heading up the patent law division as a managing partner at Japan's oldest foreign law and patent firm.

Founded in 1910, Sonderhoff & Einsel began serving clients mainly from Germany, Austria and Switzerland. The firm branched out to French and American clientele, before finally taking on Japanese clients. Today, the Sonderhoff & Einsel group consists of about 200 attorneys-at-law, patent attorneys, CPAs, tax consultants and other employees, with about 20% of its revenue coming from Japanese clients.

"Basically, you can come to us with any kind of legal problem," says Einsel. "That is our strength. It's a very unique set up."

Einsel himself is a patent attorney, so his expertise is patent law and the protection of intellectual property, an area where he feels Japan trails many Western countries. Weak patent laws fail to offer adequate protection for new developments and technologies. This, he says, discourages foreign investment and has helped create Japan's 10-year economic malaise.

"In a Western country, a good patent law would be where you can recover your investment," he says, "or seek punitive damages like in the United States, or early injunctions like in Germany, where you can get them within two or three days or so. On the other hand, the awarded amount of damages from Japanese courts is low, and it takes at least eight or nine months to get an injunction."

Einsel believes the economic successes of both the US and Germany stems, in part, from functioning patent laws.

"In Japan you have about 330,000 patent applications per year, which is more than at the European Patent Office, which has about 265,000 patent applications per year. In relation to that, it is interesting to see the number of patent infringement cases, which is about 150 in Japan, compared with about 1,400 in Germany alone and more than 3,000 in the US.

"The question is what you read out of these numbers. Due to the low number of court cases, a lot of Western companies believe that it doesn't make sense to go to court in Japan, because

you are not getting back what you have invested. For the most part, I agree with that. But I am still a proponent of Japanese investments. The high numbers of patent applications here in Japan speak for themselves.

"Taking risks has not been a strength of Japanese culture, that's why they try to protect as much as possible through patents. Buying a product enjoying patent protection lowers the risk of patent infringement, so it gives a sense of security to the buyer. Often, Western companies have asked me why the first question from a potential Japanese buyer is whether his or her product is protected through a patent; and often after finding out that there was no protection, they refused to buy the product. It is, therefore, crucial for Western companies to protect their technology through patents in Japan, otherwise the business is deemed to fail.

"Western companies have to keep in mind that the reason for a patent application can be quite different here to that in the Western world."

Weak patent laws or not, Einsel knows that, like playing doubles in tennis, having a strong partner to help protect one's turf is key to being successful.

"Having a good patent law on the one side is a good thing," he points out. "But the people who are examining the patent application and enforcing it ... in every country, having well-educated people to run the system is key. Both sides have to be fulfilled, otherwise the system doesn't work." 

Liquor bottle blues

Traceability laws protect consumer safety

Text **SIMON SCOTT**

The image of the suited salaryman, tired but happy, winding down with a bottle of whiskey at the karaoke bar is one of the longest-lasting clichés of Japanese corporate culture. What was overlooked by that iconic salaryman, microphone in one hand and *mizu-wari* in the other, is that, at the bottom of the whiskey bottle, a small but important number was missing – a number that could protect him from harm.

Called a lot code (or sometimes a lot number), this small group of digits is an identification that manufacturers or suppliers put on products to make them traceable. The lot code indicates the exact time of production, production line and location – very useful information for the manufacturer.

Yet, unlike in the European Union and many other countries, lot codes in Japan, while common, are not compulsory for alcoholic beverages. Consequently, a significant amount of imported liquor is hitting the shelves of supermarkets and discount stores

across the country with the codes removed, tampered with, or even covered up.

James Paton, president of the Japan division of MHD Moët Hennessy Diageo and chairman of the EBC Liquor Committee, says lot codes are an important way of ensuring the safety of consumers.

"If there was ever a point at which we needed to recall products from the market, the lot codes would allow us to do that faster and more efficiently," he says. "For example, a bottle of wine can sometimes have a cork which is tainted. So we put it [the lot code] on for a purpose. In the event of a disaster, it is important to be able to recall products from the market to protect consumers," adds Paton.

Tim Paech, president of Pernod-Ricard Japan, is also concerned about the risk to consumers posed by lot code removal.

"Producers have a responsibility to protect consumers' well-being by ensuring they have an ability to react quickly and effectively if a consumer safety issue arises," he says.

Products with their code removed create traceability issues for manufacturers and suppliers, making targeted recalls difficult, if not impossible. "When health and safety issues emerge for foods, they are often related to a particular production batch," says Paech. "So traceability information – including the original production lot codes – enables producers to swiftly and effectively recall affected products, ensuring all are withdrawn and/or destroyed.

"This is a crucial factor for consumer safety and consumer confidence," he adds.

When lot codes are removed, manufacturers are often forced to recall whole product lines, creating logistical problems and unnecessary delays. These not only put consumers at risk, but also increase costs for the company. Corporate brands might also be damaged.

"They're maybe related," says Paech. "Brand reputations can be impacted when a product recall cannot be carried out swiftly and effectively.

"Traceability information allows us to avoid any such situation by taking full



A liquor bottle with its lot code removed.

“IN THE EVENT OF A DISASTER, IT IS IMPORTANT TO BE ABLE TO **RECALL PRODUCTS** FROM THE MARKET TO PROTECT CONSUMERS”

James Paton

responsibility in identifying and isolating all noncompliant products.”

The removal of lot codes is related to a practice known as parallel trading or importing, whereby opportunistic third-party traders buy products from retailers then sell them at a higher price in different markets. For example, a supermarket in Europe that is doing badly and needs cash urgently might remove excess products from its shelves and sell them to a discount trader, who would, in turn, export them to a country like Japan.

Paton says he doesn't object to parallel trading in principal, as it is legal and fair trade. But it sometimes leads to the removal of lot codes, which is a problem.

“If the retailer wishes not to be identified, they would request the trader to remove the lot codes,” he says. “There may be numerous reasons, such as [they] don't want it to be known they are having difficulties selling products. Also, they may apply pricing related to the specific area or customer group, and they are trading outside that area and misrepresenting their sales.”

The issue of lot-code tampering differs from black-market trading, as duties are still being paid in full and, unlike in the case of counterfeiting, brand-owners still make a profit from the original sale of the product. Though no copyright violation occurs, lot-code tampering does represent a safety concern. Despite Japan's

reputation for stringent import regulations and high quality control, the use of lot codes for alcoholic beverages is not yet mandatory.

In fact, it was only fairly recently, in September of last year, that the National Tax Agency (NTA) – the government body responsible for regulating the liquor industry – began to take steps to deal with the issue of liquor product traceability. On 22 September, the NTA issued a notice to the eight main Japanese liquor associations, outlining its concerns, affirming the importance of lot codes as a way of protecting consumer safety, and requesting members not to sell liquor products lacking lot codes.

The EBC Liquor Committee chair says that, although he is happy the government took this important first step, he would like to see the NTA go further regarding its oversight.

“We are very pleased they are recognising it as an issue, but it is short of what we are ultimately after, which is that it be put into law, as it is in Europe and the US. It needs to be written into law that it is illegal to sell products with the lot codes tampered with, removed, or covered up,” he says.

Paton adds that, while Japan makes great efforts to ensure product quality for consumers, the lack of regulation relating to lot codes is a blind spot in the system.

“Japan is world-renowned as an iconic benchmark for quality, and we believe it should take a proactive, or leadership, role in the traceability issue,” he says.

In the US, lot codes are not compulsory for all food and beverage products. However, separate regulations make tampering with, or removal of codes on alcohol containers illegal.

Within the European Union, lot codes have been compulsory since 1991, and violators face heavy penalties, including large fines and even possible imprisonment. Thirty-one out of the 34 OECD countries also do not accept products bearing lot codes that have been tampered with or removed. The only main holdouts are Chile, Israel and Japan. [E](#)

When Doing Nothing Is Best

2015 has started with a significant amount of volatility, based on a perceived slowdown in the global economy. Whether it's geopolitical challenges in Eastern Europe, a collapse of oil prices, or a slowdown in commodities and China, we enter the New Year with as much uncertainty as in previous years.

As if the above weren't enough, we also will have had the 25 January elections in Greece, preceded by a 22 January ECB meeting. Will the ECB under Mario Draghi engage in serious QE (quantitative easing)? And which way will the Greeks have decided?

Sometimes during such uncertainty, it's best to do nothing with your investment portfolio. In most instances, we would advocate a five- to 10-year holding period for the majority of assets, irrespective of any stock market uncertainty. You should think of dips in the market as buying opportunities to add more units at a lower price. If you're at the stage where you cannot afford to see a downturn in the value of your portfolio, then review what assets you're holding — and why.

Looking long term, equity or stock market returns have outperformed both cash and fixed income (bond) assets, albeit with more volatility. This word, volatility, may be more appropriate when considering an equity market investment, as opposed to risk — this word being very subjective and potentially emotive. So, how much to accrue for retirement, and what kind of returns is needed?

Working with an experienced wealth manager, you can focus on a diversified plan to establish how much volatility you can live with during the investment period. To be clear, there is no return without risk; dependant on where you invest may mean being taken out of your comfort zone.

Nobody can say with any certainty what will happen in the world this or any year. The only certainty is being a year older and nearer to retirement age. Ten reminders about how you can navigate the ups and downs that 2015 will surely bring in order to ensure being nearer to your goals 12 months from now:



“Sometimes during such uncertainty, it's best to do nothing with your investment portfolio”

Trevor Webster ACSI,
Area Manager, deVere Group

deVere
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Azabu East Building, 4th Floor,
1-25-5 Higashi Azabu,
Minato-ku,
Tokyo 106-0044

Tel: +81 (0)3-3568-2745

Mobile: +81 (0)90-3403-1780

Email: trevor.webster@devere-group.com

www.devere-group.com

1. **Save more**—increase your savings every year.
2. **Spend less**—live within your means.
3. **Automate your savings**—by ‘paying yourself first’, you have to economise elsewhere.
4. **Take a long-term view**—sometimes doing nothing is best.
5. **Trade less**—will reduce costs.
6. **Take an interest in your portfolio of assets**—don't be afraid to ask the hard questions.
7. **Don't try and time the market**—the exceptions should open a hedge fund.
8. **Use your tax wrappers**—shelter your wealth from unnecessary tax where possible.
9. **Reinvest your dividends**—equity income is one of the best asset classes to hold, multiplying your returns over time.
10. **Know your outcome**—whether you're saving for retirement, university fees or that dream holiday, know why you're saving and stay in touch with your investments.

If you have postponed saving for retirement, then you should start immediately with a percentage of income set aside. If you're ahead of the game, then a review of assets may indicate how exposed you are to different share classes. With increased longevity, you need to save more — and for longer. Investing is a marathon, not a sprint. You're in the final stretch just as much at the beginning, and in December as much as in January.

The information is believed to be reliable, but is subject to change without notice. It provides an opinion, based on facts and experience, and is not to be construed as investment advice. deVere makes no representation as to the completeness or accuracy, or of any opinions expressed.

High seas

Eco Marine Power's environment-friendly ships

Text **ALLISON BETTIN**

E.E. Cummings once wrote: “for whatever we lose, it's always ourselves we find in the sea.” In today's world, that quote can take on a rather different meaning. According to an article in *The Guardian*, recent data suggests that just 15 of the world's biggest ships emit as much pollution as all of the world's cars combined. In Japan, one of the world's busiest shipping nations, that could translate into major health and environmental problems.

Luckily, Fukuoka-based technology company Eco Marine Power has come up with sophisticated eco-solutions that drastically reduce large ships' greenhouse and noxious gas emissions. “Renewable energy for shipping on a large scale is still in the early stages of development,” says Greg Atkinson, the director and chief technology officer of Eco Marine Power. “But in the last few years, lighter solar panels and better batteries mean that it is now viable to bring renewable energy into the mix of technologies ships can use to reduce emissions and fuel use.”

The firm's Aquarius Eco Ship concept is the ultimate culmination of these sustainable technological developments. Conceived in 2011, the design relies on the Aquarius Marine Renewable Energy (MRE) System, which optimises the harnessing of solar and wind power using Eco Marine Power's innovative EnergySail.

This original design (patent pending) mounts wind power devices and solar panels on rigid sails that automatically move according to weather conditions. Automation is linked to a computer control system developed jointly with KEI System, a Japanese computer technology company. Not only does this system continually position the EnergySails based on available wind and solar power, but the Aquarius Monitoring and Automation System (MAS) oversees and records on-board emissions, fuel consumption, and energy-savings for future analysis and improvement.

Atkinson says that these combined technologies could lead to a 40% reduction in fuel costs and a dramatic reduction in emissions harmful to the environment and human health. He credits part of the company's success to Japan's current push for innovative technologies. “Japan is the ideal place for our

work since it is ... one of the leading nations in terms of developing a range of technologies related to solar power, automation and energy storage, including fuel cells,” he adds.

Indeed, the majority of Eco Marine Power's partners are Japanese – such as KEI System, Teramoto Iron Works and Furukawa Battery. The solar panels, meanwhile, are provided by European energy company Solbian.

In the future, Europe will certainly play a bigger role for the company. Eco Marine Power recently announced that it will be



“IT IS NOW VIABLE TO BRING **RENEWABLE ENERGY** INTO THE MIX OF TECHNOLOGIES SHIPS CAN USE”

partnering with Blue Star Ferries of Greece to “jointly deploy and evaluate a range of innovative renewable energy-related technologies.” Blue Star's passenger and car ferries will be fitted with Solbian solar panels and Eco Marine Power's Aquarius MAS to track efficiency and

emissions, and to log the data. “We believe this is an area where the use of renewable energy makes a lot of sense,” says Atkinson, who adds that cruise ships are notorious for excessive energy consumption.

But, perhaps, the most exciting development that is being pursued by Eco Marine Power is in true Japanese style. “We are working on an unmanned surface vessel that will be powered exclusively via renewable energy called the Aquarius USV,” explains Atkinson. “This combines several of our renewable energy concepts and technologies, together with automation and some elements of robotics as well.”

For robotic ships that use clean energy and monitor their own data, leave it to Japan. 



United Kingdom

A letter from Tokugawa Ieyasu in 1613 to King James I of England commenced relations between Japan and Britain. The shogun had just seen the first formal British envoy John Saris, who had requested that trading relations begin. Today, the British Embassy Tokyo, along with the British Consulate-General in Osaka, represents the UK government in Japan. They work together to support the full range of British interests, which include building prosperity through increased trade and investment. Established in 1948, the British Chamber of Commerce in Japan supports and promotes the businesses of its members, and bolsters the UK–Japan commercial and cultural relationship.



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*Executive Director,
British Chamber of Commerce in Japan*

www.bccjapan.com

Text **MIKE DE JONG**



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Some exciting changes have been happening at the British Chamber of Commerce in Japan (BCCJ), mainly in areas regarding sport. With an eye towards the 2020 Tokyo Olympics and Paralympics, as well as the 2019 Rugby World Cup, the BCCJ recently added a new sporting event project manager. Under Executive Director Lori Henderson, the chamber has also developed a new global sporting events strategy.

Can you tell us about the new global sporting events strategy?

Our new staff member, Lee Hyon-suk, has recently been employed to help our member companies maximise opportunities related to global sporting events in Japan. Specifically, that means the Rugby World Cup in 2019 and the Tokyo 2020 Olympic and Paralympic Games. As Global Sporting Events Manager, she's been brought in to make strong connections with the organising committees for 2019 and 2020, and also to introduce the services of companies that delivered London 2012 and will deliver this year's Rugby World Cup 2015. So, really, she's acting as a bridge between the two countries on mega-sporting events.

Why is this important?

Lee is currently working closely with the British Chamber of Commerce Secretariat, our Executive Committee and the UK Trade & Investment team at the British Embassy Tokyo. The funding for her position comes from the British government; this is the very first time we've received government funding of any sort. This came as part of a programme called the Overseas Business Network Initiative, which is being rolled

out in 15 key global markets; Japan was identified as one of these. The government sees the country as offering more and more excellent export opportunities because of what is going to be happening in the next four to five years.

The BCCJ is also taking a lead role on diversity and talent pool development. Can you describe what you're doing in these areas?

This is very exciting and is one of my passions at the chamber. Over the past few years, we've worked with around thirty interns. We've found that the programme is a fantastic way to give back, and many of our interns go on to secure positions with member firms and related organisations. Also, in 2012 we started to run a series of events on diversity and inclusion, before womenomics became such a hot topic. Related to this, Gunma Prefectural Women's University asked us to give a presentation in 2013 on being a working woman in Japan. Afterwards, I talked to the professor who ran the session and agreed to explore the idea of what has now become an internship programme, connecting their students with UK business in Japan. We're in the final stages of bringing the first student to Tokyo and she should be with us by March or April.

So it's a facilitator's role between these students and British companies?

Yes. The school has asked us if we could secure five British companies that might be interested. If all goes well, we would then work to ensure that other British companies have the opportunity to work with these young women. Japanese companies – and those of

other countries – would be more than welcome to join the programme, too.

We'll be watching the Japan-EU FTA/EPA talks closely, as they head towards a 2015 deadline. Are there areas of the FTA talks of specific interest to British firms?

The age-old favourites of airlines (and pharma. For the UK, F&B [food and beverage] is also a big one, as there are so many great products that have yet to reach market because the barriers to entry are so high. There have been some success stories, but there's opportunity for more of this F&B exchange, through the removal of non-tariff barriers. More broadly speaking, issues surrounding government procurement ... how foreign companies, not just British, can get a slice of the pie. We would be seeking transparency across the board.

What would BCCJ members like to see from the Abe government this year?

I think BCCJ members, as well as the population at large, would like to see that Abenomics is not just window dressing, but that Prime Minister Abe is going to push on seriously delivering results – for business and the man and woman on the street. Regarding the promises on structural reform – for the BCCJ and for me personally – womenomics has a way to go; I would suggest that the entire corporate framework has to be reviewed. You can't simply offer an extra 200,000 nursery school places, or talk of flexible working conditions without looking at how the whole system needs to be rebooted – for men and women alike. 



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Outside directors

Do you really want the job?



Many foreign executives in Japan

have woken up to the fact that lucrative outside directorships at prestigious Japanese companies are now increasingly on offer. Such outside directorships provide wonderful opportunities for gaining insight into how Japanese companies work, networking with senior players, and generally having an invaluable window on Japanese working and social practices.

These changes are being driven by the new Japanese corporate governance code, which now mandates two outside directors on each board. Previously, these outside directors were optional.

Outside directorships in Japan pay less well than in the US, but about as well as in the UK. A ballpark figure might be ¥10 million, which is not bad for attending a monthly meeting or two.

Another advantage of outside directorships is that they can offer a haven if you have lost your job. Some executives join the boards of what were previously client companies, and use the cash and the contacts to bridge the transition to a different role.

All these factors had come to the notice of several Delphi Network members, who asked me to arrange an event on the topic. We invited several experts along, who gave us a much more realistic view of what the role entails.

An outside directorship at a company doing well is one thing. But as soon as your company starts under-performing, the workload can increase sharply. Worst of all, your company could be involved in a scandal, at which point it is possible that bailing out the company becomes almost a full-time job for an outside director.

Scandals are not unlikely at listed Japanese companies, partly because

the concept of checks-and-balances is relatively foreign. As the famous Olympus scandal in 2011 shows, slavish loyalty to powerful leaders can lead to problems. Outside directors may exist, but might be too deferential to the individual who picked them, and without the required technical knowledge. The statutory auditor – theoretically a powerful player in Japanese companies – may, in fact, be helpless because it is not legally mandatory for him to have any legal or accounting knowledge.

“
THE OUTSIDE DIRECTOR NEEDS TO BECOME AN INSIDER TO A CERTAIN DEGREE
 ”

The next thing is training. Outside directors need to understand the precise role of an outside director, and how they add value. They need to understand at least basic legal and financial constructs, as well as have an in-depth understanding of the industry. They need a sophisticated worldview, which they can share with inward-looking company directors, for example, in terms of how things work globally – as opposed to just in Japan, or being alert to a sea-change in global regulatory regimes.

There are two further things. First, they need to be able to overcome the way Japanese companies view outsiders. They will have been hired, in many cases, simply to allow the company to

tick compliance and regulatory boxes. At Olympus, one of the outside directors was a medical doctor without any true understanding of the company's business. So the outside director needs to become an insider to a certain degree, at least to the extent of being able to get crucial information, which inside directors may wish to keep away from them.

Second, they need to understand their responsibilities to shareholders, who are the ones who appoint them, and to whom they are theoretically responsible. However, this relationship should not be one of unquestioning obedience. Despite being owners, shareholders have a moral and practical responsibility to other stakeholders, especially in Japan. Further, some shareholders are predatory mischief-mongers. Hedge funds are famous for putting fierce pressure on both inside and outside directors to achieve an outcome that may only be good for the funds.

Most important, an outside director needs to have character, in the old-fashioned sense of the word. They need the guts to stand up to predatory shareholders and to crooked insiders. They need perseverance and an appetite for hard work. They need to be able to cope with a steep learning curve, and they need to be able to want to make a difference – to make the company, and the corporate world, generally a better place. Their role is essentially one of a guardian of corporate ethics. Corporate ethics are much tarnished globally, so this makes the role of the outside director all the more essential. ☺



DAN SLATER
 is director of the
 Delphi Network

IJCC 2014 Business Awards

November 20, 2014, Conrad Hotel Tokyo

Text **MIKE DE JONG** Photo **NATHAN BERRY**

What do a large Japanese bank and an independent, digital entertainment provider have

in common? They were both winners at this year's Ireland Japan Chamber of Commerce (IJCC) Business Awards.

"I am extremely honoured to be receiving this award," says Christopher Kennedy, Asia general manager for Keywords International. "And very happy that Ireland and Japan feel that we're contributing to the market and to the collaboration between those two countries."

Keywords International was named Irish Exporter of the Year to Japan at the event, attended by nearly 100 members of the Irish business community in Japan. The firm is a leader in video game localisation, testing and quality control, working with animators and game developers worldwide.

"We're a bit unique in that we're not in the mainstream. We're sort of with games and digital entertainment. But, at the same time, we feel this is an industry that is growing," says Kennedy. "It's really being empowered by other industries, such as smart phone technology, network technologies and ICT. Games are fun, games bring people together, games create adventure and engagement for people – and we, as a language service provider, are so happy to be able to take that experience and spread it to any country, anywhere in the world, and let people all over the world have that same experience."

This year's IJCC Commitment to Ireland award went to Sumitomo Mitsui

Banking Corporation (SMBC), specifically for its airline leasing division known as SMBC Aviation Capital, based in Dublin.

"When we bought this aviation leasing company two years ago from Royal Bank of Scotland, we thought that was a treasure," says Hiroshi "Mike" Minoura, vice chairman at SMBC. "Simply because the aircraft leasing company industries are growing and will grow for the next 10, 20 years because there's a huge demand. And most of the aircraft leasing businesses are stationed in Dublin.

type of company that is working out of Ireland [today].

"It shows the multi-faceted nature of Ireland," he adds. "It's got strong, solid big global companies, but it's also got smaller, dynamic and innovative companies that can tap into that creative skill set."

The chamber awards recognise firms that make outstanding contributions to Ireland-Japan business relations. This year's awards were given out in the presence of H.E. Anne Barrington, Ireland's new ambassador to Japan. Enterprise Ireland, the state agency

responsible for the internationalisation of Irish companies, was also represented. Japan director Eddie Hughes calls the winners examples of firms that are the "lifeblood of the Irish economy".

"We depend on companies like Keywords International," he continues. "And, of course, foreign direct investment from companies like Sumitomo are vital to the long-term benefit to the

Irish economy and the Irish people.

"Exporting is critical to the Irish economy because, as a small nation, we have to export our goods and services. That creates wealth in Ireland; it creates jobs and regional development – and it's very important.

"Ireland and Japan are unique," adds Keywords' Kennedy. "They're both islands. They are located close to huge economic zones; but, in spite of geographic size, they are both leaders in their zones. They are places for pioneering, for R&D, and staying ahead of the game. These are two great trampolines for the economies in these regions, where they can help each other, jump and really grow". 



"Up until now, our business has not gotten a connection with a Japanese airline," adds Minoura. "So, with the combined assets of the Irish company and the Japanese bank, we'll definitely try to make a pass-through to the Japanese airline industry. We are committed to make this line of business grow, as well to make the ties between the two countries a lot bigger."

Newly elected IJCC president Gerard Mulligan says the award winners demonstrate the wide range of Irish industries established in Japan.

"If we look at our two awardees, they represent two different types of company," says Mulligan. "They really show the dynamic and diverse nature of the

Financial Reporting//

Aiming for harmonisation

Text **GEOFF BOTTING**

The Financial Reporting Committee is an EBC newcomer. It made its debut in the 2014 white paper, with a list of recommendations for fairly technical changes in some of Japan's accounting practices.

The committee arrived on the scene at an important juncture – after Japan stepped up its commitment to converge its accounting practices with the International Financial Reporting Standards (IFRS). As the name suggests, the standards are based on the concept of global harmonisation and serve as the standard language of business activities.

"[Committee members] talk about differences between local and international accounting," says committee chairman Dirk Hermans. "And we make recommendations that represent the views of our committee members.

"The objective is not to reconcile the outcome of our discussions with the official views of the organisations we work for expressed through formal consultation processes," he adds. "[Rather], we believe committee members derive maximum value from our activities if we

Financial Reporting Key advocacy points

→ **Financial Instruments** – Further alignment is needed between J-GAAP and the IFRS on financial instruments so that equity investments are accounted for at fair value.

→ **Goodwill** – Japanese and European authorities should work together to align their accounting methods for goodwill.

→ **Vacation Accruals** – Japan should recognise employees' vacation pay that is earned but not taken, under its accounting standard.

maintain flexibility with respect to our recommendations."

Hermans considers committee members who work for accounting firms to be facilitators.

"They help members working for corporates [to] formulate views on the implications of the aforementioned

differences [between local and international accounting] for their organisations," he says.

The committee's New Year's resolution is to enlist more companies to sign up with the EBC's newest group, especially "preparers" – firms that aren't in the business of accounting or auditing.

"I hope the corporates will also take an interest in our activities, so we can have conversations on specific topics ... and get a greater diversity of views," adds Hermans.

Some such people showed up at the committee's meetings last year, and he is eager they stick around as regular members. He would also like to attract companies not yet on the radar.

"When different people from different fields come together, a lot of learning can take place," Hermans explains.

Fellow committee member Mathew Pearce agrees. "Right now we're heavy on the accounting firms, but light on the preparers," noting that three of the global "big four" auditors are represented on the committee: Deloitte Touche Tohmatsu, KPMG, and Ernst & Young.

"It would be great to have preparers, people who actually deliver accounts

“WE TARGETED THOSE AREAS WHERE WE SAW **CONVERGENCE GAPS** WITH EUROPEAN INTERNATIONAL STANDARDS”

Mathew Pearce

in their own jobs,” says Pearce, a chief financial officer. “They can bring their own view of the world.”

After all, businesses of all stripes need to conduct financial reporting.

The committee spent its first year of existence focused on writing its chapter for the EBC white paper. Hermans describes the effort as highly collaborative, with members sitting down together and bringing up a variety of ideas. In the end, the proposals were whittled down into four categories.

“We targeted those areas where we saw convergence gaps with European international standards,” Pearce explains.

One area of concern, for example, is about European-based companies with large subsidiaries in Japan. Such subsidiaries are expected to continue reporting by adhering to Japanese Generally Accepted Accounting Principles (J-GAAP), but they would also have to reconcile with the IFRS on group reporting by the parent company. The challenge would be to ensure a minimal administrative burden while operating between the two standards, yet, at the same time, provide clear reporting.

As for the IFRS, Japan had earlier made a pledge for the standards to

become mandatory. But the country’s authorities backtracked in the wake of the 2011 earthquake and tsunami. Efforts were later jump-started, prompted by Japan’s economic recovery that emerged in 2013, according to the committee.

Japanese officials are favouring a gradual move when it comes to adoption. The stance is in contrast to Europe’s, which saw a big bang approach, with all listed companies required to use the IFRS in their financial consolidation reports from 2005.

In Japan, the authorities are permitting qualified companies to use the IFRS voluntarily. The eventual goal is its wider use.

“In terms of trying to reinvigorate the economy here, having converged accounting standards can only help with that,” says Hermans. “It may not have a huge impact, but I think it would help by making Japan more attractive for investment.”

Pearce notes that Japan already has fairly high-quality accounting practices, and its authorities are participants in the global effort towards convergence. The issue of transparency, for example, was tackled long ago.

The country is now at the stage of “getting down to the finer points,” he says.

And in this process, Pearce sees the EBC committee as playing a constructive role, offering its input to authorities. He notes the danger of countries or groups with vested interests lobbying for changes during the adoption process. That’s what happened in Europe, where there were instances of certain standard “carve outs” from the international standard issued by the International Accounting Standards Board.

“Going forward, there’s always the danger [of] the direction things will go in Japan. So I think it’s important [the committee] contributes to the consultation process on new or amended standards,” Pearce continues.

International accounting standards are expected to see a lot of development in the years ahead. Members of the EBC Financial Reporting Committee will be keeping a close watch on developments in Japan, ensuring that convergence moves forward with proper alignment and in the spirit of harmonisation. 



Match maker

Recruitment specialists connect people

Text **DAVID UMEDA**

Prime Minister Shinzo Abe received a strong mandate during last December's snap election. Yet, opposition parties are looking to the April municipal and prefectural elections to build a case for their own agendas. What remains constant is the need for business leaders and a talented workforce to be in place as the nation reaches a Free Trade Agreement/Economic Partnership Agreement with Europe, and a Trans-Pacific Partnership agreement with the United States and other Trans-Pacific members.

For small to medium-sized enterprises (SMEs) based in Japan, recruitment-related firms provide invaluable services as the economy becomes more globalised.

"Key issues for many Japanese companies are to grow internationally and

how to compete effectively in more globalised markets," explains David Swan, Managing Director, Japan and Korea at Robert Walters Japan. "SMEs often don't have big HR departments and many internal recruiters, so they have difficulty finding the right candidates."

According to Paul Dupuis, Managing Director, Professionals at Randstad K.K., "it's clear that SMEs are the lifeblood of the Japanese economy. With the ageing population and declining birth-rate, many companies must expand abroad to survive."

Lanis Yarzab, Managing Director of Spring Professional Japan, believes that in order to remain competitive in an increasingly globalised business environment, "SMEs must utilise every available tool to keep up with their larger industry counterparts." One of the most effective ways of achieving this, she states, is by "hiring top talent, who then bring the necessary

knowledge and skillsets required to stay in the lead."

Swan of Robert Walters emphasises that "we're in the market every day, doing lots of daily work, so that we're able to provide professional advice, sell your company to candidates, and talk through appropriate salary levels." He adds that, in particular, "the demand for bilingual professional-focused recruitment service has been growing."

Recruitment companies serve as a reliable link. "Those with strong global presence provide SMEs invaluable access to this talent pool and market information, through their global office networks," offers Spring Professional's Yarzab.

SMEs have a strong need for what Randstad's Dupuis calls "brand ambassadors who not only tell, but 'sell' their story." He contends that a professional recruiter "should play a key role in bringing A-players to the table."



Multilingual candidates

There is an increasing demand for – and shortage of – talented multilingual resources in this market, according to Hays Japan.

“In order to fully explore the many career options this presents – and make the best short, medium and long-term decisions – it is essential to partner with a well-established recruitment consultancy,” advises Jonathan Sampson, Managing Director. “With increasing local positivity, 2015 is an excellent time for candidates to be utilising their full skillset and taking control of their careers.”

Sampson believes experts such as Hays can be the “catalyst for this actualisation”.

According to DISCO Inc., their clients’ multilingual needs are constantly increasing.

“But often, companies lack the know-how to hire true bilingual graduates

with international experience,” points out Clinton Gleave, APAC Marketing Manager, Global Business Development Group. Their Career Forums have been an effective solution, resulting in more than 7,000 companies meeting with 260,000 bilinguals over the past 28 years.

“Now with 15 annual events in eight countries, we continue expansion to achieve DISCO’s vision of creating career opportunities for every Japanese bilingual in the world,” he adds.

“As the world has grown progressively smaller, multilingual skills have become almost a necessity in the business world,” explains James Perachio, Operations Manager of Intelligence Global Search (IGS).

“These professionals are searching for new opportunities and cannot afford to miss out on any possible positions,” continues Perachio. “However, in order to ensure they receive the ‘full

disclosure’ of available positions in the market, it is essential that they work only with specialist consultants in the recruitment field – such as those working at IGS.”

As NSR Japan has observed, recent domestic problems served as a catalyst for Japan to search externally for emerging markets, such as in the Asian region as well as among the BRICs.

“In order to support growth outside Japan, many companies here are aggressively searching for – and developing their human capital, thereby placing special demands on recruitment firms to find ways on how to diversify the workforce,” points out Hiro Shinohara, CEO and President. “The key is globalisation.”

Despite advances in technology, top-of-the-line recruitment specialists take into account the human factor in securing the right match between candidate and company. [e](#)

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Jens Jensen's *kolonihave*



Danish living in rural Japan

Text **STEVE MCCLURE**
Photos **BEN MATSUNAGA**



The sun is ablaze in a crystal-clear blue sky on a beautiful early-autumn day. Lush green vegetation on a terraced hillside slopes

down to the sparkling sea. The air is clear and pure – it seems to invite you to breathe it in as deeply as you can.

A man approaches a flagpole and attaches a banner to the rope. He runs the flag up the pole, and it unfurls in the gentle breeze. It's a plain white cross that extends to the edges of a red background: it's the Danish flag, in fact, which is odd, because this isn't Denmark. The thick, semi-tropical foliage on the slope is a big clue that the homeland of the Little Mermaid is far away.

The flag-raiser is Jens Jensen, a 37-year-old Dane who has lived in Japan since 2002. Today he's holding an open house at his *kolonihave* retreat in the countryside in Kanagawa prefecture, just down the coast from Odawara.

"It's like a victory or allotment garden," says Jensen. "The idea is to get out of the city. What I'm trying to do is to give Japanese people an opportunity to go out and have fun in a small garden amid nature."





The *kolonihave* movement began in Denmark and other European countries as a way for city-dwellers of modest means to enjoy a bit of country living on weekends and holidays. They leased small plots of land in the suburbs or countryside where they planted gardens and built small cabins or sheds.

Jensen has started an NPO to spread the word in Japan about the *kolonihave* concept. A fluent Japanese-speaker, he gives lectures around the country, writes articles and books, as well as invites people to attend the monthly open-house events.

In 2007, Jensen rented a *mikan* orange farm from a landowner who was no longer cultivating the property. He set to work on clearing the land of the thick vegetation that had taken it over – no easy task, as anyone who is familiar with the stubborn, hard-to-control botany of rural Japan can attest. Once some of the land had been cleared, Jensen began planting a kitchen garden. Monkeys and wild boar wasted no time in devastating it, and since then Jensen and his family have been doing their best to keep their unwanted visitors at bay.

The centerpiece of the property is a tidy little cottage that looks as though

it has been teleported straight from a Hans Christian Andersen tale. “The house, we more or less built ourselves, with a bit of help from a local carpenter,” says Jensen.

The *kolonihave* lifestyle is a bit like camping – there’s no electricity, for example.

“We only have running water; we’re connected to the farmer’s water supply,” Jensen explains.

There’s no connection to the local sewage system, however, which explains the function of the second, smaller building on the property: a compost toilet. Instead of flushing, you throw some dry leaves and sawdust down the hole to help waste compost – all very neat and ecology-minded.

A dozen or so people have joined Jensen and his family for the open house. They’re mainly urbanites from Tokyo and Yokohama. Ben Matsunaga, 45, lives in Kamakura, just up the coast from Odawara. “I found out about this event by word of mouth,” he says, adding that he’s been inspired to start growing his own rice in a friend’s paddy.

Also spending the day here is Takuhito Sato, who runs a clothing

store in Tokyo. He and his wife, Ai, have brought along their baby girl, Yata – as well as a couple of dishes of food to share with everyone.

Ai and some other guests start laying out what soon shapes up to be a bountiful picnic on the table that takes up most of the space on the small deck adjoining Jensen’s cottage. Other guests work in the garden, help repair fences, or do other odd jobs around the property.

Jensen and his two young sons head off to a bamboo thicket to find a good piece to cut and split in half lengthwise to build a flume. Once the flume’s been made, one end of it is placed upstream from a large earthenware pot that’s used to collect water for washing and other purposes.

Soon it’s time for lunch, and everyone squeezes onto the deck and looks appreciatively at the profusion of delicious-looking dishes. It’s at times like these that the much-vaunted Japanese value of harmony – with nature and other people – is tangible. Any thoughts about the irony of a transplanted Dane being the catalyst for this back-to-the-land day are lost as everyone tucks into a delicious feast. 🍷

Job competition

Very tight market for professional talent

Bilingual specialist recruiter Robert Walters Japan recently published its Global Salary Survey 2015, a report on global and Japanese recruitment trends, as well as salary levels by role and sector.

“This is actually the 16th edition of the Robert Walters Salary Survey,” explains David Swan, Managing Director, Japan and Korea. “It has grown in terms of the number of countries, job types and industries covered; and it is now considered the most comprehensive global survey of its kind.”

A look back at 2014

There was a record number of successful hires last year.

“Economic stimulus measures by the Japanese government continued to create buoyancy within the job market,” says Swan. “Also, the Financial Services sector moved from purely replacement hires to adding some new headcount in support areas for the first time in many years, with particularly strong demand for IT business analysts and project managers.”

The Information Technology sector was especially active. Existing companies sought to grow; and within the year, several new vendor, social networking, and gaming companies entered the Japan market, seeking



everything from sales and software developers to recruitment specialists.

“Despite a temporary slowdown in hiring in the Consumer and Retail sectors,” continues Swan, “after the April consumption tax increase, overall hiring levels increased year-on-year. Demand was particularly high for junior bilingual sales, brand marketers, IT professionals, FP&A [financial planning & analysis] and controlling, and HR business partners and generalists.

“M&A activity and price adjustments in the Pharmaceutical and Medical Devices sector negatively impacted the hiring situation in these markets,” adds Swan.

Outlook for 2015

Job movers are expecting a 10% increase in salary in many sectors, due to a shortage of bilingual talent.

“We have already seen salary increases of up to 20-25% for auditors, managerial accountants, HR professionals, software developers and engineers,” points out Swan.

This trend is likely to continue.

“What Japan also has is a mismatch between in-demand and supply of skill sets,” says Swan. “Almost

50% of Japan’s job-seekers are in skill categories where there are only about 0.3 to 0.6 open jobs per job-seeker. And these



David Swan,
Managing Director - Japan & Korea

skill categories include jobs such as general admin and cleaners.”

In order to relieve manpower shortages in 2015, on the other hand, companies will need to be more flexible in their hiring criteria in areas such as language ability and educational background. Firms might see the need to recruit professionals from other sectors that best match their criteria.

“Companies with swift recruitment processes, career advancement opportunities, and training should find it easier to secure candidates in the current Japanese job market,” offers Swan.

The Robert Walters Global Salary Survey 2015 can be downloaded from www.robertwalters.co.jp/en/for-employers/salary-survey.html

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Recruiting a *Global Japan*

*Clinton Gleave
APAC Marketing Manager
DISCO Inc.*

Global Recruitment Trends

Demand for international experience and language skills has never been higher in Japan. With overall population on track to decrease by 30%, and the working population set to shrink more than 40% in just 35 years, companies are rapidly looking to expand abroad.

HR consulting firm DISCO Inc.'s annual recruitment survey to roughly 10,000 Japanese corporations shows strong need for a global workforce. Since 2012 companies recruiting Japanese nationals with international experience has doubled to 30%, while successful recruitment of internationals has exploded from 21% to 54% in corporations over 1,000 employees.

Historically Japan has been closed off to outside talent. The growing needs are causing executives country-wide to reform their recruitment strategies, creating a gap in supply.

Global Solutions

To fulfil the global workforce needs of Japan, DISCO created the world's largest Japanese-English recruitment event 29 years ago in Boston. Despite Japanese students studying

in English-speaking countries dropping by half, candidate numbers continue to rise with roughly 10,000 bilingual participants and 209 hiring companies.

The majority are Japanese nationals in top U.S. undergraduate and MBA programs, looking for internationally minded companies. Growth is due to the extremely high-quality candidates, and event-efficiency that condenses a yearlong recruitment cycle into weeks or days.

Reasons for Global Recruitment

According to the above study, along with having international experience, overseas candidates are considered to possess a more open-minded perspective and differing opinions from their domestic counterparts. In addition, language skills are required to effectively deal with overseas' clients and business partners. Japan's focus on South-East Asia is reflected with 71% of DISCO's foreigner-recruiting clients planning to hire in the region this year.

Also of note is that 76% of clients hire foreigners with the expectation that they will advance to at least management level.

While Japanese universities during the last two years focus on job hunting,

overseas universities use the last years to concentrate on the student's major(s), and offer internship programmes. The differences are finally being noticed and highly valued.

Breaking the Borders

DISCO provides a unique solution to the Japanese-English, bilingual recruitment scene. Companies in Japan are strictly bound to recruitment schedules, always starting April 1st. Unfortunately, students overseas may graduate at different times and are unable to fit into the lengthy process.

Career Forums worldwide have revolutionized Japanese new graduate recruitment. Companies are accommodating their entire recruitment schedule to make room for talented individuals. Success here has encouraged DISCO's expansion to all of Asia through customized recruitment events and specialized on-campus activities.

After helping over 7,000 clients meet with over 260,000 bilinguals in 42 years, DISCO is eagerly expanding into additional markets to ensure the world's talented Japanese bilinguals are globalizing Japan.

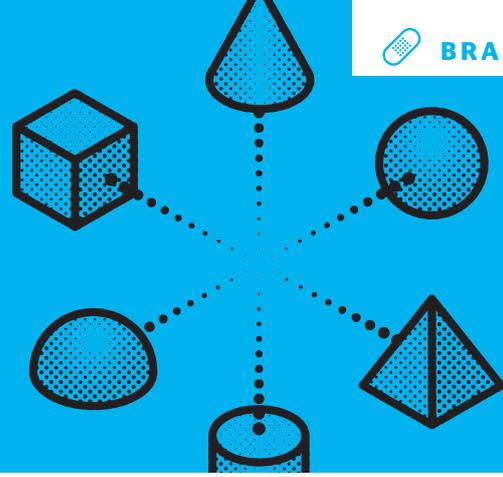
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(All above survey data is released on DISCO Inc.'s Japanese website)

DISCO

The Internet of Things

Why all the fuss?



Never heard of the Internet of Things (IoT)? Don't worry, not many have, even though the IoT is the next biggest e-phenomenon. And it might turn the way you live upside down. The 1990s gave us the World Wide Web with almost one billion people enjoying the vast array of online entertainment through fixed Internet connections. Through the 2000s and the birth of mobile technology, access to the Web doubled to two billion. In 2014, Gartner predicted that by the end of this decade, almost 26 billion devices would be connected to the Internet, as we transition from the Internet of People to the IoT.

Trusty Wikipedia defines the IoT as the "interconnection of uniquely identifiable embedded computing devices within the existing Internet Infrastructure". Great, but what does that mean? Simply put, the IoT is any device with an on/off switch that has connectivity to the Internet. The emphasis is on "any device", which can range from your handy smartphone, a web-connected fridge or any other consumable in your household with Wi-Fi or fixed connectivity. When we step outside, our thinking extends to include automobiles, commercial aircraft – and even large industrial plants.

"So what?", you say. How does this help me – or even impact my everyday living? Well, picture this scenario.

You get into your car to head to an important client meeting. As you get onto the highway, your GPS identifies that there is a bottleneck up the road due to an accident. The GPS automatically evaluates the best route to your destination and calculates that you will be eight minutes late. Your car also has access to your calendar, which sends an email to all the meeting attendees, informing them that you are running late. Now, let's just pause here and think about that ... your car automatically

connects you with your colleagues, customers or clients. And that world is on the horizon.

Now, some might see this as intrusive. So let's look at the pros and cons of what the IoT can mean for you and me, and for commercial purposes.

Goldman Sachs provides a good outline in its recent research paper, "The Internet of Things: Making sense of the next mega-trend". Similar to the profound impact the Internet has had on the economy, the report suggests that the IoT will "create new winners

“BY THE END OF THIS DECADE ... ALMOST **26 BILLION** DEVICES WILL BE CONNECTED TO THE INTERNET”

and leave in its wake a host of losers based on companies' ability to adapt to a world where things are connected". The example shared is AT&T's new revenue stream, where the firm works with various automobile manufacturers – such as GM, Audi and Volvo – to offer a 4G-enabled Connected Car service for an easily affordable fee of \$10 per month. By the end of this year, 30 of GM's 2015 models will be LTE-enabled – offering not only a Wi-Fi hotspot, but also access to OnStar for remote vehicle access, diagnostics and emergency services. Another great example is with Verizon's ability to deliver over 55 million kw/h in annual savings across its 24 data centres by deploying hundreds

of wireless-enabled sensors and control points – ultimately delivering a reduction of 66 million pounds of greenhouse gases per year. Cisco Technology estimates potential revenue of \$14.4 trillion for enterprises over the coming decade from smart devices and the IoT.

How has the IoT become possible? First, computer hardware prices have dropped significantly lately and become extremely accessible to any household. Up the ante and wireless versions are offered for almost any device. The cream is Cloud Computing, which allows any cheap/simple device to come alive merely by accessing its intelligence through the cloud. Inexpensive, affordable technology becomes a beast through Cloud connectivity.

Now, it doesn't take a rocket scientist to identify questions about security as a significant obstacle to this new and emerging world. Of most concern was a recent study completed by HP that revealed how about 70% of the most common IoT devices contain vulnerabilities, including password security, encryption and a "general lack of granular user-access permissions". As HP points out, it is "imperative for organizations to implement an end-to-end approach to identify software vulnerabilities before they are exploited".

So where does this lead us? It was just 20 years ago when cellphones hit the market and we actually had a choice of getting one or not. Not many of us can do without them today. The same could be true for the IoT in the not-too-distant future. ☺

NOEL KELAITA is regional CIO for ACE Insurance Far East.



RACK OF LAMB

The 450g of lamb, grilled in a full rack and served at the temperature you like, with a rich Cabernet sauce — and accompanied by mashed potatoes and fresh seasonal veggies. Served as chops upon request.

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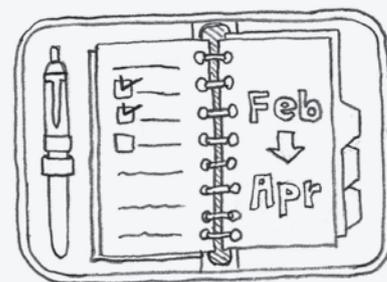
Ebina
046-292-4286

Nagoya Sakae
052-968-7800

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Upcoming events



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

www.blccj.or.jp

Monthly Beer Gathering

16 February, 16 March, 20 April, Mondays, 19:00-23:00

Venue: Belgian beer café in Tokyo

Fee: Pay for what you drink

Contact: info@blccj.or.jp

► **Ireland Japan Chamber of Commerce**

www.ijcc.jp

IJCC 3rd Thursday Networking Event

Date: 19 February, Thursday, 19:00-21:00

Venue: Slainte, Ebisu

Fee: Free (members and non-members)

Contact: secretariat@ijcc.jp

St. Patrick's Day Parade

15 March, Sunday, 13:00-15:00 (approx.)

Venue: Omotesando

Contact: secretariat@ijcc.jp

I Love Ireland Festival

15 March, Sunday, 10:00-17:00

Venue: Yoyogi Park, Shibuya

Contact: secretariat@ijcc.jp

IJCC 3rd Thursday Networking Event

16 April, Thursday, 19:00-21:00

Venue: An Solas, Yoyogi

Fee: Free (members and non-members)

Contact: secretariat@ijcc.jp

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

www.sccij.jp

SCCIJ February Luncheon

“Electric Power Generation in Japan: making sense of the changing Japanese market”

19 February, Thursday, 12:00-14:00, Tokyo

20 February, Friday, 12:00-14:00, Osaka

Speaker: Annette Bossler, managing director, Main(e) International Consulting LLC

Venue: Grand Hyatt Tokyo, Basil room; Swissôtel Nankai Osaka, Belle Vue room

Fee: ¥6,500 (members and non-members)

Contact: info@sccij.jp

► **British Chamber of Commerce in Japan**

www.bccjapan.com

“Leadership, governance and accountability – the Olympic challenge”

17 February, Tuesday, 08:00-09:30

Speaker: Lord Deighton, chief executive of the London Organising Committee of the 2012 Olympic and Paralympic Games

Venue: Shangri-La Hotel, Tokyo

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

Contact: info@bccjapan.com

► **Multi-chamber event**
BLCCJ/CCIFJ/SCCIJ*
Joint Golf Tournament

11 April, Saturday, 8:30-16:30

Venue: Hanao Country Club, Chiba

Fee: ¥21,000 (own transportation), ¥25,000 (by bus)

Contact: Respective chamber

* Belgium-Luxembourg Chamber of Commerce in Japan; French Chamber of Commerce and Industry in Japan; Swiss Chamber of Commerce and Industry in Japan

FEBRUARY

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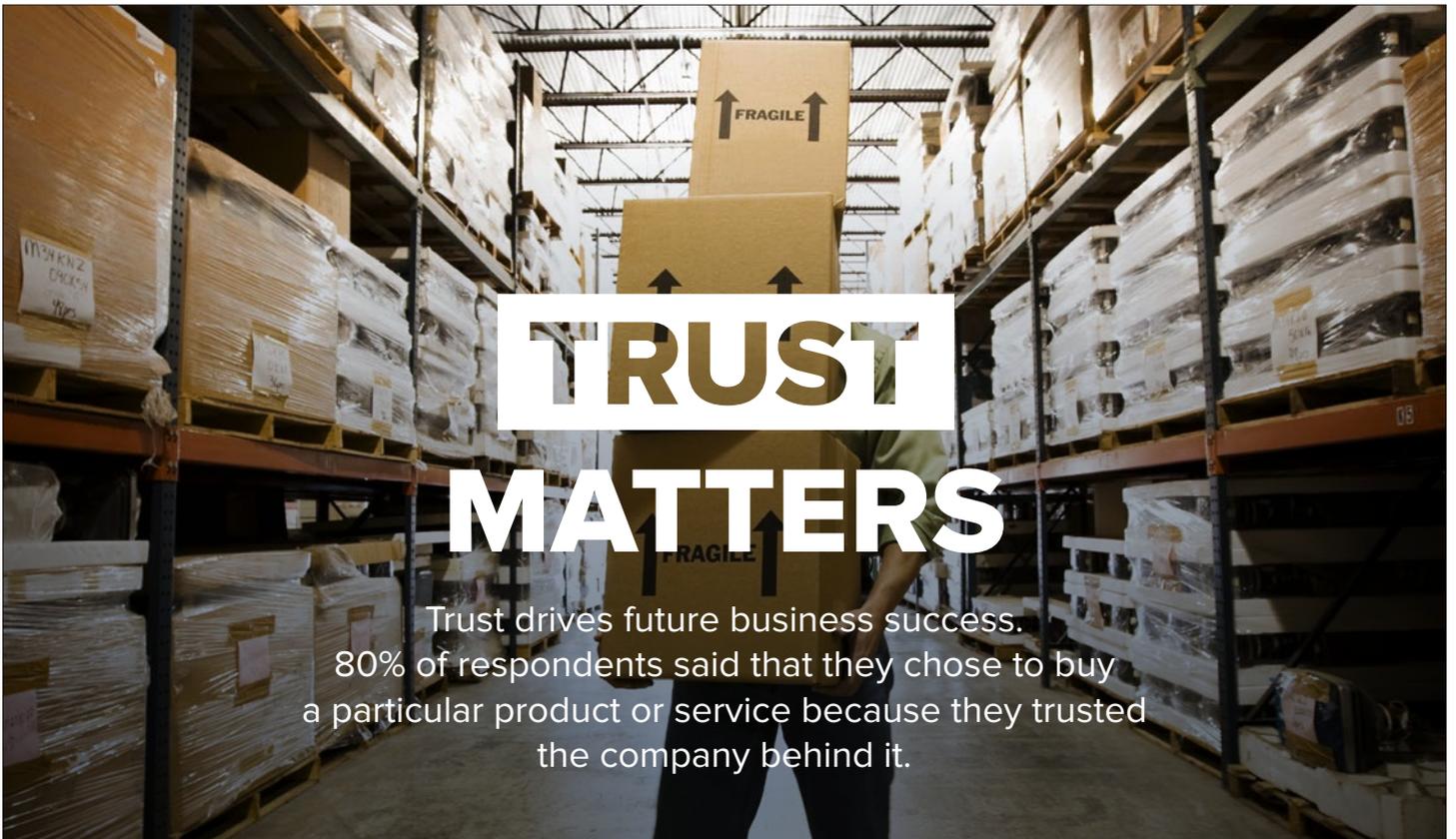
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APRIL

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Compiled by DAVID UMEDA



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Kei Sakaguchi

Managing Director of
Strategic Partnerships,
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Ken Sell

Head of school: Aoba-Japan International School

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Introducing our Market Overview and Salary Forecast for 2015

igs.inte.co.jp/en/market/

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