

EURObizZ JAPAN



Cracking the code



The Fourth Arrow -

The EBC report on the Japanese business environment, 2014

More than a handshake -

Switzerland and Japan believe in each other

Banish that bug -

Beware the hidden eyes and ears

Challenging Japan Inc. -

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European Business Council in Japan (EBC)
The European (EU) Chamber of Commerce in Japan

The EBC is the trade policy arm of the seventeen European national chambers of commerce and business associations in Japan

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

Contributors



Geoff Botting reports on the annual EBC white paper, page 8

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

is now a freelance journalist and translator, writing mainly about business, the economy and travel.

"Content-wise, the new EBC white paper features few real changes. Yet it comes at an important time – a potential "turning point" – for Japan. The central government's participation in ambitious trade talks is making it acutely aware of the need for serious reform, and that includes the kind of recommendations that have long been issued by the EBC in its white paper."

David has been in Tokyo since 2000 and writes for *The Independent*, *The Economist*, *The Irish Times* and other international publications. His co-authored book, *Strong in the Rain: Surviving Japan's Earthquake, Tsunami and Fukushima Nuclear Disaster*, telling the story of the 2011 calamity, has been widely acclaimed.

"The Japan Association of New Economy has pitted itself against so much that is unattractive about Japan: its bureaucratic inertia, cloistered corporate management



David McNeill explains JANE, creation of renegade Hiroshi Mikitani, page 27

and stifling of creative business talent. It's a fight that has ended in failure many times before – will JANE be any different?"



Steve McClure visits the European ancestors of robots, page 40

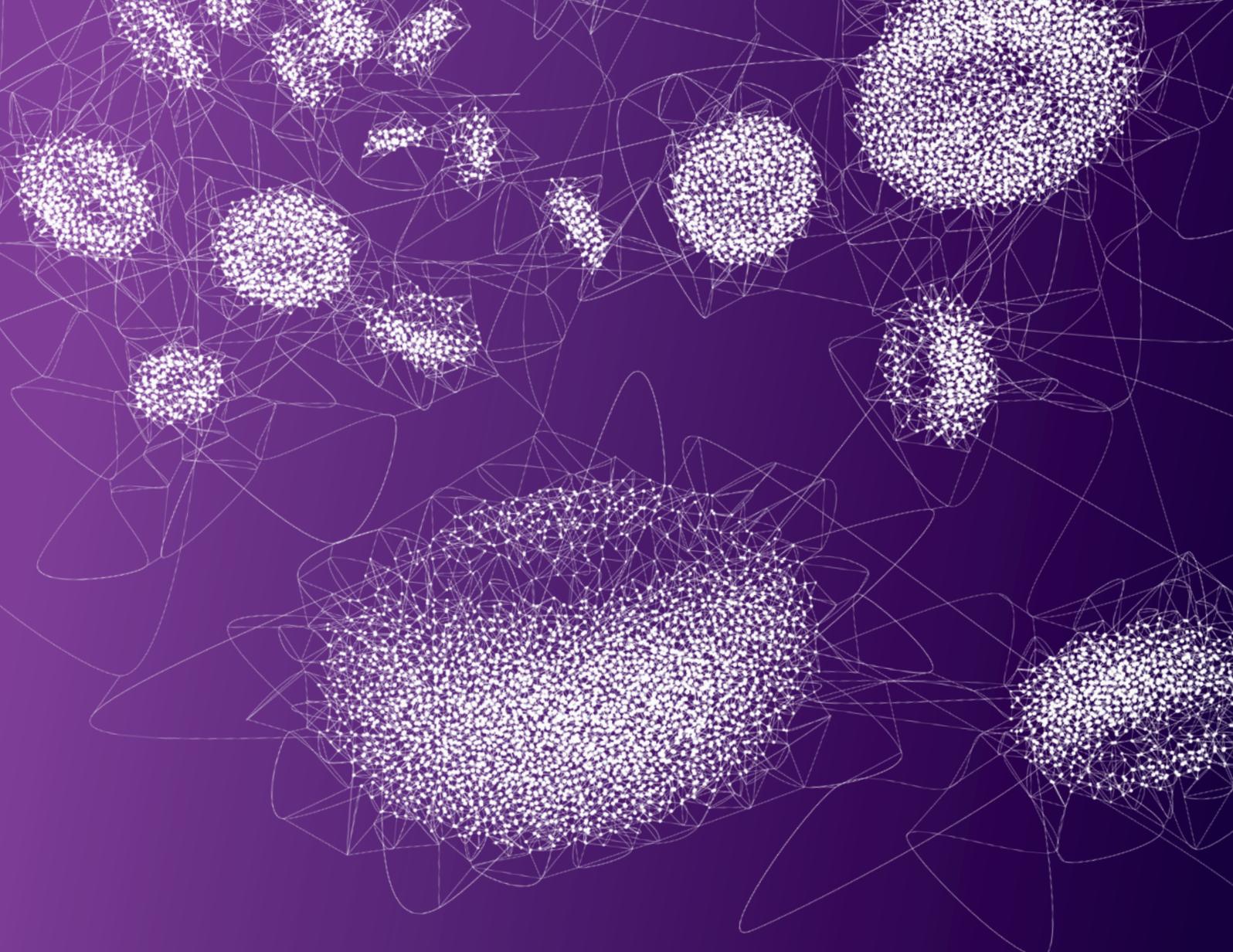
Steve is a Tokyo-based freelance journalist and broadcaster. A native of Vancouver, Canada, he has lived in Japan since 1985. Until 2008 he was Asia Bureau Chief for *Billboard* magazine. In 1998 he published "*Nippon Pop*", the first book in English on

Japanese pop music. In 2009 he launched *McClureMusic.com*, an email newsletter covering the Japanese and Asian music industries.

"I interviewed Yukio Nosaka, operator of the Nosaka Automata Museum, at the Tokyo office of his trading company, World Corporation. A generic company name if ever there was one, but oddly apt, as it turned out. The avuncular Nosaka-san opened the door to what for me was a completely new world of magical automata from Europe's past."

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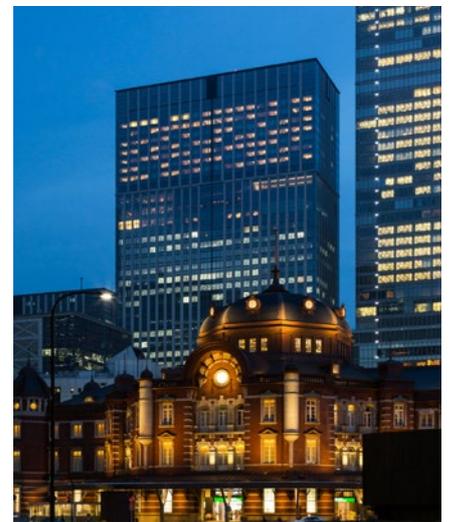


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Thank you

It has been an exciting, rewarding two-and-a-bit years at EURObiZ Japan, but all good things must end and now it is time to say thank you and goodbye.

To the writers and photographers, thank you for contributions of consistently outstanding quality. I would ask readers to acknowledge Geoff Botting for bringing a long string of In Committee reports to life. Alena Eckelmann brought us her expertise in several fields, including travel, Japanese culture and eco-friendly products and services. Gavin Blair has been a stalwart, tackling a broad range of subjects and formats with energy and flair. Other text contributors I will have to meet and thank in person. When it comes to photographers, where would we be without Benjamin Parks, a true professional combining a perfect blend of technical competence, artistic instinct and eye for detail.

My thanks go also to EBC members who generously put time and effort into responding to interview requests. This is a very long list, so it would be quite inappropriate to single out a few. What I have found remarkable about the corporate leaders who comprise the EBC, though, is their depth of understanding about Japan. Many have a commitment to our host nation that goes far beyond the requirements of their corporate role. This bodes well for future EU-Japan relations.

Special thanks go to those extraordinary characters who appeared in the EBC Personality section. Danny Risberg set aside a morning so we could capture the image of him fly-fishing in a rocky mountain stream outside Tokyo. Several others went to considerable lengths so we could present something more interesting than the regulation executive suit. Most, in addition, were as

forthcoming as if our readership comprised their extended family.

Heartfelt thanks to outgoing EBC Chairman Duco Delgorge, whose sage advice, encouragement and support have been invaluable. Thanks Duco, for always responding quickly and generously.

The same goes for the indefatigable Alison Murray and Bjorn Kongstad, who have offered a highly efficient and enjoyable collaboration.

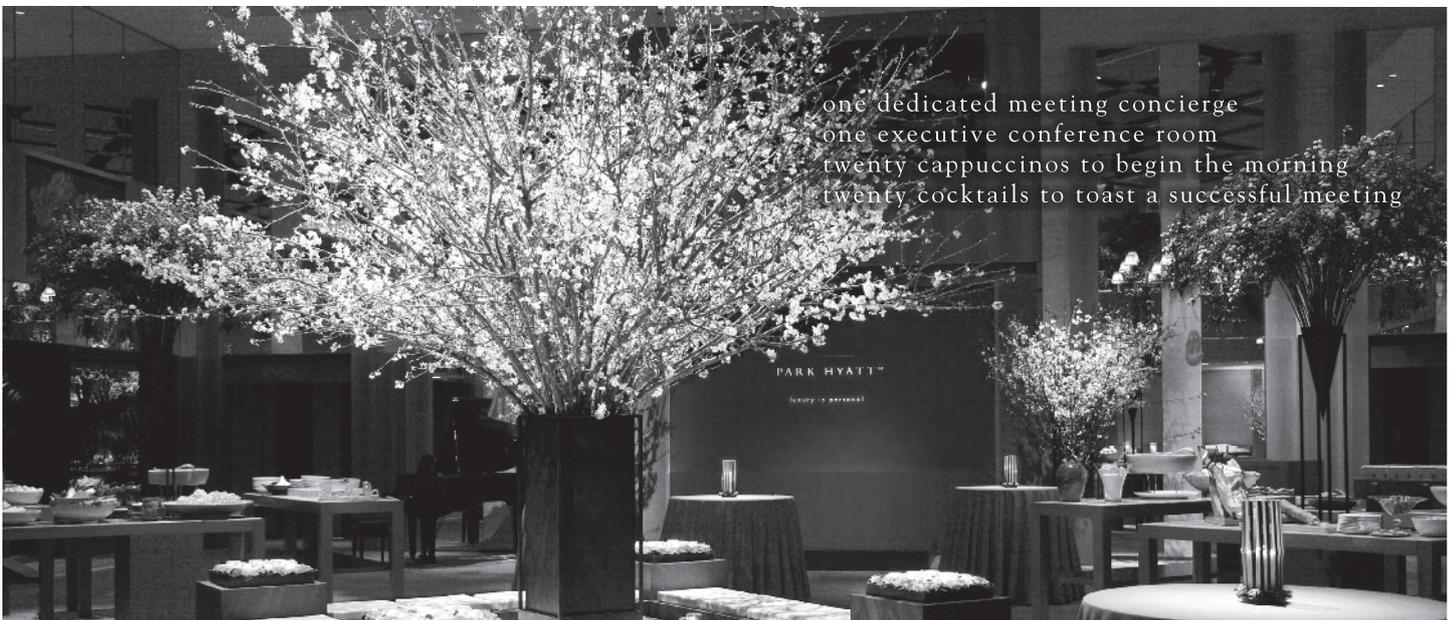
With a final grateful salute to many personal friends throughout the EBC community, I leave *EURObiZ Japan* in the highly capable hands of Mike de Jong. Thank you, Mike! 

David C Hulme
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The Fourth Arrow

The EBC report on the Japanese business environment, 2014

Text **GEOFF BOTTING**

“Japan is at a turning point.”

How often have we heard this before? Quite regularly throughout Japan’s modern history, commentators have proclaimed Japan’s figurative “turning point”, a time when meaningful change was imminent. Sometimes it was true, but mostly the expectations and optimism proved to be overblown, or were dashed after Japan settled for business as usual.

As we enter 2014, are we at a bona-fide turning point? The EBC believes Japan could well be at the cusp of something big. Not only does the domestic economy seem to be awakening from a 20-year slumber, but also the government is tackling reform through the “third arrow” of Abenomics.

The third of Prime Minister Shinzo Abe’s three arrows is touted as a growth strategy. The initiative coincides with the nation’s participation in negotiations for the EU-Japan free trade/economic partnership agreement (FT/EPA) and the Trans-Pacific Partnership (TPP). Both are aimed at liberalising trade, and are putting pressure on the government to legislate further economic reform.

“Japan has never been more likely than now to change its regulations and become more open,” says Alison Murray, executive director of the EBC Secretariat.

The title of the EBC white paper 2013 reflects all this: *The Fourth Arrow: The EBC Report on the Japanese Business Environment*.

The EBC defines the fourth arrow as

the multitude of advocacy points raised in its white paper’s 101 pages, which it argues are bolder and more likely to produce effective results than the reform measures contained in Abenomics.

“We’re calling the paper the ‘Fourth Arrow’ because we’re giving [the Abe administration] really specific strategies to make a real difference, to allow more foreign direct investment, and allow more foreign companies to operate in Japan,” Murray says.

As Michel Theoval, senior vice chairman of the EBC, notes: “Different trade issues happen during different years with us, but there are also some ‘permanent’ issues that still need answers from the Japanese side. The reason that this is such a thick paper is that many of the questions have not been answered yet.”

So why a white “paper” in this digital age?

“If you are having discussions or negotiations, it’s much handier to have something on paper than with digital means, which are still too cumbersome for free-wheeling discussions,” Theoval says. “For working purposes, paper still has a role to play.”

A potential turning point that looms for the EBC is the FT/EPA now being negotiated. The white paper will roll off the presses not long before a critical progress review slated for April – one year following the launch of negotiations in 2013.

Another factor impacting Japan’s economy is increasing strain from a

rapidly ageing society and greater global competition in its traditionally vibrant industries, such as electronics. The EBC argues that its recommendations, on the whole, can help Japan deal with these challenges, resulting in a win-win proposition for both.

As more Japanese retire, many are expected to turn to the private sector for products that supplement their state pensions and national health insurance. Cancer insurance, for instance, can enhance financial security and improve the quality of life.

“In an ageing society, insurers are expected to give more satisfying service,” says Kazutaka Matsuda, who chairs the EBC Insurance Committee, which lists six key issues and recommendations, up from four in the previous white paper. One observation remains unchanged year after year, however: Japan Post reform.

The state-owned enterprise that includes Japan Post Insurance is said to be the world’s biggest financial institution. Japan Post Holdings (JPH) is scheduled for privatisation in 2015, but meanwhile enjoys preferential treatment, much to the frustration of committee members, not to mention Japan’s own private insurance providers.

A glimmer of hope seemed to arrive this past summer when JPH and American Family Life Insurance Co. (Aflac) announced a deal whereby the latter would sell its cancer insurance products in thousands of post offices



“THE AUTOMOBILE INDUSTRY HAS **STRATEGIC IMPORTANCE** TO THE JAPANESE ECONOMY”

Anthony Millington



“THERE ARE ALSO SOME ‘PERMANENT’ ISSUES THAT **STILL NEED ANSWERS** FROM THE JAPANESE SIDE”

Michel Theoval

nationwide. Though long calling for such rights, the committee views the Aflac deal with guarded optimism, stressing that JPH still needs to comply with its obligations under the World Trade Organization (WTO), which call for all market players to be given equal treatment.

“As long as the government has a major stake in the Japan Post, nothing will change in terms of competition,” Matsuda says.

Another key affected industry, and one whose importance will grow, is healthcare. The EBC Medical Equipment Committee considers the revision last November to the Pharmaceutical Affairs Law (PAL) as a huge potential leap forward. Touching on several issues the committee has been advocating for many years, there is a greater harmonisation of the quality management system (QMS), for example.

“At the EBC, we have been very happy about the revision because we’ve been communicating with the Japanese government for a long time with the same message, and many of the issues are in the PAL revision. Now we know that the Japanese government is working on them,” says Izumi Hamada, secretary-general of the committee.

With the legal revision completed, the real work is getting underway, she adds. “PAL is just a law, and it presents a big picture that doesn’t really tell us what’s going on,” she explains. Committee members are now participating in

working groups with the Ministry of Health, Labour and Welfare to work out the specific legal details, a task expected to continue until November 2014.

“This year is going to be really important for us,” Hamada says.

European automakers in Japan recently have experienced an improved economy. In the first 11 months of 2013, the number of vehicles sold here that were made by members of the EBC Automobile Committee rose 17% to 234,000 units, even while the domestic market as a whole declined by 2%.

“It’s largely the result of the wealth effect, of higher stock prices,” explains committee chairman Anthony Millington. “European products tend to be premium products.”

Even so, the committee views the sales expansion as having mixed results. The fall of the yen against the euro during that period has meant less revenue after Japanese sales figures are converted to euros.

One of the Automobile Committee’s main issues has been about taxes – arguing that Japanese motorists are among the most heavily taxed in the world. A particular bone of contention – not just for foreign automakers but also for Japanese brands – is the Automobile Acquisition Tax, levied when vehicles are purchased. Cars are the only consumer products in Japan that incur a consumption tax and an acquisition tax, Millington points out.

“The automobile industry argues

that it’s an anachronistic tax. It was introduced at a time when a car was regarded as a luxury,” he says.

The committee, along with Japan’s industry as a whole, has been calling for the scheduled rise in April of the consumption tax, from 5% to 8%, to provide an opportunity to reduce the acquisition tax by an equivalent amount.

They appear to have their wish. On 12 December, the government and ruling bloc announced an agreement to lower the acquisition tax for private cars from 5% to 3%, and to raise taxes on minicars, a uniquely Japanese class of car that has enjoyed preferential tax treatment.

“The automobile industry has strategic importance to the Japanese economy. If Abenomics is going to work, wages have got to start rising, and the only way that is going to happen is if the key industries in Japan continue to be able to operate in a profitable manner,” Millington explains. “Eliminating the acquisition tax will bolster sales of automobiles in Japan and stimulate the economy.”

The EBC’s four-decade battle to reduce Japan’s barriers to business and trade has been harsh – and too-often disappointing. But now, with Japan acutely aware of the significance in opening up its economy more – as the nation grapples with a demographic pinch and rapid economic globalisation – the situation for foreign trade and commerce does appear more promising. 



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The Fourth Arrow – Gauging the mood

Update on FTA/EPA negotiations

Text **GEOFF BOTTING**

As the April deadline approaches for a one-year EU review of negotiations on the free trade agreement (FTA)/economic partnership agreement (EPA) between the European Union (EU) and Japan, stakeholders are focusing sharply on the state of progress. Are the main issues being resolved? Do serious stumbling blocks remain? Is the ambitious FTA/EPA heading for success or failure?

To shed some light on these questions, the EBC and the Netherlands Chamber of Commerce in Japan held a Year End Update on 10 December. Taking the podium were the EU ambassador to Japan, Hans Dietmar Schweisgut; head of Trade at the Delegation of the EU to Japan Timo Hammaren; and EBC chairman Duco Delgorge. The tone was upbeat, although the speakers also stressed that some challenging issues remain.

“I would say, yes, relations are on the right track,” Schweisgut told the audience at the Delegation of the European Union to Japan’s Europa House.

Hammaren concluded his talk by stating: “We do remain optimistic. So far the Japanese government has delivered on its commitments in a satisfying manner.”

Delgorge focused his comments on the EBC, while underlining the importance of the EU-Japan relationship – between the world’s largest and fourth-largest economies – which together account for a third of global economic activity.

“The Europe-Japan relationship is vital ... not only to the two regions, but for the whole world,” he said.

Three rounds of negotiations have taken place since April 2013. After one year, the European Council is to decide



“SO FAR THE JAPANESE GOVERNMENT HAS **DELIVERED ON ITS COMMITMENTS** IN A SATISFYING MANNER”

Timo Hammaren

whether to continue the process or to “pull the plug” if Japan has failed to show sufficient willingness to remove non-tariff barriers (NTBs) and to tackle issues such as government procurement. The next round starts in late January.

“The effort we have devoted is quite substantial, and we are in constant contact with our Japanese partners between formal negotiation rounds as well,” Hammaren explained.

Both Hammaren and Schweisgut believe the Japanese side is eager to see the FTA succeed. According to Schweisgut, Japan is driven by concern that failure to strike a deal would put its key industries at risk in the European market. The EU ambassador explained that Japan was galvanised by the realisation that the EU had already negotiated an FTA with South Korea, effective July 2011.

“They realised that this would change the competitive situation, mostly in the car sector, but also for electronic goods, where we still maintain tariffs of 10%

and 14%, respectively, on goods from Japan,” he said.

The Japanese side wants those tariffs removed. The EU wants, in exchange, for Japan to make significant progress in removing its NTBs.

“The elimination of [the NTBs] is crucial to getting a level playing field for European businesses in the Japanese market,” Hammaren said. “The effort needed to dismantle these barriers and future ones is substantial, but it is definitely worth it for the benefits to both sides.”

The problem areas mentioned by the head of trade encompassed the agriculture, liquor and railway sectors.

“We have talked clearly to our Japanese partners [and explained] that we cannot accept the logic whereby Japan has a number of sensitive agricultural products,” Hammaren said.

The last part of the event was a presentation by Delgorge.

“This is an important relationship, but one with unfulfilled potential,” he said. ☺

What do employees expect for 2014?

According to the results of a quarterly survey, Randstad Workmonitor, there is an optimistic view held by business professionals in Japan. About 40% of survey respondents showed expectation of improvement in the country's business for 2014, whereas only 15.4% responded positively at the end of 2012. Compared to the global average, 47% in 2012 and 49% in 2013, the Japanese businessperson shows significant confidence about market growth in 2013.

However, the expectation of a salary increase is still at the same level as a year before. So, is the average Japanese businessperson not so convinced about promotion and salary hikes despite this optimistic market trend?

When analysed in combination with other survey results, there's an interesting trend in the job changer's motivation. Out of those who changed jobs in the six months prior to the survey, almost half of the respondents answered that the

reason was to look for better employment conditions – which was the highest score since 2010, and 20 points up compared to a year before. Also, the personal desire for a job change, the third reason, was up by about 15% compared to a year before.

The trend shows a shift in people's mindset; they are taking action to look for a better career opportunity rather than waiting for any 2014 salary hike in the current position – reflecting the optimistic economic situation. Those are the high-performing talents who patiently waited during the economic stagnation – despite their will to make a career move. Although many companies' management (and the media) are discussing pay-raise planning and possible bonus increases in fiscal year 2014, there might be a shortfall if only comparing one's own organisational situation to a year before. The market is changing, and the eyes of high performers are focused on better opportunities both inside and outside of their organisation.



“The trend shows a shift in people's mindset”

Marcel Wiggers

“The survey result reveals the increasing activity in the job market. This trend also applies to the hiring side,” says Marcel Wiggers, CEO of Randstad in Japan. “The job orders we receive from our client companies are also booming – 50%-plus compared to a year before. On the one hand, the hiring process of companies seems not to be up to speed for them to benefit fully from the increased mobility of high performers in the market. The strong growth, nonetheless, is expected to continue – encouraging people to seek better opportunities. Further acceleration will take place in the first quarter of 2014.”

Randstad Workmonitor is the quarterly online survey conducted among employed workers aged 18-65. The 4th wave of 2013 was conducted between 25 October and 12 November in 32 countries.

The reasons for the job change – 2012/2013 4th quarter results comparison

	2012 Q4 (%)	2013 Q4 (%)
Better employment conditions	25.7	46.0
Personal circumstances	25.7	32.9
Personal desire for change	6.6	21.4
Organisational circumstances	31.1	21.3
Dissatisfaction with employer	15.2	14.6
Personal ambition in the topical field	15.8	14.1
Personal ambition in the management field	12.1	12.5
Dissatisfaction of employer with me	0.0	4.4

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Threatening the balance

When Abenomics gives way to Abeism

A couple of Delphi Network members recently asked me for some thoughts they could include in their end-of-year party speeches. As I dashed off some comments, it struck me that some good things had happened in Japan in 2013. Winning the 2020 Olympics bid shows Japan can hold its own internationally against highly motivated competitors. Winning the 2019 Rugby World Cup was a nice bonus. Japan also got Mt Fuji designated as a World Heritage Site; and just recently, Japanese food was given UNESCO Heritage status.

These are admittedly trophy awards that don't say too much about the state of the nation. Mt Fuji was almost intolerably crowded even before the latest award. I have climbed it at night, following in the torch-lit footsteps of literally thousands of other climbers. The Olympics has already been marred by plans for a gigantic stadium in one of the pleasantest green oases in Tokyo, around Gaien and Shinanomachi. The food award, only the second after the cuisine of France, is apparently a response to fears that Japan is following the route of other nations' bland, unhealthy diets.

These are the kinds of awards, I suppose, that advocates of Japan becoming like other nations would approve of. They show that Japan is responsive to global fashions and flows.

There were more substantive developments. You can't blame the PM for Abenomics. These days, every party in power is mandated to improve living standards. In a few years' time, I suspect Abenomics will be regarded as another second-rate effort from politicians and bureaucrats.

But the PM was "saving the best until last", namely the new secrets bill. I'm

not sure the new secrets bill is quite as damaging as many of its critics say it is. My own country, the UK, has a shocking record of covering up embarrassing information for decades after anybody involved has already died. We learnt only in 2000, for example, that one Scottish aristocrat (an expert naval aviator) was spying for the Japanese even after war had been declared in 1941. But because of his establishment connections he was never arrested, and he died with all his honours intact in the 1960s.

Still, the bill shows that Abe is deadly serious about his ideological agenda. As one researcher puts it, "Abeism" has taken over from "Abenomics" surprisingly quickly. In other words, the economy has already been neglected in favour of making political changes that were not really necessary. The lesson of 3/11 is that Japan needs more openness and more vigorous debate leading to more imaginative policies. The feeling that Fukushima and the rebuilding of Tohoku have not seen any breakthroughs shows that this has not yet taken place. The new bill will not help.

I do blame the LDP and Abe for the troubles with China over the disputed islands. Let's not forget who initially caused the spat with China to get out of hand: none other than the governor of Tokyo, Shintaro Ishihara. Prime Minister Yoshihiko Noda had little choice but to nationalise the islands, because after Ishihara had bought them from their private-sector owner, the risk of Ishihara doing something really inflammatory was too high. China reacted furiously to this nationalisation, which was clearly a change to the status quo, even if Noda's hand had been forced.

All in all, it's not a pretty picture. I strongly approve of Japan today, built

“WITH ANY LUCK
THE **GENIUS OF THE
JAPANESE PEOPLE**
WILL PREVENT
THINGS FROM
GETTING OUT OF
HAND”

on a weird mix of government centralisation, muted individualism, an elite bureaucracy, a well-regulated economy, a docile and hard-working population and a certain sense of solidarity. It's in essence the 1930s political and economic model, but stripped of the xenophobia, militarism, fascism and secret police.

Abe is threatening that delicate balance. He wants to instill all kinds of nonsensical political theories and pseudo nationalism back into the political discourse. I don't think Abe is a true democrat or a true economic liberal. He's a throwback to a very dark part of Japanese history.

That still leaves Japan as the best place to live and work in Asia. With any luck the genius of the Japanese people will prevent things from getting out of hand. I'm delighted to see that Abe's poll ratings are already tumbling. Long may this continue! ☺



DAN SLATER
is director of the
Delphi Network



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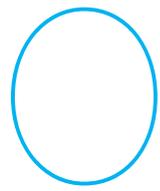

SWISS GOURMET BAKERY



More than a handshake

Switzerland and Japan believe in each other

Text **DAVID UMEDA**



Over a span of 150 years and reflecting their deep friendship, Switzerland and Japan have forged landmark bilateral agreements.

These include the 1864 Treaty of Amity and Trade, and the 2009 Free Trade and Economic Partnership Agreement (FTEPA). The latter contains substantive provisions, such as the liberalisation of trade in industrial products, regarding select processed and basic agricultural products. In addition, it eases the rules of origin and customs procedures, as well as facilitates trade and provisions relating to non-tariff barriers. Other stipulations relate to trade in services, the movement of natural persons for business purposes, establishment and protection of investments, protection of intellectual property, promotion and facilitation of electronic commerce, provisions in the field of competition, and promotion of a closer economic

relationship.

The results have been profound, since Japan represents the fourth-largest export market for Switzerland, behind the EU, the United States and China. According to the Swiss Chamber of Commerce and Industry in Japan (SCCIJ), in 2012 Swiss exports to Japan increased 6.1% over the previous year to CHF6,485 million, after having fallen 2.9% in 2011 (the year of the triple disaster in Tohoku).

Swiss exports have included pharmaceuticals (41.1% of total exports), watches (15.6%), chemicals (8.7%), medical devices (8.3%) and machinery (6.9%). Meanwhile, Swiss imports from Japan were valued at CHF3,790 million in 2012, and included vehicles (22.6%), precious metals (18.0%), pharmaceutical products (15.0%), and machinery (11.8%).

The SCCIJ, founded in 1981, counts among its members some of the biggest Swiss multinationals, as well as many

small and medium-sized companies – what the chamber terms “hidden champions”.

In looking to the future, Martin Fluck, chamber president, says the SCCIJ was very happy for Japan when Tokyo was awarded the 2020 Olympic Games. “The Games will become a catalyst for regeneration, growth and optimism across Japan,” he adds. “With this optimistic outlook, there also should be more investment by Swiss companies into Japan. The future is bright until 2020 and beyond.”

Syngenta Japan’s Good Growth Plan has six important commitments related to addressing major food security and sustainability challenges by 2020.

“We would like to work in partnership with federal cooperatives, retailers, farmers, governments, NGOs and others to support growers in becoming as efficient and productive as possible through labour-saving technologies and high-quality agriculture produce,”



150



Anniversary of Diplomatic Relations between Switzerland and Japan

日本・スイス国交樹立記念



Message from the Swiss Ambassador to Japan

The year 2014 will mark a new chapter in our history of friendship with Japan, as we celebrate the 150th anniversary of the establishment of diplomatic relations. Since the signing of the Treaty of Amity and Commerce on 6 February, 1864, close bonds have steadily developed between our two countries in the fields of economics, international relations, science and technology, and culture.

Economic relations remain an important pillar of exchange. What started with the trade of watches, machinery and textiles paved the way to extensive and fruitful exchanges in a variety of goods. In 2009, Switzerland became the first European country to sign a Free Trade and Economic Partnership Agreement (FTEPA) with Japan. Japan is today the fourth most important trading partner of Switzerland. Our cooperation in the field of education, research and innovation is also very important. Japan remains our most important research partner in Asia.

This milestone is an auspicious opportunity to underscore the extent and the strength of our bilateral relationship. The anniversary will be marked in both countries with a series of outstanding events and a number of high-level political visits. In Japan, the celebrations will begin with the official launch event, SWISSDAYS, a multi-faceted four-day event to be held in Roppongi Hills. I am very much looking forward to celebrating this significant year with the people of Japan.

Urs Bucher
Ambassador



explains Stephan Titze, territory head, North East Asia for Syngenta. “Paying close attention to Japan’s food value chain, we take an integrated approach that is in sync with government policy.”

Also looking ahead to 2020, Dr Peter A Kaemmerer, president of DKSH Japan, says that “to keep investing in people is very important and challenging in our continuously changing business environment”. DKSH is the leading market expansion services group with a focus on Asia. Another challenge for the company is identifying new business arenas. “This is a never-ending challenge, which has defined our company’s uninterrupted presence in Japan since our foundation in 1865,” he adds.

UBS Japan Securities is especially excited about future developments over the next five years. “UBS believes the Japanese economy is poised for solid growth in the years ahead. Should Japan follow through on plans for structural reforms, our group is well positioned to expand its presence and client offerings in this exciting market,” explains Jason Kendy, head of Corporate Communications. “We believe that wealthy individuals, investors and corporations in Japan will increasingly seek to tap the capabilities of full-service financial institutions like ours, as they access global markets and build in sustainable growth.”

Swissôtel Hotels & Resorts sees the Asia Pacific as a region with significant growth potential. “Leveraging our distinct brand of service excellence, combining Swiss hospitality with contemporary design, we will continue to establish a presence in popular gateway destinations and city centres,” says Christian Schaufelbühl, general manager, Swissôtel Nankai Osaka.

The company’s hotels that commenced operation in 2013 include the

Swissôtel Sochi Krasnaya Polyana and Swissôtel Sochi Kamelia Beach, both in Russia. Then, in the pipeline for 2014 are Swissôtel Changsha and Swissôtel Chengdu in China; and Swissôtel Bodrum Beach and Swissôtel Bodrum City Hills in Turkey.

ABB has been present in the Japan market for over a century. “For us, the most interesting developments are the restructuring of the power sector, the renewables boom starting with solar [power] in 2013, a move to wind [power], and the drive by government and industry to improve [power-related] efficiency,” says Tony Zeitoun, the firm’s president, representative director and country manager. “With rich experience, state-of-the-art technology and the right portfolio, ABB is well positioned in Japan to play a strong role to support the country in meeting these exciting challenges.”

Baked goods maker HIESTAND considers itself a young organisation, having a presence of only some 15 years in Japan. “A lot will take shape in the coming years,” explains Oliver Ryf, managing director. They have built up a healthy business with their frozen bakery category in the food service sector. “Over the next five years we aim to expand our footprint through strong partnerships with Japanese producers of frozen baked goods and sweets”, he adds, “with the objective to broaden and improve what we offer to customers across all the food channels.”

Python & Peter, founded in Geneva in 1981, was able to accentuate its already close links to Asia in 1998, when it opened, in Tokyo, the first Swiss law firm to be accredited by the Tokyo Bar. The firm is appreciated for its independence, creativity and entrepreneurship, and its guiding principles of high quality, efficiency, responsiveness and flexibility.

“THERE SHOULD BE ALSO MORE INVESTMENTS OF SWISS COMPANIES INTO JAPAN”

Martin Fluck



Actelion revolutionised treatment of pulmonary arterial hypertension (PAH) with its prescription medication Tracleer. “We are now set to again transform the lives of patients with PAH,” explains Dr Satoshi Tanaka, president and representative director of Actelion Pharmaceuticals Japan. “We have tailored a new product to treat this devastating disease, and are working diligently to make this product available globally.”

Nestlé’s premium portioned coffee brand Nespresso has experienced double-digit growth for several years in Japan, and still has a large potential in this market. “In order to seize the numerous opportunities, we will develop our digital activities, such as mobile applications and Internet-exclusive services,” points out Loic Rethoré, president and representative director at Nespresso Japan.

“As a matter of fact, our customers can already buy online, 24 hours a day, on our Nespresso.com and receive their order the following day or another day they choose – thanks to our service called ‘Nespresso Your Time’” explains Rethoré.

Since its foundation in 1856, Credit Suisse has been setting new standards in service and advice. “We also have grown our expertise and created intelligent solutions in response to changing client needs as a leading global provider of financial services,” says Martin Keeble, CEO of Credit Suisse Japan.

It was one of the first financial institutions to enter the Japanese market – acting as sole underwriter for the first

post-war overseas bond offering by the Japanese government in 1959. “Today, as an integrated bank, we provide a holistic offering across private banking and wealth management, and investment banking,” he adds.

In connection with operations in Japan, consulting firm CH Projects Management focuses mainly on small and medium-sized companies from Europe, China, India and the United States. It aims to develop long-term, close relationships by offering flexible, tailor-made solutions in English, Japanese, French and German.

Modular furniture systems maker USM, founded in 1885, established its Japan operations in 2008, having first been introduced to the market here by its distributor back in 1983. “The next five years, beginning in 2014, is the second phase for further growth in the Japanese market,” says Yuriko Akiyama, representative director and president of USM U. Schaerer Sons K.K., adding that plans are afoot to launch a new product to supplement the USM Haller System in the near future.

The contest held toward the end of 2013 to choose the logo to mark the 150th anniversary of Swiss-Japan relations attracted 232 entries – 136 from Japan and 96 from Switzerland. The winning logo is by Zurich-based graphic designer Francesca Porro, 37. According to the jury, “The design won the day because the graphic elements clearly stressed the main values of the anniversary – the close links of friendship between the two countries”. The Embassy of Switzerland in Japan

has also appointed six friendship ambassadors.

“I was born [in 1992] in Switzerland, of a Swiss mother and a Japanese father,” says TV personality Christine Haruka. “I feel like both countries are my ‘home’. Although Switzerland and Japan are geographically far apart, I think they have a lot in common.”

Friendship ambassador Tadateru Konoe currently serves as the president of the Japanese Red Cross Society, the International Federation of Red Cross and Red Crescent Societies in Geneva, and the Japan-Swiss Society. “I have devoted my life to humanitarian missions of the movement. Switzerland, where I have lived with my family for eight years, is my other home country.”

SWISSDAYS, organised by the SCCIJ and the Embassy of Switzerland in Tokyo, is the official multifaceted event that is launching the anniversary celebrations this year in Japan. From 6-9 February, at the Roppongi Hills Arena there will be live performances by renowned Swiss artists; Swiss gastronomic treats; a 3D-mapping projection of Switzerland; booths showcasing Swiss products; and a demonstration of Swiss wrestling, called Schwingen.

“In 2014, Switzerland and Japan will celebrate 150 years of diplomatic relations and friendship with many outstanding events taking place,” points out Fluck. The year-long programme (updates at <http://swiss150.jp>) aims to highlight the values shared by Japan and Switzerland as they deepen their ties of friendship, according to the embassy.

Let the celebration begin. 



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

Email: info@sccij.jp

www.sccij.jp

The Swiss Chamber of Commerce and Industry in Japan (SCCIJ) aims to serve Swiss companies doing business in Japan and Japanese companies interested in dealing with Switzerland by offering practical services and organising networking opportunities. The SCCIJ was founded on 29 September 1981 and officially approved by the Japanese Ministry of International Trade and Industry (now, METI) on 25 February 1982.

We join in celebrating 150 years of diplomatic ties between Switzerland and Japan.

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私たちはどのようにして

増加の一途をたどる世界の人口を

養うことができるでしょうか？

■ 新たに土地を耕作する

■ 既存の農地からより多くの収穫を得る

The Syngenta logo is displayed in blue text with a green leaf icon above the 'y'.

世界はより多くの食料を必要としています。2050年までに地球の人口はさらに20億人増加します。私たちはどのようにして高品質の食料を十分に供給し、同時に環境を保全することができるでしょうか？ シンジェンタは、答えは無限の可能性を持つ植物の中にあると信じます。私たちは新しい、高収量の種子と作物を害虫、雑草、病害から守るより良い方法を開発しています。それにより農家は既存の農地からより多くの収穫を得ることができ、新たに土地を耕作しないで済みます。将来の課題に対応するために、私たちが世界中の生産者を支援する方法はたった一つ：より少ない資源からより多くの収穫を得ることです。さらに詳しい情報は、http://www.syngenta.co.jp/corporate_responsibility をご覧ください。

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Banish that bug

*Beware the hidden
eyes and ears*

Text **CATHERINE MAKINO**



In Japan's big cities, specialist "bug-hunters" cruise the streets in cars crammed with electronic gear, scanning for frequencies that reveal a hidden listening device.

These specialists trace the devices to their exact location and alert residents of the bugged premises. Once granted permission to explore indoors, the sleuths amaze the occupants by revealing a bug contained in an everyday item such as a pen, alarm clock or calculator. The sale of these miniature listening devices is big business in Japan. You can even buy bugs and bug detectors at the same shop.

In addition, corporate Japan has become aware of bugging issues. In response, many corporations employ security companies to perform technical security counter measure (TSCM) operations, or bug sweeps.

"Sixty percent of my 500 clients are

companies, including foreign ones. My business has doubled in the last five years," says Kenichi Sakai, president of TRS. The main reason for the increase in the counter-surveillance business is recent media attention, he notes. "It has people and companies worried that they could be a victim of this kind of thing, and they decide to take action."

Furthermore, devices that were once available only to spies are now cheaply and easily obtainable on the Internet and in shops. The 007 gadgets that Q handed to James Bond seem primitive compared to what we can now buy over the counter.

According to Jack Byrd, managing partner at 360 Risk Management Group in Tokyo, some of the more advanced bugs can be turned on and off remotely, and when turned off do not emit radio waves. Some bugs do not transmit but record audio for later retrieval. These also

do not emit signals, and therefore must be traced by equipment that detects their magnetic field or thermal image. Byrd's organisation uses various methods to conduct a sweep.

"For a TSCM on a board meeting, we start by conducting a sweep of the meeting room prior to the meeting and securing the room until the meeting begins," Byrd says. "For the duration of the meeting, 360 Risk Management may or may not be in an adjacent room with equipment which monitors the radio frequencies given off by bugs."

Surprisingly, perhaps, corporate boardrooms are bugged less than corporate bedrooms, and 360 Management Risk sweeps CEOs' residences as frequently as their offices.

"On a daily basis, confidential information is more likely to be discussed in executive offices and residences," Byrd says. "Board meetings happen very

infrequently. Four times a year, sometimes only once or twice annually.”

He talks about the time 360 Risk Management found a bug used to spy on a meeting between two parties involved in an attempted hostile takeover of a retail chain.

“It was not discovered until after the meeting when our client became suspicious and asked us to sweep their offices,” Byrd says. “But the damage was already done.” Based on the discovery of the bug, however, Byrd’s client prevailed in subsequent litigation.

“DEVICES THAT WERE ONCE AVAILABLE ONLY TO SPIES ARE NOW CHEAPLY AND EASILY OBTAINABLE ON THE INTERNET AND IN SHOPS”

The art of TSCM is complex and changes with fast-developing technologies. The equipment is expensive and must be continually updated to be effective. There is also the trick of using it in the right places. Byrd notes that your significant other, your co-workers and business partners, rather than your fiercest business rival, are more likely to target you with a technical surveillance device. Yet, you are more likely to take countermeasures against your competitors in other enterprises.

Byrd says understanding clients’ worldwide operations, and understanding the legal framework of each jurisdiction is a serious consideration.

However, the biggest threat to companies may not be from audio or video bugs, but from attacks on corporate IT systems.

“The biggest change in modern-day spying is that most corporations discuss their strategy and other secrets electronically and via email,” Byrd says.

Companies are spending huge amounts around the world on the

deployment and maintenance of network security, to guard against hackers and prevent loss of data that could hurt them.

“Taking TSCM and IT security seriously is only one part of protecting yourself and/or your business against intrusion,” Byrd says. “It makes no sense to go to extremes with TSCM while leaving sensitive materials on desktops after hours or failing to instruct employees on proper security measures. These may include not having sensitive conversations in public areas [restaurants, coffee shops, trains, etc.], and leaving work PCs and USB sticks unsecured in hotel rooms. Such actions may carry greater risks for the company and are more commonly overlooked.”

Kunio Sakaide, an associate managing director at Kroll International, adds that social engineering is the oldest and most successful method of getting information, defeating even state-of-the-art security systems. Social engineering – the psychological manipulation of people to persuade them to disclose information, and sometimes referred to as “bugs in the human hardware” – has been around as long as there have been scammers.

“Angry employees will leak information out of revenge or greed,” Sakaide says. “Or someone can obtain a trusted worker’s password, or even gain an access card or code to get inside a facility.”

According to Hugh Ashton, who has worked in financial houses, gaining access may be a simple matter. It may be enough to stand outside the door to an office and wait for an employee with a valid card, then say: “I left my card upstairs. Silly me!”

“I remember walking through the labs of a major Japanese electronics maker,” Ashton says. “I noticed that one unattended UNIX [multi-user computer operating system] workstation was logged in as ‘root’. This user account allows unrestricted access to the contents of the computer, and the whole network. I know enough [about] UNIX to be dangerous – it would have taken me less than a minute to wipe that computer’s disk, and bring down the whole laboratory.”

Ashton adds that some employees

write their passwords on yellow sticky notes on the side of their monitors. The cleaning staff who come in after working hours may harvest these for later use by another paymaster.

“Or an attacker can use the cleaning staff to plant a USB keylogger between an executive’s computer and the keyboard,” Ashton says. “This sits unobserved, acting as a recording device, storing all user names and passwords, contents of email messages and memos typed on the computer until the cleaning staff [these people have legal access to the area] retrieve the device and return it to its owner in exchange for a ‘bonus’ payment.”

There are low-tech solutions, requiring only a little effort to implement. Ensuring that all employees comply with a published set of security guidelines can go a long way towards mitigation.

Social engineering can also be used to extract money and information from victims. According to CSO Data Protection, earlier this year, Symantec, the US computer security software corporation, “discovered an aggressive social engineering campaign targeting a limited set of multinational firms in Europe. The attacks were by the book, employing classic techniques, eventually netting the criminals vast sums of stolen funds for their efforts.

“In April, an administrative assistant working in a France-based multinational firm received an email message referencing an invoice hosted in a file sharing service [such as Dropbox]. A few moments later, a person posing as a senior executive within the assistant’s firm authoritatively instructed her to process the invoice referenced in the email.” The employee complied.

Social engineering, on the personal level, may involve alcohol, sex, money, mind games and various other techniques. On the technical level are email phishing scams, social network manipulations, mobile phone text message hoaxes, and much more.

The weakest link in the typical security system is the human factor, but as spying devices grow in sophistication, demand will continue to grow for bug sweeps and counter-surveillance measures. 

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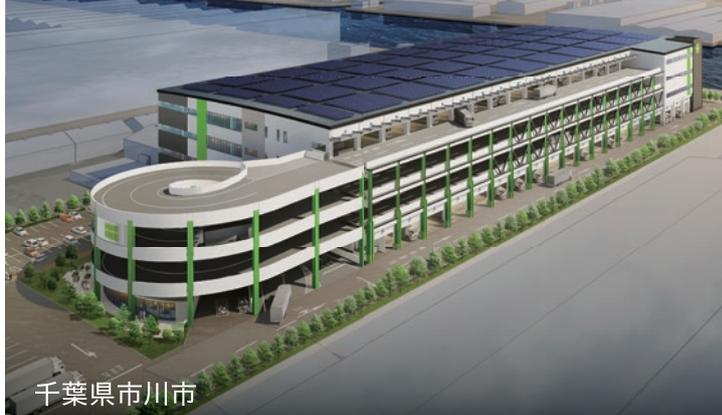
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Goodman Japan networking event

Palace Hotel, Tokyo, 27 November, 2013

Text **JENNIFER ZYLINSKI-SPARGO**

Some 400 guests of French Chamber of Commerce and Industry in Japan member Goodman Japan gathered at Tokyo's Palace Hotel on 27 November to network, enjoy cocktails and meet group CEO and founder Greg Goodman and other luminaries. A party atmosphere prevailed. Among those addressing the crowd of Goodman customers was the president and CEO of the Development Bank of Japan, Toru Hashimoto.

Videos were screened featuring the new Goodman Mizue (30,000m²) and Goodman Ichikawa (33,000m²) projects.

Goodman is a leading integrated property group with operations spread around the world. As experts in industrial and business space, the company also offers a range of investment property funds. Goodman buys property for the long term, develops the property to meet customer needs, and manages the property on a long-term basis.

"We are a truly global business, with a diversified portfolio of \$24 billion and \$6 billion to invest in our projects over the next two years," said Goodman at a media conference before the event.

"The big driver for our business globally is the development pipeline, which currently is \$2.5 billion, made up of 69 projects. That is the biggest development pipeline globally," he added. "And we are proud that Japan makes up a large component of our global developments."

Goodman is currently the biggest developer in Europe, he added, as well as being strong in China, Australia, North America and Brazil.

The company's logistics business in continental Europe is adding 700,000m² of new space a year worth €500 million.

"The biggest areas are Germany, mainly in e-commerce and automotive. We are also the biggest builder of Amazon[.com] industrial buildings in Europe over the past five years," he said.

"North America is the largest market in the world, and we have acquired key development sites across the US," said the CEO. "There are many opportunities for our Japanese customers in that market."

Goodman explained that they have the top 10 private equity investors in the world as partners. "We have capital, and we have capability, which creates opportunity for growth on a global scale," he continued. "I am very pleased about what's happening in Japan."

Makoto Kurihara, senior director of Goodman Japan, in charge of development, has bought land "at the right time and the right price," he added. "We have \$1 billion worth of development to complete here over the next three years. I know it is vital to have a strong presence in Japan in order to service Japanese customers globally."

Paul McGarry, CEO and president of Goodman Japan, noted



Goodman Sakai is due for completion at the end of March 2014

six major developments here, with four currently under construction and two more imminent.

"Japan is becoming an increasingly important component of our global business," he said.

In terms of assets under management, McGarry added, Japan now accounts for 4% of Goodman's total, but that is expected to expand to more like 10% in the medium term. "We are developing our own products, and we see increasing demand from Japanese customers."

Goodman's multi-tenant property in Sakai, Osaka prefecture, is now 100% pre-leased five months before completion, he said, while a similar property at Obu, strategically located along the national transport corridor between Greater Tokyo and Greater Osaka, is 50% pre-leased. There is also strong interest in others where construction is just commencing.

"It is important for our customers that we have a global business. A number of our Japanese customers occupy our properties outside Japan," McGarry said. "Our customers also appreciate that we are specialists. In addition, with our investment partners, we are long-term owners of the real estate we develop."

McGarry said that Tokyo's hosting of the 2020 Olympics is already having a positive effect.

"There will be government spending on facilities, including roads, in the lead-up to the Olympics," he noted. "That is going to change the logistics dynamic in the Kanto region."

Capital is not a problem for Goodman, McGarry stressed.

"We have more money than we could possibly spend," he said. Because the company is a long-term owner and manager of its own properties, he added, Goodman spends more on construction so that clients have a better facility.

Asked whether having too much money is a good thing or not, founder Goodman said: "We have to maintain very strict discipline when it comes to selecting projects. Our leading partners and customers have been with us many years, so it is important to keep the trust and maintain the brand."



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Stefan Gustafsson

Chairman, The Swedish Chamber of Commerce and Industry in Japan

www.sccj.org

Text **CHRISTOPHER THOMAS**

Sweden-Japan relations have been robust for many years, and as the era of free trade approaches, the friendly relations between the two countries show no sign of fading. The Swedish Chamber of Commerce and Industry in Japan (SCCJ) chairman, Stefan Gustafsson, for one, sees nothing but blue skies ahead. "From a general business perspective, Sweden-Japan relations are solid and there is more upside potential than ever as the trade talks progress," he says. "Clearly, free trade is the only way forward and there will continue to be new opportunities in Japan as Japanese companies quickly become more global."

As a result, the SCCJ has a key role to play, both in its own right and within the European Business Council in Japan (EBC), in nurturing this key relationship. "We fully support the EBC and the committee activities while looking after Swedish interests within the bigger EU picture. Also, it's important to nurture a partner ecosystem with Japanese companies that reaches outside Japan as we deal with each other in overseas markets," Gustafsson says.

Membership in the SCCJ, though it naturally fluctuates as people come and go, has been trending upward in recent years. This includes the Japanese contingent, which consists mostly of companies that do business with Sweden.

"I think our Japanese members appreciate the Swedish atmosphere, which is often more informal," Gustafsson says. "We try to make it easy to connect to new people, discuss ideas and ask questions about Swedish business or society."

For Swedish companies, the chamber acts as a sort of union or association

where businesspeople can share ideas, discuss their various experiences and develop relationships. The SCCJ's calendar of events has been set up to reflect and enhance this function. Many of the events – especially cultural events such as the annual *hanami* cherry blossom viewing and haiku-reciting party, and Sweden Day events in the summer – are held in conjunction with embassy events. "And when it comes to food culture, our yearly crayfish party always attracts many curious and brave Japanese members," Gustafsson notes.

Events that the SCCJ holds solo are mostly business-related. There is a full roster of speakers and various team-building events. Especially popular are bowling tournaments in which company teams compete against each other. The chamber also hosts well-attended monthly get-togethers.

With so many Swedish companies setting up shop here, getting Japanese and Swedish employees on the same page culture-wise has long been a fraught issue. Companies have to spend a lot of time and effort, and money, teaching their local hires to do business the Swedish way, as well as the art of conflict resolution in an international context. So the SCCJ has stepped up to the plate and begun the SCCJ Academy, with the first classes to begin this year.

"This initiative is along the lines of the Sweden Business School that the Embassy's Commercial Office ran a few years ago and is a way to create better awareness of Sweden and Swedish business practices among employees at Sweden-related companies in Japan," Gustafsson says. "Given the experience from earlier years, we believe that the Swedish Business School under the umbrella of the SCCJ Academy will be a



© SCCJ

There will continue to be new **opportunities in Japan** as Japanese companies quickly become more global

very attractive service for our members."

Because of the huge success of such major Swedish firms as Ikea, Volvo, Saab, H&M and many others, interest in Sweden is increasing among the Japanese, both from a business standpoint and a cultural one. Many Japanese are especially interested in Sweden's progressive take on cultural issues, such as gender relations and women in the workforce.

"Thanks to the media and tourism activities, Sweden tends to be seen as an interesting alternative, a sort of future roadmap for social issues and business-related topics," Gustafsson says. 



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Challenging Japan Inc.

Fans of reform cheer upstart JANE

Text **DAVID MCNEILL**



“SOMETHING HAS TO REPLACE [THE OLD ORDER], AND **GROUPS LIKE JANE** WILL BE PART OF THAT EQUATION



Nicholas Benes

© NICOLAS BENES

Japan Association of New Economy is the slightly awkward moniker of the latest challenge to Japan's barnacled business establishment. Better known as the jauntier-sounding JANE, its small team works out of cramped offices in the ARK Hills Executive Tower in Akasaka. On the day *EURObiz Japan* visited, its directors were besieged by reporters in a media room not much bigger than a broom cupboard.

That is a far cry from the imperious Otemachi headquarters of Keidanren, the Japan Business Federation, but JANE does not see itself as going head-to-head with the nation's largest business lobby.

“We are trying to promote innovation, globalisation and entrepreneurship in Japan, not compete with Keidanren,” says Atsushi Kunishige, an advisor to the organisation. “They represent the establishment, to a degree. We focus on newborn companies.”

Since it was established in June 2012, JANE has accumulated over 800 members, mostly from the cyber-business world. Nine-tenths of those companies are corporate infants, less than 20 years old. There are a handful of blue chips from Japan's old economy, including Fujitsu and Bank of Tokyo-Mitsubishi UFJ, but the star of the show is Rakuten, whose Rakuten Ichiba is Japan's largest e-commerce site.

Hiroshi Mikitani, the billionaire who started Rakuten in 1997, is JANE's founder and chairman. He is flanked by a number of the company's lieutenants, →

including the Rakuten executive deputy president, Kunishige. Mikitani himself was famously courted by the Keidanren and was even made vice chairman of the venerable federation before rejecting its post-Fukushima embrace of nuclear power. He pulled his company out in barely disguised disgust in June 2011, and JANE is, at least partly, a consequence.

Mikitani appeared to have hit gold with the political resurrection of Shinzo Abe, who would once again become prime minister in December 2012. The two men met in November last year and reportedly hit it off, trading ideas on how to use the Internet to revolutionise business. In Mikitani, Abe saw a smart, outspoken entrepreneur who could help sharpen what would be the “third arrow” of Abenomics – the government’s structural reforms under the reinstated ruling Liberal Democratic Party (LDP). The Rakuten CEO believed Abe might dismantle bureaucratic barriers to business and help him sell over-the-counter drugs (OTC) online – a plan staunchly resisted by the ministries of health and of finance.

This marriage of like minds had a coming-out ceremony of sorts a month later. On the eve of his return to the prime minister’s office, Abe spoke at a breakfast meeting with Mikitani and the JANE directors – a deliberately high-profile endorsement of the new economy by the leader of the LDP, a party often dubbed the Keidanran’s political wing. Prime minister Abe would appoint Mikitani as one of 10 senior executives on the Industrial Competitiveness Council, which compiles the government’s growth strategies. In June 2013, the prime minister pledged to loosen restrictions on online drug sales.

Today, however, that marriage may be heading for a quickie divorce. During the *EURObiZ Japan* visit, Mikitani launched a bitter broadside against Abe after health ministry officials refused to allow 28 popular drugs to be

sold over the Internet.

“If Mr Abe cannot decide on this, he cannot decide on anything,” Mikitani said, before expressing doubts about the prime minister’s entire economic programme.

“Mr Abe’s growth strategy was about bringing down regulatory barriers and cultivating new businesses and services,” he said. “It’s disheartening to see that now going in the opposite direction.” Mikitani added that he was “fed up” with the same old bureaucratic battles, but promised to continue fighting the online restrictions “no matter how many years it takes”.

Fallout from the drugs spat is still settling. Mikitani has threatened to quit the Competitiveness Council and sue the government. At the same time, however, he credits the council with pushing through Japan’s participation in free trade talks for the Trans-Pacific Partnership – and calls this a “huge victory” for business reformers like himself.

Kunishige agrees that the health ministry ban, which includes erectile dysfunction drugs and allergy treatments, made “absolutely no sense”. But he says the game plan for JANE remains the same. “We still want the Abe government to reform the economy and loosen business regulation.”

Mikitani also laments that Japan wins on technology, but constantly loses when it comes to management. “Executives and management matter,” he says, noting that the World Economic Forum ranks Japan as the world’s fifth most innovative nation, above the United States and Germany.

Can JANE’s directors make a difference? Nicholas Benes, head of The Board Director Training Institute of Japan, which promotes better corporate governance, believes they already are.

“They will have an impact because the more these groups of serious young executives are making serious statements about policy, such as ‘reform

must move faster’, the more the old order will break down. It is already breaking down. Something has to replace it, and groups like JANE will be part of that equation,” Benes says.

The battle lines are drawn. Abe clearly wants to pull the LDP out of its traditional comfort zone. In April, he told an audience of JANE supporters: “While people may have the image that the LDP is linked with the old economy, that is wrong.” However, like so many prime ministers before him, he must wrest control of policy from smart bureaucrats who will likely be there long after he is gone. Mikitani increasingly doubts Abe has the stomach for that fight, even though he is in a strong position.

“[Abe] is very popular and has power,” he says, adding that the government has finally realised that tackling vested interests will increase its popularity – not weaken it. “There is less resistance within the LDP than before, and that will be a huge positive factor to push forward the reforms.”

The test case is likely to be OTC drugs, a fast-growing ¥700bn business that Mikitani – and many European companies – would like to share. Speaking off the record, health ministry officials say the cyber-drugs plan of Mikitani would endanger consumers. Kunishige rejects that claim.

“The ban on online sales is based on a completely mistaken premise that buying over the counter is safer than online,” he says. “There is more traceability of drugs online than in over-the-counter sales, for the user and the seller.”

Kunishige says European businesses should throw their weight behind JANE.

“When I talk to European business people, they think of Japan as having too many non-tariff barriers. That’s an obstacle to business expansion,” Kunishige says. “We have to think about how to make a genuinely global economy and make sure Japan is not left behind by global standards.” 

Blue Ocean Recruiting

Why is Japan such a tough market for companies to recruit in? Simple: the supply is limited but demand is constant. The factors limiting supply are talent (however, this is true in most markets), and bilingual and bi-cultural capability. Extrinsic motivators such as salary and stock options have less of a pull than in other markets.

This strong demand and limited supply mean that fees remain higher in Japan than in other markets. Often there is little difference between the fees of a local company and a retained global firm. The limited supply means that even the global firms are acting as contingency firms. A senior director at one US firm explained: “Yes, we market candidates [on a contingent basis] to our clients. We call it a short list of one.”

In Europe and America, recruiting companies focus on winning business from clients. In Japan the focus is on meeting, interviewing, and gaining the trust of candidates.

Some global firms have found it tough in Japan, while others, RSA as an example, have held back from tackling the Land of the Rising Sun. The big US and EU firms bring a strong reputation; their consultants often come from industry and have a sound corporate understanding. They can strongly represent their clients to the market. So why haven't these firms done as well in Japan as in other markets? One reason is that they sometimes over-promise and

under-deliver: they can be “all hat and no cattle” – meaning that they look a million bucks, but perhaps lack the candidate-reach through the market to deliver. Clients can also be susceptible to the “bait and switch”, where the managing partner wins the business and the junior consultant executes the search. The big firms tend to be less sales-orientated and more consultative.

The thorn in the side of the global firms is the local contingency companies with their large candidate pools and focus on meeting candidates. Their mantra is “He who meets the most candidates wins”. They are aggressive and sales-focused. On the negative side, they do not always give a consistent message: the firms have a “churn and burn” strategy to hiring. If a junior works for a year and meets 200 candidates and leaves, then that is fine since the companies know they will recoup their investment over time by placing roughly 10 of those 200 candidates in the future.

The local firms work for the candidate rather than the client. They shop their top candidates to one company against another. This approach has more in common with a sports agent than an executive search. Since these firms look to hire 20-somethings, their knowledge is limited, but over time many go on to become industry insiders.

The market is in need of a middle ground – a firm that can offer clients a strong brand, market knowledge, and the ability to map and understand the market



"The market is in need of a middle ground"

Philip Carrigan
Founder and Representative Director,
Morunda K.K.

with vigour and professionalism. At the same time, Japanese clients need a firm that can execute quickly and provide a deep reach into the candidate pool.

Morunda has launched [MorundaBlue](#), a retained search practice led by [Michael Huberts](#). Michael previously held roles in investor relations within the UK's private equity and communications consultancy industries. Highlights of his previous career include a GBP150 million capital raise for a US private equity fund and financial PR advisory to Dentsu Group's USD5 billion acquisition of Aegis PLC. He received his Bachelor of Commerce degree from Monash University, Australia, and his MBA from the University of Oxford, Saïd Business School.

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IESF

International Executive Search Federation



Cracking the code

Ticket Restaurant

Text JENNIFER ZYLINSKI-SPARGO

Photo BENJAMIN PARKS

The Japanese market offers few shortcuts, but Edenred found one by acquiring Barclay Vouchers, the sole provider of meal vouchers for employees here, in July 2012.

“This acquisition was quite atypical for us. We are used to starting from scratch,” says Laurent Gachet, CEO and representative director for Edenred in Japan. The name Barclay Vouchers, which had been in Japan since 1987, is retained for the company, but the brand name of the service provided has been changed to Ticket Restaurant.

“In some markets, we name the vouchers differently; but Ticket Restaurant is quite understandable in Japan, even more self-explanatory than Barclay Vouchers,” Gachet explains.

Demerged from the Accor hotel group in June 2010 and headquartered in France, Edenred operates in 40 countries and has some 6,000 employees. The group counts nearly 610,000 as clients, 1.3 million as affiliated merchants and 38 million as beneficiaries. The group’s main activities are employee benefits, expense management, incentives and rewards, and management of public social programmes. In Japan, for the time being, the only field of activity is employee benefits. Edenred solutions, according to company literature, “make employees’ lives easier and improve the efficiency of organisations”.

Ticket Restaurant vouchers are used by employees to help pay for a daily need: lunches purchased in Japan at affiliated restaurants and convenience stores – such as 7-Eleven, Ministop, Circle K and Sunkus chains. Nationwide, there are over 40,000 retail locations where the vouchers can be used.

“We don’t just deliver vouchers; we provide an HR service. It is an employee benefit that is materialised through booklets of ¥200-300 vouchers,” says Gachet. “At the end of each month, the stores and restaurants present the vouchers for reimbursement.”

The reimbursement to retailers paid

by Edenred is covered by a deposit made by Edenred’s client, the employer.

“Our work is to convince employers to give employees a lunch benefit,” says Gachet.

One key selling point is to compare Ticket Restaurant with the high cost and operational burden of running a canteen. Gachet can cite examples where existing canteens were closed or plans for a new canteen were shelved in favour of vouchers.

“Nearly all the Ticket Restaurant vouchers are used, because the employees need them, and because they pay half the cost,” Gachet explains.

Under Japanese law, such an employee benefit must be co-funded, he adds. Also, the employer’s contribution is capped at ¥3,500, plus consumption tax, per employee per month. The typical Ticket Restaurant voucher booklet, then, has a nominal value of ¥7,400.

Another major benefit for the employer is that the lunch money is not considered as salary, and so is not subject to social security and pension charges against the employer. Relative to a salary increase, therefore, meal vouchers are a far easier and more effective way to increase workers’ acquisitive power. The average worker nowadays has roughly only ¥40,000 per month to spend on lunches and other workday odds and ends, half the amount of two decades ago, Gachet notes.

“Apart from a few very big companies, most of our clients are small to medium-sized enterprises,” he says. “So this is an easy way for them to attract and retain employees.”

In the current inflationary climate of Abenomics, he adds, employers value employee benefits as a way of releasing upward pressure on salaries.

Gachet says Edenred regards Japan as a huge unexplored market. One thousand corporate clients and 150,000 users daily sounds impressive, but Gachet says: “We can be at least several times the size we are today”. In a well-developed market, meal vouchers reach 15-30% of the employee population.

“There are 60 million employees in

Japan,” he says. “So, long-term, the potential market for us is perhaps several million users.”

Accordingly, the company aims to quickly increase visibility and awareness.

“After a few years, these benefits will routinely be part of any employment package. I am sure it will happen here as it has in other markets,” says Gachet, who spent five years running Edenred’s highly advanced Brazil operation.

“ I CAN CLEARLY SEE THAT **MEAL VOUCHERS WILL BE AS POPULAR HERE AS IN FRANCE OR BRAZIL** ”

Laurent Gachet

For many potential clients, however, Ticket Restaurant is still a bit of a mystery.

“We have to work on explaining,” says Gachet. “We are investing a lot in training our sales teams.”

Gachet is zealous about the meal voucher business and passionate about tackling Japan.

“I can clearly see that meal vouchers will be as popular here as in France or Brazil, because the fundamentals of the market exist here, too,” he says, explaining that he recognised an opportunity for personal challenge as soon as he learned of the proposed acquisition.

“I wanted to see something different, and go out of my comfort zone. I had several options, but I was excited by the Japanese challenge,” he says.

The operation is “slightly profitable” now, Gachet explains, but we are investing a lot and a return on the acquisition investment will become evident over a decade or so.

“I am convinced that Japan is perfect for Ticket Restaurant,” Gachet adds. “My challenge is to find the codes to crack this market.”

Dietmar Kielnhofer

General Manager, The Westin Tokyo

Text **JUSTIN MCCURRY**

Photo **BENJAMIN PARKS**

Even with more than 30 years' experience managing hotels around the world, Dietmar Kielnhofer must have felt a tinge of trepidation when he arrived in Japan to become general manager of The Westin Tokyo, one of the capital's most prestigious hotels. His posting, in July 2011, came just as Japan was struggling to emerge from the aftermath of the earthquake-related triple disaster four months earlier. Even before that, the country was locked in an economic funk that is the stuff of hospitality industry nightmares: plummeting consumer confidence, a skyrocketing local currency and a government unwilling, or unable, to stop the rot.

Now, however, the 51-year-old Austrian is upbeat and loquacious as he reflects on his staff's perseverance during tougher times and the innovative drive they displayed to lift the gloom. He even has a few kind words for prime minister Shinzo Abe.

All this as the Westin, one of only a handful of luxury international hotels in Tokyo when it opened in 1994, prepares to mark its 20th year in one of the world's most crowded and competitive markets.

"I experienced Japan's best and worst sides," Kielnhofer says as mid-December sunshine streams through the windows of the hotel, located in the Ebisu district.

"It was the worst in terms of consumer sentiment. There was a sort of collective negative attitude and a lot of uncertainty. Nobody knew what would happen or in what directions things would go. Business wasn't great, foreigners were staying away and the yen reached a record high, which made it extremely expensive for foreign businesses to come to Japan."

Kielnhofer's first task was to tempt higher numbers of international and domestic guests back through the Westin's doors, but without compromising on quality.

"The Japanese are the most sophisticated and demanding

customers in the world," he says. "The Japanese consumer pays whatever you ask him to pay, but in return he demands value for money. There's no better place to do business than Japan, because it's a very sophisticated market."

Three years, it turns out, is a lifetime in the hotel industry. The Westin is now reaping the benefits of an upturn in international tourism to Japan. Occupancy rates are high, thanks in part to the yen's dramatic decline against the US dollar and other major currencies, while domestic demand is strong.

"There is euphoria and exuberance," he says. "It's almost tangible. People have the money, they want to spend that money and enjoy life."

The Westin is looking to capitalise on its anniversary this year with a range of commemorative deals and events that Kielnhofer says will comprise mainly food and beverage events, including high-end sake and champagne tastings, specialist spa therapy from Thailand and, he hopes, a performance by a leading philharmonic orchestra.

A voracious reader and keen student of current affairs, Kielnhofer is aware, however, that the Westin, part of the Starwood Hotels and Resorts chain, does not operate in a political and economic vacuum. He speaks enthusiastically about the effects of the Abe government's super-loose monetary easing and the relatively weak yen, which, along with the efforts of his hard-working staff, have helped make 2013 "a very, very good year for us".

"[Prime Minister Abe] has really galvanised the masses in Japan and told them to wake up and smell the roses, things are getting better," he says.

Having sailed out of the doldrums of 2011-12, Kielnhofer believes the coming year's performance will depend much less on the vagaries of a globalised economy and a lot more on him and his staff doing what he says the Westin always does best: "consistently deliver quality to our customers".

And, of course, keep an eye on the competition in a local



market that has changed beyond recognition in recent years.

“They are all great hotels,” he says of the Westin’s rivals in Tokyo. “They have outstanding products, and that has changed the hotel environment here dramatically. It gives the consumer more choice. Ten or 15 years ago, we were the 800lb gorilla in the room. We monopolised the market because people didn’t know where to go. But we don’t have that luxury any more. Every day we have to prove we can compete with the new brands in town, and that’s very challenging.”

Tougher competition has fostered innovation – a word Kielnhofer uses liberally. He highlights the remodelling of the hotel’s underutilised garden with the help of the award-winning Japanese landscape gardener Kazuyuki Ishihara, turning it into a “green oasis” amid the glass, steel and concrete of central Tokyo.

Like other businesses attempting to navigate the deep troughs of a global recession, the Westin has eliminated waste and focussed on what is important for the customer.

Despite the upturn in numbers of international guests, domestic travellers remain the meat and drink of hotels such as the Westin. With question marks still hanging over Japan’s economic outlook, will Kielnhofer’s confidence endure?

“There’s a lot of uncertainty and we don’t have a crystal ball,” he admits. “We have a long-term strategy, but at the same time we have to be agile and adapt to changing circumstances. That’s part of good management and leadership – to look at the next trend, watch TV, read the newspaper and look at which direction the economy is going.”

While he muses about the myriad issues he believes are holding Japan back – its trade barriers, dependence on imported energy, and an inflexible labour market – Kielnhofer sees the foreseeable future in terms that are within his control.

“We’re here to make our customers feel happy,” he says. “We believe in wellness in travel. In a nutshell, we want our customers to feel better when they leave here than they did when they arrived.” 

Aeronautics and Space //

Drawing encouragement from the Airbus breakthrough

Text **GEOFF BOTTING**

The October announcement by Japan Airlines (JAL) that it would order Airbus commercial aircraft for the first time marked a historic leap forward – not just for the world’s leading aircraft manufacturer, but for the European aeronautics industry as a whole. JAL’s decision to acquire 56 long-range A350s came after decades of Boeing domination here for the large capacity aircraft.

“On both sides, most people thought it could never happen, but it did happen and that’s a major breakthrough. It is hoped that this is just the beginning,” says Stephane Ginoux, chairman of the EBC Aeronautics and Space Committee.

The EBC white paper carries separate sections for aeronautics and for space, each with its own list of key issues and recommendations. Nonetheless, European companies in both industries have shared a common frustration: Japan has long relied on its close defence partner, the United States, in meeting both its aeronautical and space needs. The Europeans have

Aeronautics and Space Key advocacy points

→ **Partnership in aeronautics** – Japanese companies should consider European aeronautics companies, which have strong competitive advantages, as a way of diversifying their supply sources.

→ **Cooperation in aeronautics** – The EBC encourages Japanese industrial companies to consider cooperation with European companies for the joint development of aircraft and helicopters from scratch.

→ **Cooperation in space** – Space agencies on both sides should explore possible areas of cooperation, especially in the early stage of projects.

long urged Japanese government and industry to pay more attention to their companies and proprietary technologies – and to forge more deals and seek greater cooperation.

“For Japan, the US has been the mentor and the teacher. So they have always seen the US as their partner,” says Kiyoshi Takamatsu, Japan

representative at the Tokyo office of Arianespace.

Ginoux, president and CEO of Airbus Japan, expects the JAL deal can open the door for more business between the two sides in a range of aeronautical fields. JAL’s decision also seems to mark the end of what the committee has called “political interference” in the aeronautics industry.

“Now, with this breakthrough with Airbus, we hope that it will draw in other companies and encourage people to do more and generate more successes,” he says. “Insofar as the commercial aircraft business in Japan is concerned, there is no longer political interference, as the JAL deal proved.”

Ginoux points out that UK-based Rolls-Royce is the sole engine supplier for the A350 family fleet. “This means that every time we sell the A350 XWB [version ordered by JAL], the Rolls-Royce engine will be selected.”

The deal is also good news for Japanese industry, since domestic parts suppliers account for 12% of the aircraft that JAL will soon acquire.

As for the space industry, one of the major proposals by the committee is

the establishment between Japan and the EU of a reciprocal backup launching programme for government satellites. Such an arrangement already exists for commercial satellites, between the Ariane 5 to H2A launchers. Efforts towards this goal for government satellites have taken place in the past, but have since stopped.

The programme would be a way for both sides, which have only one heavy-lift launcher each, to better manage their respective risks and satisfy their launch responsibilities vis-à-vis their respective governments. So if there's a technical problem on an Ariane rocket, for instance, then the satellite could be shipped to Japan for launching, and vice-versa. The programme would require a commonality of the satellite launcher interface, which allows the satellites to be interchangeable between the launchers.

"The mechanical commonality is fundamental, but it is not enough," Takamatsu says. Beyond that, he points out a host of issues, not just technical but operational as well, such as harmonised safety standards.

According to Takamatsu, Arianespace

started to recognise a fairly wide range of similarities between the space programmes in Europe and Japan from the late 1980s. Both had limited budgets (unlike a superpower such as the United States, for example); a single heavy-lift launcher each (without an internal backup); the highest level of western technologies (unlike Russia and China); and insufficient demand from the public sector to enable healthy and reliable operations of a launch system. In the US, Russia and China, by contrast, considerable demand comes from their respective military.

So Arianespace thought, why not work together?

The company made its first approach to the Japan National Aerospace Exploration Agency in 1989 to explore the satellite interface commonality between Ariane 4 and H2. But it was met with a cool response.

"The first reaction was that they were scared. They didn't understand what Ariane was targeting," Takamatsu says. "They thought that maybe Arianespace had some hidden agenda."

The process continued, with a further

“THE **FIRST REACTION**
WAS THAT THEY WERE
SCARED”

Kiyoshi A Takamatsu

report on the mutual backup of H2A and Ariane 5 for governmental missions in 2003.

Unlike many other industries, aeronautics and space require enormous costs and commitments to break into the Japanese market.

"There are still a number of companies who don't really have access to the market," Ginoux says. "You need to put in a huge amount of effort and invest a lot [in order] to succeed."

The commitment doesn't end with the sale, though. Maintenance and other services must be followed up. US companies were able to gain such a large foothold in the market largely because they had history on their side. European companies are not so fortunate, which is why the JAL deal seems to offer such a game-changing opportunity.



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Step on the gas

Unbottling the hydrogen genie

Text **DAVID MCNEILL**

A family car whispers along by Tokyo Bay and then pulls into a bayside gas station. The driver refuels not with petrol but with compressed hydrogen.

As he accelerates off in the direction of Odaiba, we see a close up of the car's exhaust, emitting nothing more than water vapor.

This is not wishful thinking or science fiction. All the technology is currently available. Toyota and Honda have produced prototype fuel-cell electric vehicles, which work by converting hydrogen into water, and will begin selling them in 2015. Dotted around Tokyo and other major Japanese cities are a handful of the refuelling stations needed to service them.

A consortium of fuel suppliers will expand this tiny network of filling stations in the next few years to help kick-start the market. The Japanese government has poured subsidies into the industry, in a bid to halve the cost of station installation to around \$2 million each. As guinea pigs for a young technology, drivers of hydrogen vehicles in Tokyo can fill up for free, for now.

Hydrogen cars come close to reaching the convenience of gas vehicles and overcome many of the problems associated with battery power. Industry supporters claim a driving range of 700km and say it takes just three minutes to fill up. This is a major attraction for potential consumers who balk at leaving electric cars at recharging stations for hours, says Tom Sullivan, an independent energy analyst based in Tokyo.

"Oil costs outside the US don't appear to be showing any signs of softening, and exploration and extraction costs are increasing against diminishing returns," he says. "For an oil-deprived country like Japan that has been a world leader in the global automobile industry, hydrogen technology

merits very close attention."

Analysts say if any company can pull off the great hydrogen experiment, it is Toyota – given its successful track record with the Prius, the world's best-selling hybrid car. Since it rolled off the production lines in 1997, the Prius has reached sales of over three million units. Can fuel-cell vehicles do the same?

"We see great potential for this technology," says Dion Corbett, Toyota's international spokesperson. He says the carmaker will mimic the steady, incremental approach it took for the Prius, which took time to gather momentum. "By the 2020s, we want to be selling tens of thousands of hydrogen-powered vehicles a year around the world."

First, however, Toyota must drive down costs, currently at around \$100,000 per vehicle. And it needs to invest heavily in filling stations along Japan's major routes, a strategy that has called for the expertise of French partner Air Liquide, one of the world's leading suppliers of industrial gases. In October, the two companies announced plans, via subsidiary Toyota Tsusho, to build 100 filling stations along the highways of Tokyo, Nagoya, Osaka and Fukuoka, ready for the national rollout of hydrogen cars in 2015.

Air Liquide has a 100-year history in Japan and supplies gases to the medical and semiconductor industries, making it an obvious partner for a high-tech tie-up. Strong as the partnership is, however, there is plenty of doubt about whether it can pull off

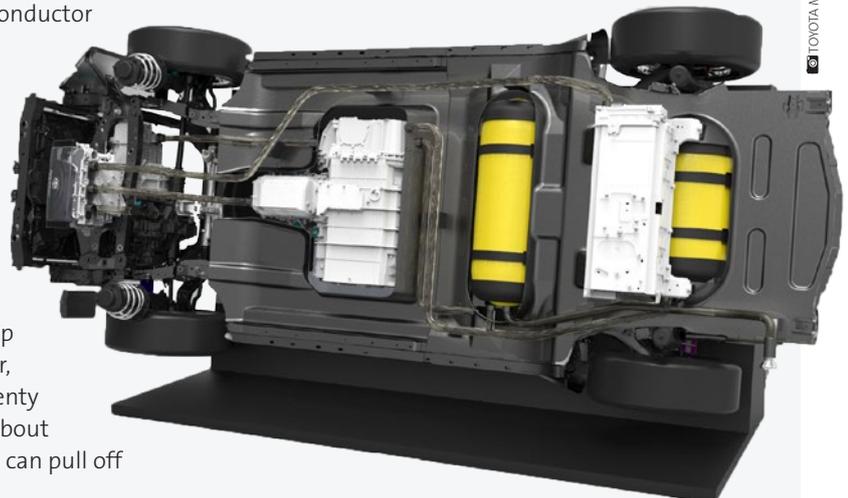
BY THE 2020S, WE WANT TO BE SELLING **TENS OF THOUSANDS** OF HYDROGEN-POWERED VEHICLES A YEAR

Dion Corbett, Toyota

a project this size.

Critics have also pointed to the relative inefficiency of such an infrastructure, which would require that hydrogen gas be generated, transported and condensed before being put into cars and being converted into electricity. Should the market take off, volume will undoubtedly drive down costs and produce more refuelling innovation. But without the stations, the cars won't sell.

Despite all the uncertainty, few people are prepared to completely write off backing the world's biggest carmaker. The alternative battery-powered vehicles have yet to solve problems that have largely discouraged mass appeal – from prohibitive cost, limited range to slow recharge time. And as the impact of climate change becomes more evident, the attractions of a car that emits almost nothing but heat and water will surely grow. ☺



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Technical marvels from another era

Text **STEVE MCCLURE**

Photos courtesy Nosaka Automata Museum

A mature boulevardier sits on a park bench reading the latest edition of *Le Petit Parisien*. His neatly trimmed grey beard, carefully brushed top hat and monocle lend him an air of distinction. There's a sparkle in his eye, and he raises one eyebrow mischievously while casting a glance at the prim lady seated beside him. She looks up from her knitting and smiles as he presents his compliments, and the two engage in badinage as delicate notes trill from a hidden music box.

Sadly, we will never know what they are talking about, or whether this is the beginning of a scandalous affair or just another day in the life of a happily married couple.

They are automata – clockwork wind-up dolls fated to repeat their *al fresco* encounter forever.

"Old Couple on a Bench" is just one of many the automata pieces collected over the years by Yukio Nosaka and now on display at his museum in the resort town of Izu-Kogen, south

of Tokyo on the Izu peninsula. Japan has museums dedicated to just about every conceivable subject, but the Nosaka Automata Museum is certainly one of the most unusual and noteworthy.

Interviewed at the office of his trading company in Tokyo, Nosaka gives the initial impression of being an old-school Japanese businessman as tea is served and pleasantries are exchanged. But like his automata when they've been wound up, he becomes animated as he talks about his treasured mechanical friends.

"When I was a child, I didn't know about automata, but I was surrounded by Japanese antiques and old things that my parents collected," says Nosaka, who grew up in Yamaguchi prefecture in western Japan. After he moved to Tokyo as a young man, a friend showed him an antique automaton he'd bought in France. It was a revelation for Nosaka – and the beginning of a lifelong love affair with the beautifully crafted mechanical marvels.

"I thought, 'This is something we don't have in Japan.' I was



Pierrot écrivain



Charmeuse de serpent

really surprised," he recalls.

"They're not toys," Nosaka emphasises. "They're luxury items that were made for upper-class customers." Most of the pieces in Nosaka's collection come from France, where automata enjoyed a golden age in the 18th and 19th centuries. He buys them either directly from private collectors or at auctions.

"I don't remember exactly when, but I bought my first automaton about 25 or 30 years ago," Nosaka says.

So what prompted a Japanese businessman to become a leading collector of these intriguing mechanical devices?

"The first reason is that I like old things," Nosaka explains. "The other one is that I wanted to introduce this wonderful technology to young people who spend so much time looking at the world on video or computer screens. I want them to experience the beginning of modern technology."

And when you see one of Nosaka's amazingly lifelike automata perform a delicate action like "smoking a pipe" or "playing a guitar", it's not hard to trace the lineage of today's high-tech robots.

While these antiques cannot hope to match 21st-century androids in terms of technological sophistication, they more than make up for that with their uncannily human charm. They are like little time travelers from a less-hurried, more elegant era.

Although well-off people bought automata as curios in a spirit of conspicuous consumption, Nosaka points out that they had a serious purpose.

"Clockmakers and other artisans used automata to show off their craftsmanship," he says. Nosaka, who has clearly studied the subject in great detail, says the automata tradition originated with the mechanical figures that heralded the passing

“I WANTED TO INTRODUCE THIS **WONDERFUL TECHNOLOGY** TO YOUNG PEOPLE WHO SPEND SO MUCH TIME LOOKING AT THE WORLD ON VIDEO OR COMPUTER SCREENS”

of the hours in elaborate clocks gracing the portals of many cathedrals and other public buildings.

One automaton is of special interest to residents of Japan: a young lady attired in a rather garish red silk kimono and holding an old-fashioned Japanese umbrella. Nosaka explains that it dates from the late-19th century "Japonisme" trend, when things Japanese were all the rage in Europe.

"But," he notes wryly, "she looks more Chinese than Japanese."

Nosaka says repairing the automata's delicate mechanisms is difficult and time-consuming. But he doesn't begrudge the time and money involved.

"I don't have any children, so the automata are like my family," he says. ☺

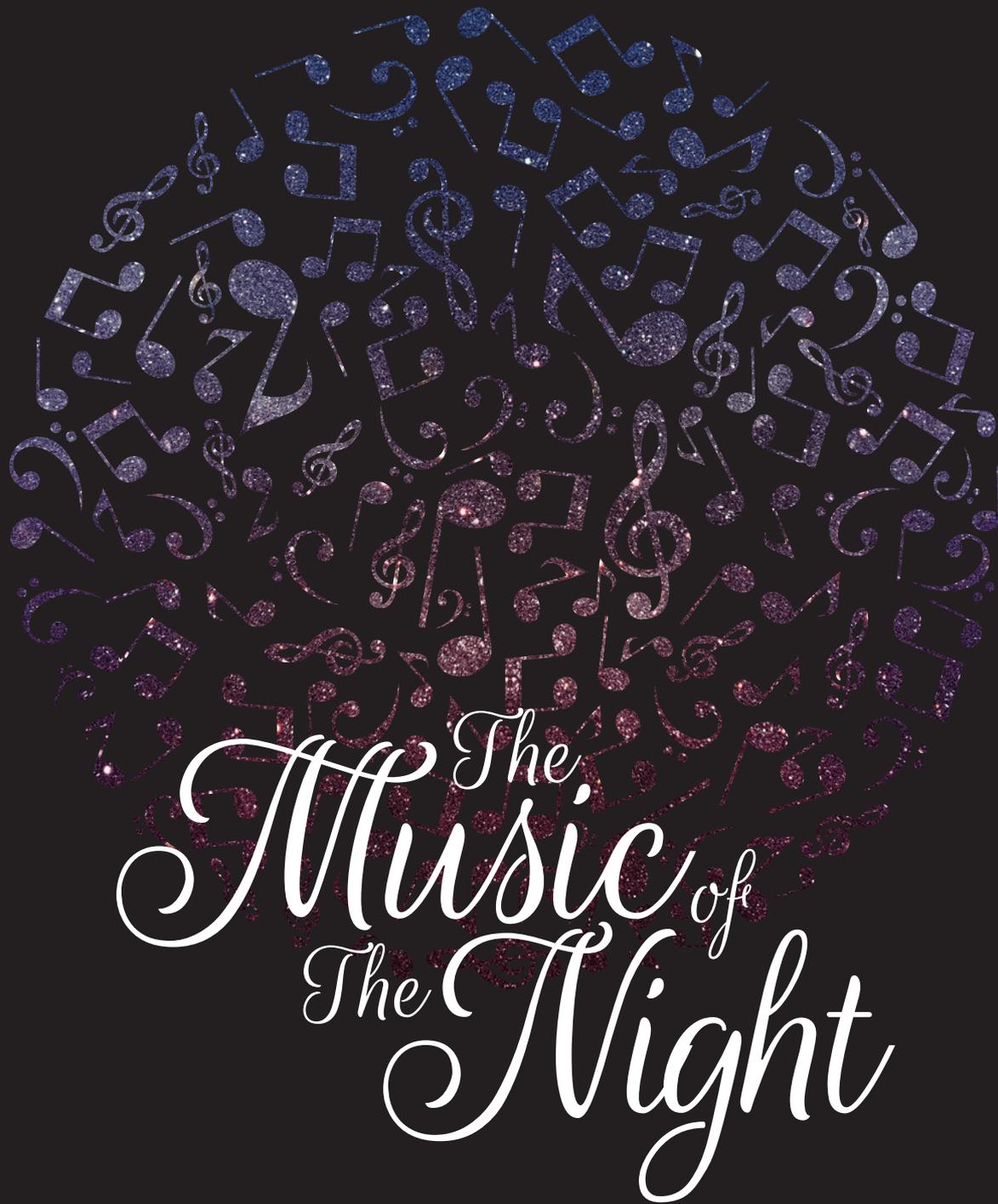
The Nosaka Automata Museum is located at 1283-75 Kabujiri, Yamatano-aza, Ito city, Shizuoka prefecture 413-0232. Information is available at www.automata.co.jp or by phoning 0557-55-1800.



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Following migration

Leading shopping centre sales rise 2.2%

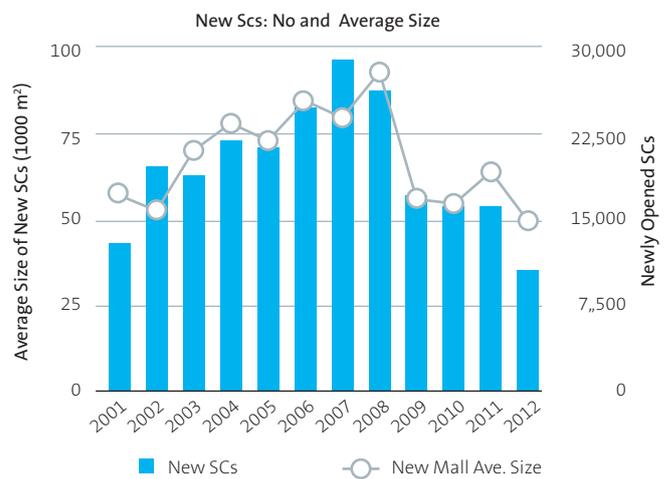
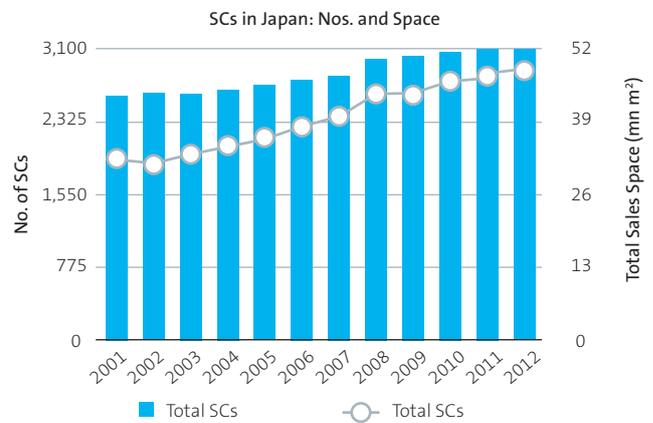
Shopping centres (SCs) had a solid year in 2012, with the top-selling 100 seeing average growth of 2.2%. Though less than the 4.4% in 2011, the figure is much better than the -1.5% and -2.1% in the two previous years. The business of the largest SCs is growing much more quickly than the sector as a whole, which was up only 0.5% after a -1.3% in 2011. Nearly 70% of the top-selling 100 SCs increased sales in 2012.

The leading SC developers continue to grab more market share through investment in new malls, as well as in upgrading facilities to hammer competitors located nearby. The JR firms, plus Mitsui and Mitsubishi, account for over 50% of sales by the top-selling 100 SCs (Aeon doesn't report sales for its SCs).

Since 2008, the rate of new SC openings has fallen, and the drop in new developments accelerated in 2012, with just 35 new SCs, the smallest increase in more than 15 years. The good news is in 2012's reported openings, with the Japan Council of Shopping Centers (JCSC) recording 54 new SCs already opened as of November 2012, suggesting a recovery to levels higher than 2010 and 2011 for the full calendar year.

What has not improved, however, is the continued contraction in the average size of new malls. In 2012, the average was just 14,802m², the smallest for more than 15 years, down from a peak of 27,800m² in 2008.

The key reason is a drop in demand, coupled with legal limitations. As a result, developers are switching to either city centre SCs or neighbourhood SCs in the suburbs. SC development, in effect, is following the economy and population migration, with a concentration in the main cities and on-going hollowing out of the regions. The highest populated cities in every prefecture – not just around the Kanto plain (Tokyo, Kawasaki, Yokohama) – are getting ever more glitzy SCs, while SCs in outlying towns are giving over to rust. New SCs also cater much more to the fastest-growing population segment: the over 65s, who are also migrating into cities to access better services. As the population contracts and economic activity concentrates, winning cities will continue to suck in residents and economic activity. Working out which these cities are, and where the footfall is within them, is becoming an ever more important task for consumer brands and retailers.



SOURCE: JCSC; JAPANCONSUMING



ROY LARKE

JapanConsuming is the leading provider of intelligence on consumer and retail markets in Japan. The monthly report provides news about, and in depth analysis of, current trends.

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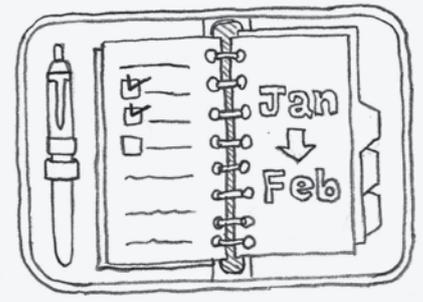
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Upcoming events



► **Belgian-Luxembourg Chamber of Commerce in Japan**
www.blccj.or.jp

Monthly beer gatherings

20 January, 17 February, 17 March; Monday, from 19:00

Venue: Belgian beer cafés in Tokyo
Fee: Pay for what you drink
Contact: info@blccj.or.jp

New Year's Party

12 February, Wednesday, from 19:00

Venue: Le Petit Tonneau, Toranomon
Fee: to be confirmed
Contact: info@blccj.or.jp

► **Chambre de Commerce et d'Industrie Française du Japon**
www.ccifj.or.jp

Luncheon and Conference

21 February, Friday, 12:30-14:00

Speaker: Hisao Taki, founder and chairman, Gurunavi, Inc.
Venue: Hyatt Regency Tokyo
Fee: to be confirmed
Contact: reservation@ccifj.or.jp

French Business Awards 2014/ Shinnenkai

30 January, Thursday, 18:30-21:30

Venue: Grand Hyatt Tokyo
Fee: ¥8,000
Contact: reservation@ccifj.or.jp

► **Italian Chamber of Commerce in Japan**
www.iccj.or.jp

Southern Italian Food, Wine and Oil Mini-Fair*

27 February-1 March, Thursday-Tuesday, 10:00-18:00

Venue: Italian Chamber of Commerce in Japan
Fee: Free (registration required)
Contact: promo@iccj.or.jp

* In collaboration with SIAFT (Southern Italy Agro Food and Tourism)

► **Swiss Chamber of Commerce and Industry in Japan**
www.sccij.jp

January Luncheon

17 January, Friday, 12:00-14:00

Speaker: R. James Breiding, author of "Swiss Made: The Untold Story Behind Switzerland's Success"
Venue: Grand Hyatt Tokyo, 2F, Basil room
Fee: ¥8,000 (members and non-members)
Contact: info@sccij.jp

Gala Dinner – 150 years of diplomatic relations*

6 February, Thursday, from 18:30

Venue: Grand Hyatt Tokyo, Grand Ball Room
Fee: ¥39,000
Contact: info@sccij.jp

* Co-organised with Embassy of Switzerland, Tokyo

JANUARY						
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FEBRUARY						
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SWISSDAYS – Celebrating 150th anniversary*

6-9 February, Thursday-Sunday

Venue: Roppongi Hills Arena
Contact: info@sccij.jp

*Co-organised by Embassy of Switzerland

Compiled by DAVID UMEDA

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Norbert Palanovics

The salami hat that grew

Text and photo **DAVID C HULME**



Norbert Palanovics' primary school physics teacher urged him to focus on one thing, rather than spread his enthusiasm across sports, physics, literature, geography and any other topic that presented itself.

"He wanted me to put all my eggs in one basket. I challenged that idea and I keep on challenging it, so I still wear several hats. I still have lots of eggs," says Palanovics, Tokyo-based Asia regional manager for Hungarian meat processor Pick Szeged.

"I was born in 1978, in a small town called Pécs, in south-western Hungary

close to what is now the Croatian border, and I have very good memories of that place, thanks to my parents and friends," he says.

Home was a typical socialist-style block of flats that held definite charms for an only child.

"There were families of the same age, and I spent a lot of time playing with



friends around the house and in the schoolyard, which was just a minute from home,” he says. “Of course, we had to jump the fence, but nobody said not to.”

The main game was five-a-side football, usually played on the handball field.

“I also liked studying, strange as it sounds,” reflects Palanovics, who at an early age dreamed of travelling the world.

“I had a small globe that my parents gave me. I would spin it around and wish to be able to travel,” he says. “My wish must have been powerful, because here I am travelling like crazy all over Asia for Pick, as well as in my spare time.”

Further inspiration came during several months spent in the final year of high school with a host family in Austria. They were a pilot and his flight-attendant wife who had truly international careers and whose two sons were born in different countries.

“They taught me that the world is really a small place and, as well as my parents, inspired me to learn more,” says Palanovics. In university, he chose to study economics.

“I was interested in numbers and curious about the relationships between things that affect how the world works,” he explains. “Also, I felt that economics would not narrow me down. I still had a lot of eggs.”

Business studies followed, in Sweden, under the European Community Action Scheme for the Mobility of University Students, known as the Erasmus Programme.

“I am very grateful for the Erasmus Programme,” he says. “It was a fantastic opportunity to learn about Europe and about living in a different environment. It helped me and it helps Europe.” Seeking “a bigger challenge”, he decided to study at a university in Osaka on a student exchange programme.

“I was just curious to learn more about Asia,” he explains. This experiment, too, succeeded, leading to a second stint in Japan, taking international studies.

Meanwhile, interest in sports had led Palanovics into refereeing soccer, which

he did consecutively with both work and studies in Japan, Mexico and Sweden.

“I refereed for 15 years,” he says. “It gave me many experiences that I would not have had otherwise.”

Another hat, or egg (the metaphor switches), is journalism. Prior to arriving in Japan in 2002, he realised that Hungarian media were not represented in Japan, and he successfully offered his services to Népszabadság, Hungary’s largest-circulation political daily newspaper. His stream of articles began with features on intriguing snippets of Japanese culture, but steadily grew deeper and more substantial. Soon he was also writing for a weekly business magazine and providing commentary on Hungarian national radio.

“I like to share my experiences,” he says. “One is rich in terms of what is inside, and even richer when able to share with others.”

The Japanese Government [Monbukagakusho] Scholarship programme enabled him to undertake PhD studies. Toward the end of those studies, in 2008, Palanovics was approached by Pick Szeged.

“Pick is practically the Toyota of Hungary,” he says. “The president wanted to proactively develop this market. It was very motivating that I could incorporate my own ideas into building the brand.”

At first, Palanovics juggled his new business hat with sporting, academic and journalistic pursuits, but his business initiatives bore fruit. The success is based on the idea of building promotion and marketing around an alluring storyline. Hungary’s woolly Mangalica pig is a unique animal rescued from the brink of extinction for the sake of its incomparable flavour and richness in unsaturated fat.

As explained by Palanovics, a natural storyteller, there were 20 million Mangalicas in Hungary alone in the 1920s, but the breed was almost doomed by the advent of refrigeration and the emergence of more commercial pig breeds.

“The Mangalica is expensive to raise, has small litters, needs a lot of space, grows slowly, and has a very low yield,”

he says, explaining why numbers fell to just a couple of hundred by the 1990s. Since then, intensive efforts have brought numbers back to a level that allows for limited production. In 2004, the hairy hog was declared a national treasure of Hungary.

“We have to eat it, or it will slide towards extinction again,” says Palanovics, adding that he is proud of two aspects of the story so far.

“First, we are able to use the Japan experience in other markets in Asia. We already display the piggies in Singapore and Hong Kong,” he says. “The other thing is that a consciousness of Japanese quality control, customer focus and customer service has penetrated the corporate culture at Pick headquarters.”

His business hat, he says, has far outgrown the others. He no longer referees and has written few journalistic articles in the past year. However, there are new activities.

“I am involved in other projects to do with Hungary and Japan. I still have plenty of eggs,” he says. 

Do you like natto?

Title: Regional Manager for Asia, Pick Szeged

Time in Japan: “10 years”

Career highlight: “Building a new chapter in the history of a 145-year-old company”

Career regret: “Not being able to referee at a big international football event”

Favourite saying: “Effort and innovation together always bear fruit”

Favourite place to dine: “Not too formal, or even a tiny place frequented by locals”

Cannot live without: “Friends, family, travel, adventure”

Lesson learned in Japan: “Patience. Spending time and effort on building relations is the best investment”

Secret of success in business: “Be prepared to hit the wall several times before finding the right way”

Do you like natto?: “Natto is okay, but I love many other speciality Japanese foods”



Antti Sonninen

Country Director, Japan
Rovio Entertainment

Rovio Entertainment is an industry-changing entertainment media company headquartered in Finland, and the creator of the globally successful Angry Birds franchise. Since launching the first Angry Birds game, the company has expanded to animation, books, comics, education, consumer products and theme parks. Antti Sonninen heads Japan operations from Rovio's new Tokyo office.

"Japan's long traditions in games, comics and animation, combined with the recent growth in smartphones, make this country one of the most exciting places to be right now in the field of entertainment," says Sonninen.

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