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Creative Conducting

Yasuaki Mori
Infineon Technologies Japan



Taxing time

Consumption levy jumps to 8%

The new boss

Danny Risberg, EBC chairman

Tohoku relief

Euro firms help with rebuilding

03 2014



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IT'S TIME.

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W O R L D



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The Mission of the European Business Council

To promote an impediment-free environment for European business in Japan.

Nosaka Automata Museum

In 18th-19th century Europe, automata were mechanical dolls created by the finest clockmakers, who were also renowned scientists, and drew the admiration of royalty and the aristocracy. Yukio Nosaka is the owner and director of the museum that is recognised worldwide for its unique collection of exceptional automata. It is located in the famous resort town of Izu-Kogen, on the Izu peninsula, south of Tokyo.



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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.

EURObiz is now available onboard Turkish Airlines business class, leaving Tokyo twice daily from Narita and once daily from Osaka.



Contributors

Gavin Blair covers volunteer relief efforts in Tohoku, page 20.



Gavin has been writing in and about Japan since 2000. He contributes articles to

magazines, websites and newspapers in Asia, Europe and the US on a wide range of topics, many of them business related. "It was reassuring to hear that companies and their employees are still carrying out regular volunteer work in Tohoku. And it's good to know that some of these projects are aimed at providing relief from the stress surrounding fear of radiation that has become a part of life for thousands of kids in Fukushima."

Alena is originally from Germany, south of Berlin and east of the Wall. An advocate of Nippon's rich traditional and regional heritage, Alena's articles have appeared in a number of lifestyle magazines in Japan. "Talking to Sphehar about their solar technology innovations, I caught a glimpse of the future. The old rectangular, flat solar panels are now outdated and a sight for sore eyes. Imagine your window being a solar module or even your jacket. The

Alena Eckelmann writes about a new solar technology, page 23.



future of solar energy will be multi-shaped, portable and invisible."

Rod Walters drums up a story on traditional taiko, page 36.



A writer and translator who has lived in various parts of central and western Japan since 1991, Rod works from a

solar-powered home on Shikoku, overlooking the Seto Inland Sea.

"Despite the sometimes fanatical rigours, traditional Japanese cultural activities attract many foreign participants, who are welcomed for the young blood they represent. From sword making to sake, many of these ancient arts risk extinction, but a dedicated foreign practitioner brings needed attention and helps them to persist and grow."



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Marching forward

Danny Risberg is familiar to most of us around the EBC. After serving in various executive and committee roles, Risberg has assumed the chairman's seat and has big expectations for the year ahead. Ongoing free trade agreement talks and efforts to clarify Japan's reshaped Pharmaceutical Affairs Law will take up much of his time. But Risberg has other things he'd like to accomplish, and he found time in his hectic schedule to tell us about them (page 8).

Japan's consumption tax will undoubtedly be on Risberg's mind—and everyone else's—as the levy jumps from 5% to 8% next month. How will it impact business? Who will pay the tax and how will it be applied? Christopher S Thomas clarifies all in his article "Taxing times", (page 16).

This month marks three years since the horrible events of 11 March 2011, when so many lives were changed. Efforts to rebuild Tohoku continue and a number of European companies are



involved. The people at Deutsche Bank, Unilever, Lend Lease and others deserve praise for their selfless efforts, many completed on their own time. Gavin Blair (page 20) tells us what is being done, who's doing it and how we can help out.

Don't call Michelin's Bernard Delmas a "knight". He's a "chevalier" of the French Légion d'honneur—an impressive and

well-deserved title for a man who has worked hard to build economic relations between Japan and his native country. Delmas, who is also president of the CCIFJ, is our EBC Personality this month. The article explains why this chevalier's main steed comes with tyres.

Finally, you might not know it, but if you own a car, you are part of Infineon's world. The high-tech, chipmaker's micro-controllers and semiconductors are the brains for nearly every vehicle on the road today. Japan president Yasuaki Mori explains how Infineon is looking to the future with hybrids and electric vehicles, in our Investing in Japan cover feature this month. [e](#)



Mike de Jong
Editor-in-chief

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タイヤに求められるすべての性能を追求し続けること。それが、ミシュランの約束です。

私たちのこだわりの証、「ミシュラン・トータル・パフォーマンス」

クルマと路面の唯一の接点であるタイヤには、たくさんの役割が求められます。
安全なドライビングや安心感を持って走るための制動力とグリップ。
運転自体を愉しめ、疲れを感じさせない快適さや静粛性。
そして、これらの性能を持続させるための耐久性。
また、近年においては環境性能の向上も課題となっています。
さらにタイヤには、晴天時と雨天時のような異なる条件下でのパフォーマンスや、
運動性能と快適性、低燃費性など相反する性能が要求されます。

そこで私たちは、あるひとつの性能に秀でたものをつくるのではなく、
すべての性能を追求する道を選びました。
どの性能も水準以上のパフォーマンスを備え、
かつ、それぞれが調和していること。
ミシュランがお届けするのは、
そんなトータル・パフォーマンスに優れたタイヤなのです。

私たちはこれからも、タイヤに求められるすべての性能を追求し続けることをお約束します。
その証として「ミシュラン・トータル・パフォーマンス」をマーク化し、
全世界で展開していきます。



The new boss

*Danny Risberg,
EBC Chairman*

Text **MIKE DE JONG**
Photo **BENJAMIN PARKS**



Danny Risberg has never been one to back down from a challenge. Whether it's fly-fishing a mountain stream, raising Italian greyhounds or heading the Japan subsidiary of a global electronics giant, Risberg loves to test his limits.

Over the next three years, he'll be in for many tests as chairman of the European Business Council in Japan (EBC).

"We've got a lot of challenges," says

Risberg. "It's an extremely important time for the EBC and for Europe in Japan. We've got all the stuff going on in the Japanese economy with Abenomics and everything else.

"This is opportunity; but with that opportunity are huge challenges," he adds. "I like that. Otherwise, why do it?"

One of Risberg's immediate tasks will come in supporting the EU Delegation involved in free trade agreement (FTA) talks with Japan. The negotiations have now seen four rounds, with a fifth slated

to begin later this month. April will mark the first anniversary of the talks, at which point the EU side will step back and assess progress.

"We're positive about the outcome so far," says Risberg. "We are all really happy it's moving forward as it is. But the real, real work still has a long way to go."

Risberg doesn't view the FTA talks as winner-take-all, but as a victory for both sides. He believes a final agreement should represent a partnership between European business interests and Japan,

“IT’S AN EXTREMELY IMPORTANT TIME FOR THE EBC AND FOR EUROPE IN JAPAN”

Danny Risberg

with the Japanese consumer being a major beneficiary.

“We’re not going to get everything we want. They’re not getting everything they want. Let’s be realistic about that. But in the end, hopefully the public gets better access, better pricing and better choice.”

As CEO of Philips Electronics Japan, the 51-year-old assumes the chairman’s role after serving as vice chairman for two years and as a committee member for four. As chair of the EBC Medical Equipment Committee, Risberg has been working with Japanese officials on rules and ordinances for the new Pharmaceutical Affairs Law (PAL), which take effect in November. Now, his objectives will be to learn-across all key industry sectors—the needs of the various members, chambers and committees that comprise the EBC.

“Everybody has specific needs,” says Risberg. “My personal challenge will be to understand what those needs are, keep the balance to move forward, and not get stuck in trying to make everybody happy all the time. Because we could make a lot of effort and go nowhere.”

Another objective for Risberg is to expand the EBC membership and strengthen its advocacy role.

“The FTA negotiations are one part. But what we really want to be is a very, very strong voice of advocacy—to make it easier and better for European business in Japan.

“That’s going to take work beyond the EBC and FTA negotiations; it’ll lead to more activities to get our voice out there.”

Other than a brief stay in the United States, Risberg has lived in Japan for nearly 20 years. He started his career as a medical equipment importer, working his way up to COO of Philips Healthcare and finally CEO of Philips Electronics Japan in January 2010. He oversees a staff of 1,700, and is known to prefer meeting employees, customers and suppliers in person rather than by phone or email. That requires extensive travel to the company’s 80 offices across Japan. Risberg says EBC members can expect that kind of dedication in his new role.

“Of the skills that I have for the EBC, one is coordination,” he says. “Getting the group to work together for the specific objectives they want. I’m pretty good at that; at getting the stakeholders aligned, making sure we understand what we need to do.”

While Risberg is excited at the challenges, he says the EBC is strong today thanks to the work of his predecessors Richard Collasse, Tommy Kullberg and Duco Delgorte.

“They’ve laid a great foundation in the EBC organisation itself. Today, we have a very good structure. [But] if I would say one of the most valuable things that all of the chairmen have brought: they brought trust.

“People trust the EBC. They know that we have a very strong ethic. They know that we want everything to be fair. They know we want the Japanese public to benefit. And that comes from their trust. And that’s probably the biggest thing that all of the members have brought to the organisation. That’s worth its weight in gold,” says Risberg. 

Solid foundation

Text **DUCO DELGORGE**, former EBC Chairman

I am very pleased that Danny Risberg will be the new EBC chairman. He brings a wealth of experience and expertise relating to business and advocacy work. Danny has the ideal profile to lead the EBC through the next stage of its evolution.

I have had the great pleasure and honour to serve as chairman for two years (2012-2013). Before this, I was vice chairman for six years. I first joined the EBC in 2002 and have served in multiple roles, the longest of these being as Food Committee member and chairman.

During my time as EBC chairman, I tried to focus on our mission “To promote an impediment-free business and investment environment that will make it less difficult and costly to do business here”. I am happy to report that many positive developments have been seen which support this mission.

There is no question that the EBC is a major commitment for those who volunteer. Members understand the function and power of the EBC, and realise the benefits are felt by all, by virtue of a more open and competitive market. I believe that the EBC is the perfect vehicle to achieve the opening up of the Japanese market to European business and the reduction and/or elimination of tariff and non-tariff barriers.

Japan is a huge market offering incredible potential. An increasing number of European companies are recognising this and achieving great success here. The trade balance between the EU and Japan was cut to virtually zero in 2012; and, in 2013, it is estimated that the EU had a trade surplus with Japan. So there are many reasons to celebrate, and many reasons to focus on the EBC mission to ensure even greater future success. 

Seafood bounty

*Mike de Jong talks with **Henrik Andersen**, Director Japan and South Korea, Norwegian Seafood Council*



As the world's second-largest seafood exporter, behind China,

Norway sells its ocean bounty to more than 140 countries.

With 43 Norwegian seafood exporters listed here, Japan is a key market. Henrik Andersen of the Norwegian Seafood Council explains how he is working to get more Japanese to sample his country's seafood products.



“IF YOU BLIND-TEST THEM, THEY WILL PREFER NORWEGIAN MACKEREL”

What are the most popular seafood products with Japanese consumers?

The most popular Norwegian seafood product in terms of value, and what Japanese know if you ask them, is salmon. But the biggest product in terms of volume is actually mackerel. Unfortunately, we haven't invested as much in marketing on the mackerel as we have on the salmon. So a lot of consumers think that they're eating Japanese mackerel when, in fact, they're actually eating Norwegian mackerel. If you blind-test them, they will prefer Norwegian mackerel. But if you ask them, they will say Japanese mackerel is their preference.

How can you increase awareness?

That's what we're working on now in terms of investing more in marketing—both in terms of advertising and in ensuring that Norwegian products actually carry the Norwegian logo (*NORGE*), so that people can easily identify [them]. It says on the back where the raw material is from, but not that many people look at the small print on the back. So that is what we do. We also organise and support in-store activities, sampling events,

and distribute free in-store marketing materials to thousands of stores.

What other products are popular here?

We're looking a little bit at whether we should do cod. There is a fair amount of Pacific cod being landed here; and the Atlantic cod hasn't really made a big impact in the market, so we haven't looked much at it. We might in the future, though. But otherwise it's the fjord trout, as we call it. We used to change between trout and salmon; and therefore there was a great deal of confusion among consumers about the difference. So now we're doing a lot of work to build the category of different kinds of salmon to help consumers make more deliberate choices—as to “Do I want a salmon with its eating qualities; or do I want different eating qualities and, therefore, choose a fjord trout?” By repositioning the fjord trout we can increase the total consumption. So if people say “I don't want to have salmon every day”, they can have salmon some days and fjord trout other days. That way you build the category. Fjord trout also offers restaurants the opportunity to put another Norwegian red fish on the menu.

How important a market is Japan for Norwegian Seafood Council?

Japan is a very important market for us. The seventh largest of all our export markets both in terms of value and in terms of volume. And it is a market we have been in for many years: more than 40 years with mackerel and more than 30 years with salmon. We also see Japan as an important growth market. We still have significant growth opportunities both on the mackerel and, particularly, on the salmon.



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“YOU’VE GOT TO GET CLOSE TO WHERE **THE CONSUMER** IS MAKING THE FINAL PURCHASING DECISION”



Exports to Japan dropped rapidly from 2002 to 2006, particularly salmon.

What was the reason for that and have exports bounced back?

The main reason was the arrival of the Chileans—Chilean defrosted trout. What we are selling is more than 90% fresh salmon, airborne here, so never frozen products. The Chileans at that time had lower production costs; they had the capacity to “filet and freeze” and simply priced us into more of a niche because the discerning Japanese consumer still prefers a product that hasn’t been frozen. But a lot of the retailers were just focusing on price, and they were substituting one product for another, just to have the cheapest product. Now we see more retailers focusing on building their bottom line by offering both products.

What marketing programmes have you used to entice Japanese consumers?

We do a lot of consumer research in order to figure out what are the underlying drivers for the Japanese consumer. Why do they buy one product versus another product? What are the difficulties for the consumer in cooking or preparing a product? What are they thinking when they go and make that purchasing decision? Based on that, we develop our various campaigns. In the past, we’ve been doing a lot of PR events. For the past couple of years we’ve been doing a lot more on advertising and in-store activities. We believe that you’ve got to get close to where the consumer is making the final purchasing decision—and that’s where you have the opportunity to impact them. What we have been doing is conducting some concentrated campaigns, making enough noise to raise the eyebrows of buyers at supermarkets and enticing them to organise their own in-store campaigns at the same time. 



Like Salmon? Thank Norway

Delicacy introduced in mid-1980s

If you enjoy salmon sushi or sashimi in Japan, you have Norway to thank for the delicacy. Prior to the mid-1980s, raw salmon was not widely available here due to concerns over parasites in Pacific salmon. However, a Norwegian seafood delegation under the name Project Japan introduced fresh Atlantic salmon to the Japanese market, and it took off. Over the next decade, with Atlantic salmon becoming a popular item on the Japanese sushi menu, Norwegian seafood exports to Japan jumped nearly 250%.



A Second Opinion?

Concerned about your financial health? Worried about the future? Frustrated with poor returns? The past five years have been extremely turbulent in terms of world events and the economic climate.

It is entirely natural to have emotions that give rise to concern about one's financial future. You may be asking what you should be doing. Maybe you don't have a financial advisor; or, if you do, you might wonder if your current plan or advisor is really the best fit for you. Maybe it's time for an objective second opinion.

Your financial wellbeing is just as important as your physical health. Given our expected longevity, one of the biggest fears is running out of money before we run out of oxygen. Indeed, a regular health check can help you lead a healthier life, spotting problems before they manifest into something more sinister. A financial wealth check can do the same; whether you have a financial advisor or not, you can sometimes benefit from a second opinion. In today's uncertain and volatile world, a fresh perspective from deVere Group could be the second opinion you seek.

The management of private assets is the largest area of our business, particularly with regard to retirement and estate planning. By providing a complete wealth management service, we help our clients develop strategies and establish the structures needed for the future management of their wealth – with specific focus on tax-efficient solutions.

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“Don't put off until tomorrow what you can do today.” Benjamin Franklin



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Blowing the whistle

On dysfunctional corporate culture



Michael Woodford blew the whistle

not just on an accounting scandal, but also on Japan's flawed decision-making structure. Changing the latter is the country's most important challenge.

In the winter of 2011, I hosted an event in Tokyo: the first public forum in Japan for Michael Woodford, the recently fired CEO of Olympus. As we pass the two-year anniversary of the Olympus scandal, it's instructive to look back on an affair that gripped observers worldwide.

My first impression at the forum was that Woodford was too angry, especially given his build: he is tall and strong with a flushed face. I immediately suspected he might be rather headstrong and hard to deal with, even in a Western environment.

But on reading his book "Exposure" and speaking to several of the people involved, it became clear where this anger comes from. Woodford gave a brilliant account of how a Japanese company operates, in particular how power is exerted by senior management.

Woodford experienced this first-hand almost from the moment he arrived. During his time at Olympus, the trappings of power (his chauffeur-driven Lexus, lavish apartment, army of PAs) counted for nothing. Woodford became the target of an often cruel mechanism for setting the pecking order. He writes, for example, how his mentor and patron Tom Kikukawa would sit in meetings right next to him and chain-smoke. This was despite the office being non-smoking, and worse, Woodford being slightly asthmatic.

On another occasion, Woodford was

introduced to the powerful president of Sumitomo Mitsui Banking Corporation, the house bank. Another ritual humiliation occurred during that first meeting, with Kikukawa and the bank's president talking to each other in Japanese about golf, and ignoring Woodford. Woodford was furious and had the first of many serious arguments with Kikukawa.

These problems came even before the revelations in *FACTA*, the investigative magazine that exposed the Olympus accounting scandal. The insults accelerated when Woodford tried to find out if the magazine was correct. Nobody would answer his questions, despite Woodford being the president of the company.

Woodford's treatment highlights a massive flaw in many large Japanese companies: long-entrenched executives form 'cabals' or gangs. They know how to pull the internal levers to block change, especially if imposed by outsiders. These frequently elderly executives are generally interested only in preserving the status quo until they can enter a comfortable retirement – as the sorry performance of many of Japan's former world-beaters testifies.

As Woodford shows, there is no transparency regarding how vital decisions are reached, since these are made in corridors and bars, not in boardrooms. There are often no formal checks and balances, such as outside directors, so leaders can do pretty much what they want once they have reached the top.

Japan may be an egalitarian country where salary disparities are far less than in the West, yet there remains a feudal style in its largest companies. In an environment where mid-career hires are

“WOODFORD'S TREATMENT HIGHLIGHTS A **MASSIVE FLAW** IN MANY LARGE JAPANESE COMPANIES”

rare, it pays to be deferential and loyal to your corporate chieftain.

But the "yes" culture is least adapted to dealing with crises. In a crisis, you have to get it right. That means not behaving emotionally, making sure you get plenty of smart people to provide their input, and getting a sense of what is really going on. Many of the Olympus executives surely knew that ignoring the problem and trying to shut Woodford up after the *FACTA* revelations was suicidal. But nobody stood up to the Olympus chieftains.

I have difficulty believing that Olympus is a one-off. Anybody who has dealt with these behemoths can testify to countless examples of arrogant and thoughtless behaviour. Personally, the closest parallel I have encountered is dealing with China's all-powerful state-owned enterprises. This is surely not a model Japan Inc. wants to follow. 



DAN SLATER
is director of the
Delphi Network



Taxing time

Consumption levy jumps to 8%

Text **CHRISTOPHER S THOMAS**

The government of Japan brings in stage one of its planned consumption tax increases next month and that means consumers and businesses will be paying more. The first stage sees the levy increase from 5% to 8%. The second stage, scheduled for October 2015, sees the rate jump to 10%.

Topping the list of concerns is what effect the increase will have on the economy, as the tax rate nearly doubles in a year-and-a-half. Given the history of tax increases in Japan, many experts are worried, and believe there will be a hit—the question is how much. Other concerns include the additional costs borne by companies in dealing with administrative expenses.

“The success of the tax really depends on how the increase is implemented,” notes Hans-Peter Musahl, Partner at Ernst & Young ShinNihon Tax and chairman of the EBC Tax Committee.

“Our main concern is that along with the increase in tax rates will come a greater administrative burden for business,” Musahl adds.

Last year, the government introduced ¥5 trillion worth of stimulus measures in an attempt to offset the effects of the higher tax, and also approved cash hand-outs for low-income earners. Simultaneous reductions will also be seen in corporate income tax rates which—the government hopes—will boost the competitiveness of Japan-based companies.

In 2006, Germany successfully increased its Value Added Tax (VAT) from 16% to 19% (about the same rate change as Japan is getting set to roll out). This was a few years before the 2008 global financial crisis (Lehman Shock), and the German and European economies were in good shape. This successful increase served as a model for the Japanese government to enact a similar increase.

On the other hand, a disastrous

1997 sales tax rise under the Ryutaro Hashimoto administration, from 3% to the current 5%, delivered a severe blow to the economy, plunging Japan into recession. All the worst-case scenarios happened—consumers rushed to make big-ticket purchases to avoid the tax, resulting in a short-term spike in growth. However, big-ticket purchasing dropped off and consumption plummeted dramatically after the tax was implemented, causing the economy to sag.

This time, the government hopes the consumption tax increase will be balanced by the simultaneous cut in the corporate income tax. Japanese companies are already exposed to very high tax rates—38% for large firms, compared with overseas competitors, which pay anywhere from 20% to 25%. This puts companies here at a severe competitive disadvantage. But the government is removing a tax surcharge introduced to help with Tohoku reconstruction one year early, reducing the corporate

“THE SUCCESS OF THE TAX REALLY DEPENDS ON HOW THE INCREASE IS IMPLEMENTED”

Hans-Peter Musahl



© CHRISTOPHER S THOMAS

tax rate to 35.6%, bringing it closer to levels in the US, France and Germany. (The rate does remain high compared with countries such as the UK, Ireland, the Netherlands, Sweden, Denmark, Switzerland and Austria, however.)

Another concern for Japan-based firms regarding the consumption tax hike will be the impact on expenses. Japan until now has applied a relatively simple accounting system to corporate income tax. When the calculated tax is due, the company just looks at the accounts, such as sales or revenues, and then in a relatively simple step, calculates the tax that it owes. This is quite efficient, but at the same time opens the door for fraud.

The EU, in contrast, uses the invoice system, which is more rigorous in its oversight. The vendor is only entitled to a credit. For each transaction, the taxpayer does not pay the full tax but, rather, the tax paid to the supplier. This is allowed only if there is a record of each invoice, stored physically or electronically. Japan is now considering introducing this system.

There has been public speculation that the consumption tax rise would finally kill deflation, since prices are expected to rise. Musahl is not so sure. “Companies that deal with the public will charge the tax and if, say, a train ticket rises from ¥150 to ¥157 then of course prices will be rounded up, and consumers will have to pay more. Businesses always tend to over-increase prices,” he notes.

“However, the opposite could also happen. Retailers will want to maintain price levels, so we may see, as we did in 1997, pressure being applied to

mid-level suppliers to reduce prices. People are used to paying ¥300 for tofu, and ¥2 million, not ¥2.5 million, for a car. So sellers may not want to put all the burden on their customers, and that could result in deflationary pressure,” says Musahl.

“After the tax rise in 1997, supermarkets often had tax-free Mondays, implying that they were paying the tax as a favour to their customers. But supermarkets operate on slim margins and they couldn’t afford to just eat the tax, so they instead put the squeeze on their suppliers. And these smaller firms had no choice but to knuckle under, being the link in the supply chain with the weakest bargaining position.”

Another strategy might be to simply offer new, cheaper versions of their products, at different price points. Instead of a top-of-the-line, full-featured cell phone, the consumer could pick a less functional but somewhat cheaper model, for example.

“If a bottle of wine used to be 280ml and is now 270ml, would anyone care especially?” says Musahl. “Probably not, especially if it is marketed properly. So as companies simply bring on the market new products with different volumes and price points, we’ll see lots of different pricing.”

Which scenario is more likely? “I think overall, prices will rise,” Musahl says. “Because this flexibility has its limits, and consumers will get used to the higher prices. This is especially true for European companies, whose products are mostly high-value.” There could be a more severe hit for lower-priced, high-volume consumer goods.

No one knows whether the hike in

the consumption tax will succeed in its ultimate goal of putting Japan’s long-term finances in order. In the short term, the levy will provide the government with more stable sources of revenue.

“I think most Japanese still have the same negative thinking about the consumption tax [as in 1997], but also clearly understand the desperate need to put the huge Japanese debt under control,” says former EBC Chairman Tommy Kullberg.

“Consequently, I don’t think that it will have a major impact on the retail sector though many small retailers probably again will try to absorb at least a part of the tax increase. Some retailers will probably try to lure customers by claiming that they will not increase the price.”

Musahl says the EBC Tax Committee remains neutral on the tax increase. “The increase is happening, so we have to live with it,” he says. “On the other hand, the committee is recommending, in line with Keidanren [Japan Business Federation], the long-term reduction in Japanese corporate tax rates. The government of course wants to make way for this, and one of the means for doing so without compromising total tax revenues is to increase other taxes. We’re in favour of that.

“We’ll just have to watch carefully—the economy in 2014 could take a hit, and companies’ administrative burden may increase if the government implements the invoice system. But the government seems to be introducing the tax properly—in stages, with careful timing and stimulus measures—so there is every indication that it will go well,” Musahl concludes. 



Britain

A letter from Tokugawa Ieyasu in 1613 to King James of England and Scotland commenced relations between Japan and Britain. The Shogun had just seen the first formal British envoy John Saris, who had given him a present of a telescope and requested that trading relations between Britain and Japan start. Today, the British Embassy in Tokyo, together with the British Consulate-General in Osaka, represents the UK government in Japan. The British Chamber of Commerce in Japan welcomes members of all nationalities.



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Alison Jambert

President, British Chamber of Commerce in Japan

www.bccjapan.com

Text and photo **CHRISTOPHER S THOMAS**

The British Chamber of Commerce in Japan had a busy year in 2013, and 2014 is looking to be even more eventful. Relations between the UK and Japan have never been better. Trade, cultural exchanges and diplomatic relations are strong and growing, and the two countries are heavily involved in negotiations for a EU-Japan free trade agreement. The UK and Japan celebrated their 400th anniversary of relations last year, while the BCCJ celebrated its 65th birthday.

The British chamber is actively involved in helping this vital relationship continue to prosper. As BCCJ president Alison Jambert puts it: "Our mission is all about staying true to our members and supporting their business interests. Members join for what we can do for them, which is provide valuable business information and opportunities to network and interact with other members of the greater business community."

In this, the BCCJ's links to the European Business Council in Japan are key. "We were one of the founding members of the EBC 42 years ago, and we're constantly active in seeking to nurture this relationship", Jambert says.

The BCCJ's membership continues to grow, and is at an all-time high of 200 member companies and 740 individual members. "In addition to the major British corporates, we have more SMEs joining and seeing value in what we're offering," says Jambert. "Most importantly, the members are engaged."

The BCCJ has also been seeing more Japanese companies joining recently, including Kawasaki Heavy Industries and Mitsubishi Real Estate.

Jambert notes that approximately one-third of the chamber's executive committee are women, as are all three

members of the secretariat. "We want to support our female members, and these numbers demonstrate our commitment to that goal."

Jambert credits the BCCJ secretariat with driving much of the change. "Our executive director, Lori Henderson, is doing a smashing job of keeping things running smoothly," she says. "Lori has done a terrific job in strengthening our social media presence—we now have a revamped website and a very active and expanding presence on Facebook, Twitter and LinkedIn. We've also enjoyed a major increase in media coverage as well—including by NHK and the BBC radio programme 'Business Matters'."

The secretariat also fields a constant stream of enquiries from companies and individuals interested in business opportunities in Japan. Jambert is especially excited about the launch of "Export to Japan", a collaboration led by UK Trade and Investment (UKTI), with the chamber being a strategic partner along with British Airways and BusinessLink. This is a new online platform, to promote inbound investment into Japan, in which members field inquiries about business in Japan and funnel them directly to industry here. "Japan still has this image in the UK of being a difficult place to do business, and we're hoping this initiative will help to change that perception," Jambert says.

Meanwhile, member engagement in BCCJ elections is at an all-time high. The upcoming elections in April will feature electronic voting for the first time. "Last year we had a record number of 19 candidates who contested 15 seats, an unprecedented number for the BCCJ," she points out. "This year with electronic voting, we're anticipating an equal-if not greater-level of participation."

The BCCJ's extremely active



IT'S BEEN AN
OUTSTANDING
YEAR OF
GROWTH AND
ACHIEVEMENT

programme of business and social events - numbering 36 so far in the current year - continue to be extremely well-attended and are highly valued both by representatives of major corporate members and by SME members. The BCCJ British Business Awards ceremony is the highlight of the year, and last year attracted a record number of over 50 nominations.

The overall result has been a reinvigorated chamber, with growing member participation. "For me, the key difference is members are actively engaged and willing to commit time and resources - and contribute to the continuing success of the BCCJ," Jambert says. "It's been an outstanding year of growth and achievement." 



Tohoku relief

Euro firms help with rebuilding

Text **GAVIN BLAIR**

This month marks the third anniversary of the triple tragedy in Tohoku and the situation in north-eastern Japan remains grim.

More than a quarter of a million people still live in temporary accommodations, and those displaced include former residents of the area close to the Fukushima Daiichi nuclear plant. Many more struggle to adjust to life after the triple disaster, while health concerns persist, particularly for children, around foodstuffs and prolonged periods spent outdoors.

In the months following 3/11, there was an outpouring of sympathy and help from Japan and around the globe, with individuals and companies flocking to Tohoku to do their part. Despite the inevitable scaling back of volunteer activities in the region, staff at some European companies remain committed for the long haul and are determined to show that Tohoku has not been forgotten.

In March 2011, Unilever Japan was one of the most active foreign companies in the relief efforts, sending nearly half a million items, ranging from tea and snacks to personal hygiene supplies.

The company used its established distribution network to get immediate necessities to some of the worst affected areas. It followed this by donating ¥1 for each consumer who clicked on a dedicated website or tweeted about Unilever, as well as matching individual donations. Unilever's efforts raised more than ¥20 million, which it divided among its four partners—the WFP, UNICEF, Save the Children and Oxfam. An additional ¥40 million was generated through a cause-related marketing campaign.

More than 200 of Unilever Japan's 550 employees have volunteered in



© LEND LEASE

Left: Unilever's "Share a Smile, Help a Child" project in cooperation with Save the Children, took Fukushima children skiing in low radiation areas; Centre: Staff from Lend Lease Japan have been visiting Minami-sanriku regularly to clear fields and plant daikon radishes; Right: Lend Lease sees social interaction with local people in volunteer activities as important as the work itself.

Tohoku, on recovery projects such as building and restoring playgrounds. Seikei Itoh, organiser of the company's volunteer trips to the northeast, says seeing the immediate results of their work in Tohoku has been very rewarding for staff, and word-of-mouth has encouraged more employees to join subsequent volunteer trips.

Unilever's history of engagement with social issues dates back to its origins in Victorian England, and is another reason employees continue to contribute to the recovery in Tohoku in such numbers.

"It's in the [company] DNA," says Itoh, who adds that Unilever's thrice-monthly trips still fill to capacity quickly.

Itoh says volunteer work has led to some unforeseen benefits for the company too, including higher morale amongst employees and better communication with senior executives.

Unilever Japan president Ray Bremner, who received an OBE in 2012 in recognition of the company's relief efforts, joined trips to Miyagi prefecture's Ishinomaki, one of the hardest hit areas—chipping in with the rubble-clearing work. With employees staying six or seven to a room at a traditional ryokan

in Matsushima while volunteering, staff had a rare opportunity to socialise in a relaxed setting with their president and senior management.

Deutsche Bank Group in Japan also sprung into action within a few days of the earthquake and tsunami. Employees, including some originally from the northeast, drove up to the affected areas with emergency supplies. Shortly afterwards, groups of employees—many of them foreigners—began making regular trips up to the Ishinomaki area with food and shovels, to help with the huge task of clearing mud and rubble.

One outcome of the relief activities—and the relationships established with local people—was the formation of Nadia, an NPO, in late March 2011. Meaning hope in Russian, Nadia brought together volunteers and support from numerous companies and organisations, helping to coordinate clean-up operations. As the recovery in Tohoku moved forward, Nadia would work on projects such as building playgrounds in locations including Minami-sanriku (Miyagi prefecture) and Ishinomaki, which it continues to engage in today.

Globally, Deutsche Bank also raised

more than \$3 million for Tohoku, most of which it donated through the Japanese Red Cross Society and Save the Children.

"Deutsche Bank Group's priority is on the midterm recovery, and our country head at the time appointed a four-person Tohoku taskforce to decide on what to do with the remaining donations after the emergency aid was disbursed," says Aston Bridgman, who chaired the group.

Having carried out on-the-ground assessments, the taskforce picked the fish processing sector to invest in, given its crucial importance to the local economy. Other earmarked projects included funding a catch-up programme for local junior high schoolers, a food bank and a mobile health-check unit.

Around 30% of Deutsche Bank employees in Japan have volunteered in some way, with one of the playground building projects last year bringing them together for the first time with volunteers from around the Asia-Pacific region.

Lend Lease Japan was also working on the ground in Tohoku immediately following the disaster, assessing damage to the mobile network towers of its

customer Softbank, as well as offering space in its Sendai office to teams from the Australian, New Zealand and Canadian embassies.

“A few of the families of our staff in Tohoku lost their homes in the tsunami, though there were no casualties,” explains Masahiko Morita, Lend Lease senior executive officer. “With people from the company directly affected, we wanted to help in ways that would have an on-going impact.”

Lend Lease donated its design and project management services to an Australia Friendship Learning Centre

and library in Minami-sanriku, funded by the Australia and New Zealand Banking Group (ANZ Bank). Opening in February 2013, Koala House, as it’s colloquially known, was the first permanent civic building constructed in Minami-sanriku after the disaster.

Morita says local people are putting the facility to good use, and he has made a number of trips to the town himself. Wanting to maintain ties with the community in Minami-sanriku, the company then began organising volunteer trips for its staff every three months to help with the recovery.

The volunteers are working on activities such as getting fields ready for planting, a major task due to the debris and salt carried inland by the tsunami.

“As much as anything else, it’s about communicating with the local people, especially the older citizens, some of whom had stopped going outside much,” explains Morita, who says they are also looking at other ways to get people out and enjoying themselves.

Morita says Lend Lease plans to carry on volunteer visits for at least another year, at which time it will re-evaluate the needs of the local community. 



“ WITH PEOPLE FROM THE COMPANY DIRECTLY AFFECTED, WE **WANTED TO HELP** IN WAYS THAT WOULD HAVE AN ON-GOING IMPACT ”

Masahiko Morita



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Top: October 2011—Deutsche Bank Group (DBG) volunteers working with NPO Nadia to clear debris from the Oshiaki Peninsula. Bottom: November 2013—DBG volunteers help replace a playground at an elementary school in Ishinomaki City, Miyagi prefecture.

Solar leadership

A new way of capturing the sun's energy

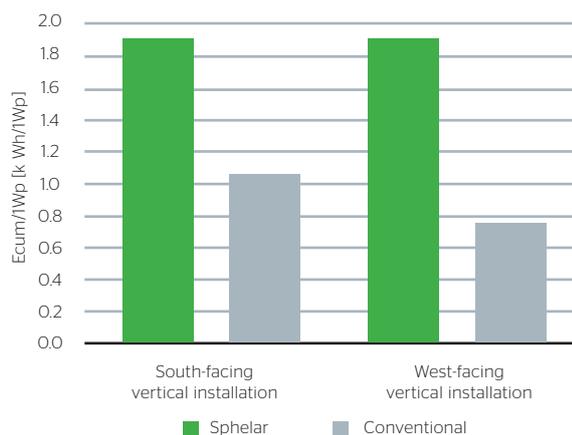
Text **ALENA ECKELMANN**

Solar cells are traditionally large, flat and rectangular, capturing the sun's rays on one side. But now, a new technology is taking solar panels into multi-dimensions, allowing energy to be captured from various angles.

"I was inspired by the leaves of trees and by the way that sunlight reaches many spots other than flat, horizontal spaces," says Yosuke Nakata, president of Sphelar Power Corporation, about what prompted his solar invention.

The technology known as Sphelar (spherical and solar) breaks with convention by using micro-spherical cells. These rounded cells allow for a multi-dimensional capture of sunlight throughout the day, resulting in higher cumulative energy.

Comparison of cumulative output



Consisting of a core, a shell and an electrode on two sides, the Sphelar cells are tiny, measuring barely 1.2-1.8mm in diameter. The minute size makes them transparent, allowing them to be flexibly woven into items that are curved, rounded, multi-dimensional and see-through.

The module structure for see-through applications is called "mesh". In conventional solar modules, solar cells are connected in a series (called a 'string' in the photovoltaic industry), and then the strings are connected in parallel to make a solar panel. In the case of Sphelar's mesh, micro-spherical solar cells are simultaneously connected in serial and parallel.

"This has the advantage of being less affected by partial shadowing," explains Norifumi Nagatomo, Sphelar's group manager of corporate strategy. "In the case of textiles, we make an energy-generating thread with Sphelar cells first, then

weave the threads with an innovative textile machine, based on the Japanese classical weaving machine structure."

This innovative project works in collaboration with partners in Fukui Prefecture, an area with a strong textile tradition.

Established in May 2012 and based in Kyoto, Sphelar currently employs 20 people and has R&D facilities and a production line in Hokkaido. The company has three production lines for electronics, building and automobile applications.

"We are already receiving many enquiries, especially from architects in Europe and in the US, who are interested in our [automobile] line," says Nagatomo.

Sphelar cells have a transparency of 50-80% compared with the 10-20% of other see-through products currently on the market. This would make them ideal for use as windows in high-rise buildings, see-through glass curtains and noise barriers in cities. The cells also generate an energy output double that of conventional cells. This helps to reduce overall energy consumption in buildings, and contributes to zero-emissions.

Sphelar is one of only two companies that manufacture microspherical solar cells in Japan. They are aiming for com-



Transparent and flexible, Sphelar modules let the sun shine in while generating electricity.

mercialisation of their solar modules by 2016.

"The EU market is advanced in green technology and applications; hence we are especially interested in collaborating with European companies," says Nagatomo. "We look for partners to create innovative products and integrate them in traditional market sectors.

"We want to expand the area of solar technology applications, not only in building materials, but also in consumer applications such as fashion, outdoor installations and medical devices," he concludes. 

Creative Conducting

Infineon Technologies Japan

Text **MIKE DE JONG** Photo **BENJAMIN PARKS**

When you slide behind the wheel of your car and start the engine, a number of things happen. The powertrain engages, the pistons start moving and hundreds of electronic applications begin working. These tiny regulators, transceivers, sensors and microcontrollers guide things like your car's fuel injection system, hydraulic transmission controls and applications for suspension, braking and steering. Even safety features are controlled electronically.

Relying on micro-sized computer chips or semiconductors, these tiny applications are the brains of your vehicle. They allow you to drive safely and effortlessly to your destination.

"They control everything, from the engine to how the combustion takes place, the ignition, the fuel," says Yasuaki Mori, president and CEO of Infineon Technologies Japan.

"Airbags use semiconductors. ABS brakes too. Of course, the navigation system is electronic", he adds. "Even the mundane things like window switches. Those used to be mechanical, but they had reliability issues and were big. Semiconductors are very small. They cost more, but they're more efficient. The name of the game is weight. So these save [on] weight."

Infineon is the world's second-largest chip supplier to the automotive industry. Based in Germany, the company employs 26,000 people and recorded global sales of €3.84 billion in 2013. Japan sales accounted for 6% of worldwide revenue.

"Those numbers refer only to how much we physically sell in Japan," says Mori. "But we are responsible for all of our Japanese customers' worldwide activities. From that perspective we're aiming at surpassing 10% very soon. We've been working on that the past five years."

Employing about 130 people in three offices—Tokyo, Nagoya and Osaka—Infineon Japan began in 1980 as Fuji Electronic Components, a joint venture between Fuji Electric and Siemens. It became part of Infineon in 1999, when the semiconductor division was spun out of Siemens. The company's main products include sensors, power semiconductors, microcontrollers and security chips.

"On average, every second car produced now contains Infineon microcontrollers," says Mori.

Hybrids (HEVs) and electric vehicles (EVs) are the latest area of development, with the company producing chips and modules that minimise power loss, maximise power savings and boost performance. Mori says Infineon's products help reduce the overall cost of a vehicle's powertrain and electronics, thereby increasing mileage and improving battery efficiency. The key for HEVs and EVs is improving their efficiency in converting direct current to alternating current.



"In the combustion engine, you have a carburettor. That's no longer needed," he explains. "The equivalent of a carburettor in an electric car is called an inverter. In order to make a motor run, you need to change the polarities; change the direction of the current, which changes the magnetic field, so the engine starts moving. That's the inverter. This is an absolutely essential element of the electric car.

"I think what differentiates us from other semiconductor makers is that our engineers are *car* engineers," he says. "They can actually take apart a car, and rebuild it and help make it more efficient.

"They understand the customer inside and out. So rather than saying 'Hey, here's a chip. Please use it,' they understand how to use the chip better."

Infineon's core philosophy is based on three areas: mobility, security and energy efficiency.

This is reflected not only in its car products, but also in its other product areas—industrial electronics and semiconductors, and chips for security cards and IDs.

Mori calls the company's work on security cards a "race against hackers".

"Initially, the main thing was to physically protect [the chip]. Now, they [hackers] are becoming more and more sophisticated using lasers to try and read the data. So what we have now are two processes running, in parallel, watching each other. If it detects somebody [trying to break in], it shuts it down.

"The reason we did this is that some things you can't protect physically; we have to project logically and from a system perspective. [For] that kind of expertise, you need to know how people who want to steal data think."

Infineon's latest achievement is the 300mm ultra thin wafer used for semiconductors in servers and electric trains. So far, the company is the only manufacturer of power semiconductors of that size. Mori says many in the industry doubted it could be done.

"They said it's not possible," says Mori. "But we've been working on it since 2009. It is possible. We've done it."

Whether in a car, computer or office security card, Infineon microchips are everywhere. Someday, they might even turn up in an automated vehicle.

"I think the technology is there," says Mori. "Two steps remain, though: legislative and how to make it commercially viable. If such a world exists, it's because semiconductors enable that," he concludes. 

“ON AVERAGE, **EVERY SECOND CAR** PRODUCED NOW CONTAINS INFINEON MICROCONTROLLERS”

Yasuaki Mori

Food and Agriculture//

Working for a common objective

Text **GEOFF BOTTING**

When it comes to trade issues, food and agriculture are in a league of their own.

Governments around the world view food as highly strategic, which is why its products and ingredients are commonly protected by a range of market barriers. That is the case not just in Japan, but also in the EU and other trading partners.

"Negotiations over food aren't just about 'let's get rid of tariffs'. It's a more complicated situation," says Olivier Convert, chairman of the EBC Food and Agriculture Committee. "The food industry is remarkably diversified; there are many, many different products from different origins like animals and vegetables. We believe it's more diversified than other [business] sectors."

And it is usually more complex. Pointing at his committee's pages in the 2013 EBC white paper, Convert says the listed issues—tariffs and quotas, additives and food enzymes—are the tiny tip of a vast iceberg. "The real list would be like a dictionary, with a large number of very specific issues," he says.

That should not come as a surprise,

Food and Agriculture Key advocacy points

→ **Tariffs and quotas** - Japan's government should abolish tariffs on food products as part of the EU-Japan FTA/EPA.

→ **Food additives** - The remaining 8 additives on a list of 45, released by the government in 2002, should be swiftly approved.

→ **Food enzymes** - The EU-Japan FTA/EPA should guarantee that food enzymes in wide use in the EU and approved by the Joint FAO/WHO* Expert Committee on Food Additives will be promptly approved for use in Japan. *Food and Agriculture Organization of the United Nations/World Health Organization

given the diverse collection of committee members—from Convert's own company Roquette Japan, an ingredient manufacturer, to TÜV Rheinland Japan, which conducts food testing, to furniture retailer IKEA Japan, whose stores have restaurants that serve Swedish

meatballs and other exotic dishes.

Although the members represent a wide range of interests, one of the common objectives is to achieve greater harmonisation in standards and testing between the EU and Japan.

"Most of the European companies are in favour of alignments of systems, for both access to Japan and access to Europe," Convert says, adding, "The negotiations on these issues are complicated."

Japan's testing and approval processes, he says, "lead to extra unnecessary costs for foreign companies, "and the extra testing doesn't bring any added value [to the Japanese consumer]," Convert points out.

Clearly, Japan's market features some onerous barriers, of both the tariff and non-tariff nature. Yet, at the same time, the country remains one of the world's biggest food importers. In the EBC white paper, the committee states that the country's "regulatory environment generally favours the import of raw materials ... but hampers the import of packaged food, whether processed or not."

Convert believes that most of Japan's non-tariff barriers aren't deliberately

aimed at blocking foreign products, but reflect such things as “quality expectations”. Japanese companies and consumers are notoriously fussy when it comes to food quality, right down to the packaging.

Tariffs do, however, become an issue for the committee when they are deemed excessive. “Japan continues to impose high import duty rates on many foods and food ingredients,” the white paper says. Examples include butter, which is hit with a 35% duty plus ¥1,159 for every kilogram.

Jean-Pierre Bernardino, president of Puratos Japan—which imports ingredients for patisserie and chocolate products, among others—knows these numbers all too well. “If we averaged everything we import, we probably pay around 25% import taxes,” he says.

“I wouldn’t say the barriers prevent you from doing business in Japan, particularly after you’ve established yourself here, but they do slow things down and make things costlier,” continues Bernardino.

Convert doesn’t see any vast differences in market-access issues in Japan and in the EU, although he adds that Japan is exceptional for the glacial pace

of its bureaucracy.

“The rule of thumb for companies exporting to Japan is that it takes twice the amount of time to get things approved, to get licences, to get compliance reviews and so on in Japan, compared with Europe.”

He puts the lags down to a tendency here for civil servants to seek consensus, and possibly also to the level of caution and thoroughness they apply to their work.

On-going negotiations over the Trans Pacific Partnership (TPP), an ambitious trade agreement among Pacific countries, are an issue of concern for the EBC committee. Japan is negotiating to join, but is coming under pressure to liberalise its farming sector and food industry.

Convert says he and his European colleagues are keeping one eye on the developments at the TPP and the other on the free trade agreement/economic partnership agreement (FTA/EPA) talks between the EU and Japan.

“We don’t want the TPP to grant greater access to American and Australian products than what the FTA would allow [for us],” he explains. “We definitely have to be active and

“MOST OF THE EUROPEAN COMPANIES ARE IN FAVOUR OF **ALIGNMENTS OF SYSTEMS**, FOR BOTH ACCESS TO JAPAN AND ACCESS TO EUROPE”

Olivier Convert

monitor the progress [of both trade negotiations].”

He adds, “We really believe that through specific measures, there are ways to maintain the protection of the Japanese consumer while also extending his possibilities of choice [and] improving costs related to [imported] food products.” 

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Real appeal

Commercial and residential stakes

Text **DAVID UMEDA**

From mixed-use skyscrapers to residential neighbourhoods near retail districts, property features are making key players competitive and standouts in the real estate field.

“The Abe administration’s stimulus measures appear to have reinvigorated the Japanese economy and have stoked investor sentiment,” observes Christian Mancini, chief executive officer—North

East Asia; representative director; and chief executive officer—Japan at Savills Japan. “Tokyo’s total property transaction volume was up more than 50% in 2013 compared to 2012. Prime office capital values grew double-digits on the back of demand-driven cap rate compression and healthy rental growth.”

At Oakwood Japan, for example, a fully furnished apartment includes full kitchen,

utensils, electrical appliances, washer/dryer, front desk operations, housekeeping services and more. The minimum stay is for only 30 days, which makes Oakwood unique.

“We possess a hospitality mind at heart,” adds Martin Fluck, director of operations, North Asia, Oakwood.

Now, their portfolio includes the Oakwood Apartments Ariake. “With its



hotel operation license, the Ariake property makes our uniqueness available from nightly stays," Fluck says.

Sakura House offers a wide selection of furnished accommodations in Tokyo.

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"More than a simple real estate agency, Sakura House aims at creating a friendly environment," explains Namiki. "It is where people can connect and create long-lasting memories—and discover true Japanese culture through our events and workshops."

Serviced offices, both virtual and real,

also have a strong presence in urban centres.

"The shared accommodation factor of serviced offices make them very competitive," says Olga Vlietstra, general manager - Japan, at Servcorp. "Overheads are massively reduced when you only have to pay for the space you actually occupy."

Yet, the client can also access more than 100 square metres of additional office space, from reception area, meeting rooms to pantry and copy area. "And you don't have to hire a support team, or install your IT infrastructure and equipment," Vlietstra adds. "A virtual office is fully benefitting from the serviced office infrastructure and services without having an actual 'key'."

Savills Japan observes how the average pricing still sits at less than half of its 2007 peak. "This has helped catapult Tokyo to the top of the institutional investor target list, and we expect the

current trickle of foreign interest to turn quickly to a deluge," adds Mancini. "Whether they are able to compete against a very well-capitalised, nimble Japanese investment universe remains to be seen."

The Shinagawa Station area—with its proximity to Haneda International Airport, multiple hotels and convenient access to both the Heritage and Tokyo Bay Olympic Zones—can expect to benefit from the lead-up to 2020, according to Andy Hurfurt, executive director of Investment Consulting for CBRE Japan.

"This is especially true given that there are a number of large land plots potentially available for redevelopment," continues Hurfurt. "Prime retail locations—including Ginza, Shibuya, Omotesando and Akihabara—should also see considerable gains from the Olympics as visitors enjoy exploring the shops and restaurants." 



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Business Garden was launched in 1995 with 24 small offices to rent in Tokyo's Shimbashi district. Since then, the company has expanded its portfolio to five additional central Tokyo locations, including Shinjuku. Business Garden has extended its target market to include overseas customers and provides all

services in English. The company's services include setting up social and business gatherings to facilitate networking with other tenants who are in the same line of business, as well as assisting clients to find reliable lawyers and tax accountants who can assist through the necessary steps to start a business.

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Shikoku Drumming >

Text and photos **ROD WALTERS**



“WE MAKE AN EFFORT TO ENSURE THAT OUR **SHOWS ARE VARIED**, WITH PIECES THAT WE LEARNED FROM ALL OVER JAPAN”



As an Englishman in provincial Shikoku, Sam Barclay stands out like a sore thumb. At 190.5cm, he strides about, naked above the waist except for a faded cotton bib. He has a jaunty white bow in his hair, and a large drum strapped across him, which he bashes to dramatic effect. It's all in the name of culture—specifically wadaiko, Japanese drumming, at which Sam is an acknowledged dab hand.

Barclay came to Japan eight years ago from Bath in the UK. His first stop was Shimane in western Japan.

"I was living in a small town then. I couldn't speak any Japanese at all, but I wanted to be involved in the community, so I joined a local taiko group. There wasn't much else to do."

With a background as a cellist, he wasn't entirely new to music, or to percussion instruments for that matter.

"I tried the jembe a couple of times, but I couldn't get the hang of it. There was almost too much freedom. With taiko, you have the fixed patterns to guide you, so it came more naturally."

After his stint in Shimane, Barclay got a job teaching English at Ehime University in Matsuyama, the largest city on Shikoku, the smallest and perhaps the least developed of Japan's

islands. Traditional culture is valued highly in this conservative region, but the declining, ageing population and the hollowing out of the provinces makes it difficult to maintain the old entertainments and disciplines. New blood is welcomed warmly. Barclay asked around and soon found his way to Kotaro, an amateur drum group based in Tobe, a suburb of Matsuyama renowned for its potteries.

Kotaro has about 20 members, ranging in age from 17 to 50. Members include an elementary school teacher, a bus driver, a postal worker, housewives and the aforementioned university teacher. Members pay ¥2,000 a month, which is waived if they take part in a certain quota of performances. They must also maintain their own set of drums. Barclay paid ¥80,000 for his, which he rents to the group. Larger taiko cost as much as ¥2 million.

For the past six months, Barclay and his group have been putting on a sea-themed show around Ehime prefecture, including one at the traditional kabuki drama theatre, built in 1916, in Uchiko. The male members of the group perform topless, displaying physiques worthy of Michelangelo. There are more bumpy muscles than you can shake a drumstick at. But while it is great exercise, there's a downside to

all the physicality. Barclay's thumb is missing half a nail where he whacked it performing one of his elaborate drumstick flourishes in poor lighting.

Group members get no sympathy for their aches and pains, though.

"If you say, 'My wrist hurts a bit today', they tell you 'Oh that's normal', or 'That's because you're playing the wrong way,'" Barclay says. After a whole day of dress rehearsal, large flaps of skin are hanging off his palm as he helps pack the drums into waiting cars.

Barclay isn't the only foreign national to have played with Kotaro. An American woman was with the group for a while, and she took what she learned back home and began a taiko group in Arizona.

It's exhilarating to watch, and the enjoyment of the performers is palpable. There is singing, dancing, and even a little percussive comedy. The drummers change costumes for each piece, appearing in various masks, hats, festival clothes, and states of undress.

"A lot of taiko performances are very similar, so you begin to think you're hearing the same piece over and over again," adds Barclay.

"We make an effort to ensure that our shows are varied, with pieces that we learned from all over Japan," he says. 🎥



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The art of persuasion

Specialists handle the meaning as much as the message

Text **DAVID UMEDA**

Japanese companies face the ever- increasing need for globalisation and the digitisation of media. “How well they adapt enables them to communicate quickly and effectively worldwide,” explains Edward Yakumo, associate director at Hill+Knowlton Strategies Japan. “A strong, experienced PR team is crucial for Japanese companies not only to be more competitive internationally, but also to retain their brand equity and ensure business continuity in case of a crisis/issue that could quickly damage their reputation – a trend that will only grow in the face of these challenges.”

Outsourcing media, PR and/or communications is an important consideration especially in Japan. “The key advantage of outsourcing is objectivity. PR is the intersection between stakeholders and organisations,” points out Ross Rowbury, president and representative director of Edelman Japan.

Agencies can provide the objective, external assessment of the relationship

with society, changing trends and stakeholder needs that in-house communications does not have the time or resources to pursue, according to Rowbury. “Many Japanese companies do not yet have a global communications capability, which an agency can provide.”

In measuring the value of outsourcing, Yakumo of Hill+Knowlton Strategies Japan delves deeper into how the language, cultural and media landscape is only expanding through the globalisation of companies and digitisation of media. “PR and corporate/brand communications is becoming increasingly more fluid and specialised, while news is being disseminated to the masses in real time to an audience more diverse, engaged and savvy than ever.”

Two “recent” events have had a significant impact on how Japan Inc. views the media, PR and communications. “The lead up to the 2020 Olympics provides a prime opportunity

for government and business in Japan to combine to communicate a positive, forward-looking message about Japan,” says Rowbury of Edelman Japan. “Much of our work will be in assisting them in doing that.”

The triple disaster in 2011 continues to exert influence. “Since 3/11, Japan has become very sceptical and distrusting of institutions and spokespeople,” Rowbury observes. “This calls for a multi-platform approach communicating narratives that build trust. It is no longer just about the maintenance and improvement of reputation. Companies and organisations must focus on engagement, and communication of integrity and purpose – not just announcing operational success or failure.”

Yakumo also believes that they can make a difference. “This is where companies like Hill+Knowlton Strategies, which has a truly global footprint, can offer the in-market expertise and worldwide reach Japanese corporations require.” 

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The Mai Japanese restaurant faces the inner garden of Karesansui, expressing the essence of Japanese beauty and serving genuine *kaiseki* cuisine, perennial favourite sushi creations, and eloquent tempura – using only the choicest seasonal ingredients prepared by our culinary craftsmen. The special 20th anniversary course, costing ¥200,000 for 2 guests and limited to 2 couples a day, is by appointment and hosted in a private room. The menu selections – presented on plates designed by living national treasure Manji Inoue – are accompanied by a glass of champagne and sake. Mai Restaurant features an amazing selection of rice wine fresh from the brewery.

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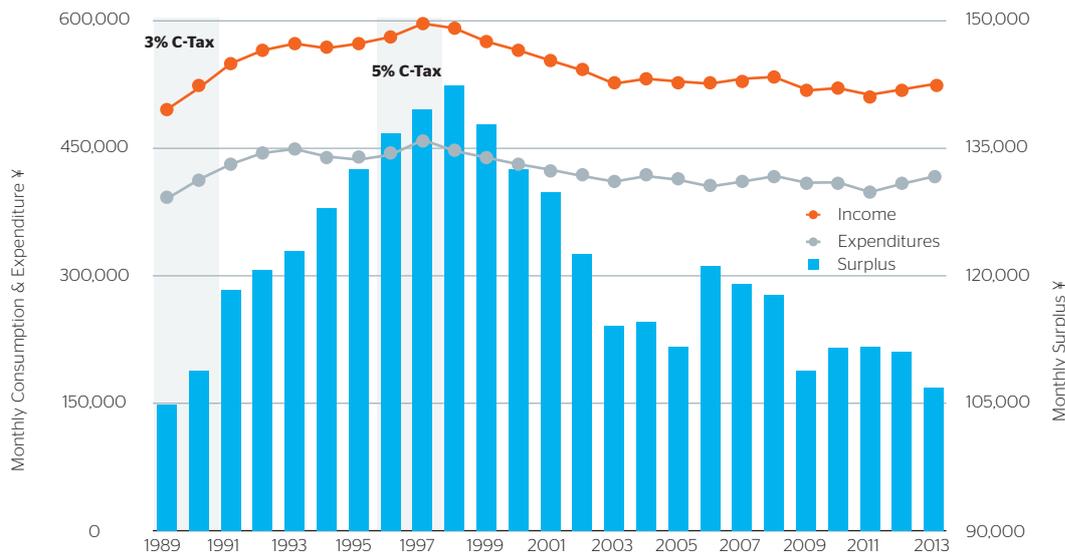
There is plenty to celebrate regarding two decades of being the signature landmark in Tokyo’s ever-popular district for

strolling, shopping, wining and dining. The Westin Tokyo is inviting you to join in the celebration of genuine Japanese hospitality at its finest, with meticulous attention to detail and uncompromising commitment to excellence.



Consumption tax

Income, Expenditure & Surplus per Household, Monthly Average, 1989-2013



SOURCE: GOVERNMENT DATA, JAPANCONSUMING

Next month's rise in the consumption tax will hit retail

sales, but the question is for how long. Optimists say that, like the last time the tax was increased in April 1997, by September the hike will have been forgotten and retail sales will recover. Pessimists look at the combined effect of inflation and stagnant wages—and fear a much longer contraction. Indeed, it's not so much the consumption tax that is the problem, but rather the combination of tax hikes, subsequent inflation and sustained stagnant wages:

- ▶ In 1989, when the sales tax (3%) was first introduced, recovery was visible within six months because incomes were still rising, and peaked in 1997. Household surplus was close to an all-time high, with deflation on-going.
- ▶ In 2014, incomes are down 12% from 1997 (when the consumption tax rose to 5%) and inflation is rising, creating a classic consumer squeeze with little disposable income to spare in average households.
- ▶ In 2007, total net disposable income exceeded expenditures by ¥393,493 for a typical household of two working people. This figure dropped with the Lehmann Shock of 2008, and has since fallen further. There was a net short-fall of around ¥130,000 per household as of last November—double that of the same month in 2012—so the more optimistic observers expected large year-end bonuses to turn the deficit around. Bonuses did rise in December 2013, but by only 2.8%—way down from the 6.4% rise in the earlier summer bonuses. In 2013, there was an astonishing fall in cumulative disposable income

of 24%, with the average family finishing the past year with a surplus of just ¥160,418, a little less than half that of 2007.

Against all this negativity is the encouraging fact that retailers and brands today have better levels of independence, profitability and marketing skills than their predecessors. These improvements will stand them in good stead over the coming months. There are numerous ways in which retailers could market themselves out of the spending decline. And there is likely to be ample opportunity for profit-orientated price hikes too, allowing the “better” firms to largely ignore the discouraging big picture and work on attracting customers through better-value offers.

Nevertheless, given the squeeze from the anticipated inflation and flat incomes, the key to whether consumers come out of the post-tax hike blues sooner rather than later will ultimately be up to the employers and their willingness to increase pay levels. ☺



ROY LARKE

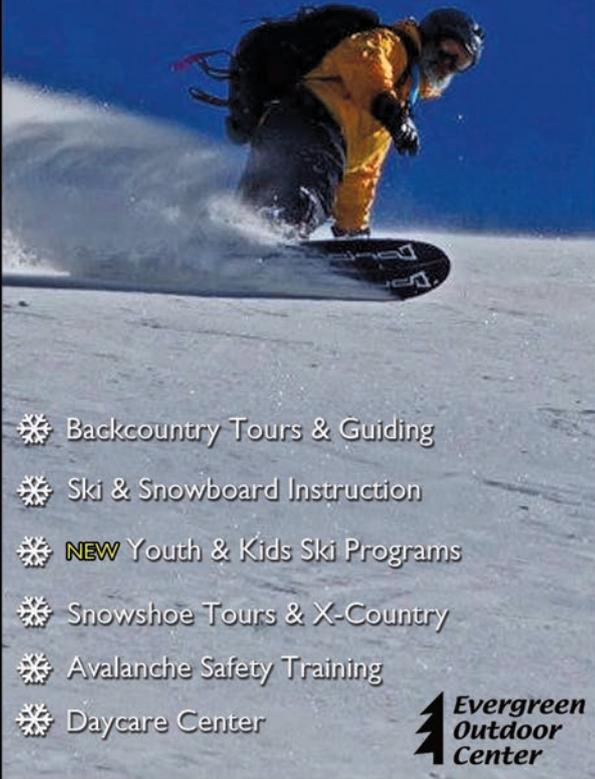
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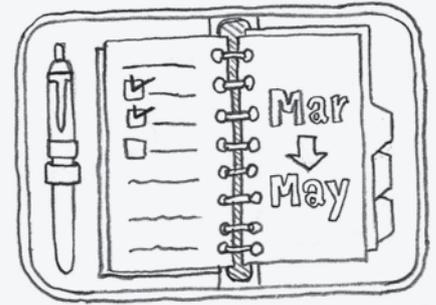
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Upcoming events



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

JMEC Business Innovation²

11 March, Tuesday, 19:00-21:30

Speakers: Philippe Auvaro, vice-president, Business Innovation, GlaxoSmithKline; Dr Greg Story, president, Dale Carnegie Training Japan

Venue: Belgian Embassy in Tokyo, Kojimachi

Fee: to be confirmed

Contact: info@blccj.or.jp

Monthly beer gatherings

17 March, 21 April, 19 May, Monday, from 19:00

Venue: Belgian beer café in Tokyo

Fee: Pay for what you drink

Contact: info@blccj.or.jp

► **French Chamber of Commerce and Industry in Japan**
www.ccifj.or.jp

Kansai CCIFJ Gala 2014

14 May, Wednesday, 18:30-21:00

Venue: Hotel New Otani Osaka, 2F

Fee: ¥25,000

Contact: Nobuko Yoshida, nyoshida@ccifj.or.jp

► **Ireland Japan Chamber of Commerce**
www.ijcc.jp

Emerald Ball Tokyo 2014

15 March, Saturday, from 18:30

Venue: The Tokyo American Club

Fee: ¥22,500 (members), ¥25,000 (non-members)

Contact: emeraldballtokyo2014@gmail.com

I Love Ireland Festival

16 March, Sunday, 10:00-18:00

Venue: Yoyogi Park

Fee: Free

Contact: www.ILoveIreland.net

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

Seminar: State of the art in foreign journalism in Japan

15 April, Tuesday, time to be confirmed

Speakers: from the Foreign Correspondents' Club of Japan

Venue: The Italian Chamber of Commerce in Japan

Fee: to be confirmed

Contact: promo@iccj.or.jp

Master of food courses and tastings

10-14 May, Saturday-Wednesday, time varies

Speaker: Dr. Cristiano De Riccardis

Venue: The Italian Chamber of Commerce in Japan

Fee: to be confirmed

Contact: promo@iccj.or.jp

Italian Olive Oil Day 2014 & JOOP Japan Olive Oil Prize

17 May, Saturday, 10:00-20:00

Venue: TV Asahi event space "umu", Roppongi Hills

Admission: free

Contact: support@iccj.or.jp

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

www.sccj.org

Annual Sakura Party

1 April, Tuesday

Venue: Happo-en, Shirokanedai

Contact: office@sccj.org

BCCJ/BLCCJ/ICCJ/SCCIJ joint networking event

26 March, Wednesday, 18:30-21:30

Venue: Oakwood Premier Tokyo Midtown, Lounge, Roppongi

Fee: ¥2,500 (members); ¥4,000 (non-members)

Contact: British Chamber of Commerce in Japan, Belgian-Luxembourg Chamber of Commerce in Japan, Italian Chamber of Commerce in Japan, and Swiss Chamber of Commerce and Industry in Japan

Stora Enso Cup Sweden-Finland Golf Challenge

11 April, Friday, first tee-off at 09:30

Venue: G.C. Narita Hitree, Chiba prefecture

Fee: ¥16,500

Contact: Finnish Chamber of Commerce in Japan, Swedish Chamber of Commerce in Japan

MARCH

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APRIL

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BLCCJ/CCIFJ joint golf tournament

23 May, Friday, all day

Venue: Minami-ichihara Golf Club, Chiba

Fee: to be confirmed

Contact: Belgian-Luxembourg Chamber of Commerce in Japan, French Chamber of Commerce and Industry in Japan

Compiled by **DAVID UMEDA**

Bernard Delmas

*Fast cars, rare books
and a medal of honour*

Text **MIKE DE JONG**
Photo **BENJAMIN PARKS**



He consorts with presidents, collects rare Japanese books and cooks fine French meals. But there is nothing that Bernard Delmas likes more than racing. When there's a major event in Japan, you are likely to find him down in front. With the cars and drivers. In the pits.

"The noise. I like the noise. It's special," says Delmas, describing his favourite racecourse experience. "And also the smell—the cars and the tyres, the burned rubber. It smells special."

Delmas says his passion for racing was sparked as a child, when his father would take him to Formula 1 events near his hometown of Albi in southern France. He says his biggest professional thrill was a gift from his staff: an hour, alone, in a high-performance car at a test course in Ladoux.

"It was exciting," he says. "Probably the best gift of my life."

For Delmas, president of Nihon Michelin Tire, racing is also a professional interest. He keeps personal tabs on his company's products by attending races and talking to drivers, engineers and crew.

"I spend time with my team when they are in our pit," says Delmas. "And we go to the team pits. I know all the drivers. We talk and get all their comments live."

"It's important at Michelin—and for my personality as well... to understand the product not just by design and by features, but also from a user perspective," says Delmas. "So let's put the tyres on the car and drive, and understand what happened."

The Michelin team learns a lot about tyre handling and performance by attending races. They see how the rubber responds to a variety of conditions, from blistering summer heat to the wintry frigid cold of Hokkaido. This wealth of information helps Michelin develop tyres for all types of road conditions.

"We try to look at the segments on a circuit," says Delmas. "You have the straight line, the corner, you have the different shape; you can really analyse the performance of the car, or the tyres, compared to others. For us as tyre makers, it's very important because the straight full-speed performance or the

corners performance come from different parts of the tyre."

Delmas has also been known to get behind the wheel himself, pushing his company's products to the limits on test courses around the world.

"I know how to test tyres and drive cars in many different conditions, including exceptional conditions," he says. "You put the tyre and the vehicle in some situation, and you understand the reaction and try to measure or evaluate."

"It's probably less adrenaline [than] pure racing, but it's very interesting," he adds.

When Delmas is not at the track, you might find him in the kitchen, cooking his favourite meals, or perusing his collection of rare Japanese books. The works are exquisite, dating back to the Meiji era (1868-1912), and are filled with fine lettering and hand-coloured drawings. Delmas buys many of the works at auctions and believes they give him insight into the Japanese mindset.

"When you read those books, you find that what you experience today and what has been written by people 100 years ago is exactly the same," he says. "They are the same people."

Joining the world's largest tyre maker out of university, Delmas spent six years at head office in France before coming to Japan in 1985. Although he knew little about Japan prior to his posting, he believes a latent interest may have been sparked by visits to the museum of a famous French artist whose work was influenced by Japanese art.

"My mother was a painter and brought me when I was young to the Toulouse-Lautrec museum in Albi," says Delmas, referencing his hometown's most famous artist. "I was always attracted by prints or paintings and so on. Especially [from] Japan."

While taking a hands-on approach to his work, Delmas also contributes heavily to the European Business Council and the Chambre de Commerce et d'Industrie Française du Japon, serving as president of the French chamber for the past five years. Last year, he helped organise a welcoming event for French President François Hollande during a state visit to Japan.

"It was a really strong moment for everybody here, the French community," Delmas says of only the third trip

Do you like natto?

Time outside Japan: One-third of my professional life in France. Two-thirds of my professional life in Japan

Career highlight: Head of Michelin Europe R&D between 2004 and 2007

Career regret (if any): None

Favourite saying: Even monkeys fall from trees (Japanese proverb)

Favourite book: Homer's *Iliad* and *Odyssey*

Cannot live without: My wife

Lesson learned in Japan: Patience

Secret of success in business: Curiosity, humbleness, patience and determination

Favourite place to dine out: My home

Do you like natto? Yes, when it's a bit hard, with sake

to Japan by a sitting French president. "We tried to show examples ... not just [of] exporting and investing, but [of] cooperating between companies."

In 2012, France recognised Delmas' efforts to develop Franco-Japanese relations by making him a Chevalier de la Légion d'honneur, or a Knight of the Legion of Honour. France's highest order of merit, dating back to Napoleon, the prestigious award is similar to a knighthood in the UK.

"I was very honoured and surprised," he says. "My staff was very happy, and I tried to share this with them."

The 59-year old Delmas is shy about showing off the medal. He'd rather talk about books or racing. He also has an interest in restaurants and is a planning advisor for the annual Michelin restaurant guide to Japan, which awards stars for culinary achievement.

Since the first edition in 2008, Tokyo restaurants have earned more Michelin stars each year than French eateries, a detail sure to sting the pride of any Frenchman. Delmas concedes that Tokyo restaurants are top notch, although he does point out one detail, with tongue firmly in cheek.

"By population, Japan is twice the size of France," he laughs. "But the number of restaurants by proportion is even higher in Japan. [So], if we take the number of starred restaurants by the number of inhabitants, France is still number one!"



Little Edo

Photos and text **MIKE DE JONG**

The ancient bell chimes four times a day in Kawagoe, a historic city 40 minutes by train from central Tokyo. Known as "Little Edo", Kawagoe's black-roofed warehouses and exquisite wooden structures harken back to a time when the town was a key strategic and commercial centre. Although much of Kawagoe has been reconstructed, some original structures remain, offering a rare glimpse of authentic architecture from the Edo Period (1603-1867). ©





Yuriko Akiyama

*Representative Director & President,
USM Modular Furniture*

USM Modular Furniture is based in Switzerland and celebrates the 50th anniversary of its unique system next year. Simple and functional design is key to USM's longevity. The company's products can be found in homes, offices and commercial facilities, making any space special and classy. The Japanese subsidiary of USM was established in 2008.

"At USM Modular Furniture, form follows function, and this basic principle is behind our product design. The furniture is created from simple, clear solutions; while the function can always be seen in the design. Fashionable trends are avoided, resulting in an enduring and timeless design," says Akiyama.

Photo **BENJAMIN PARKS**

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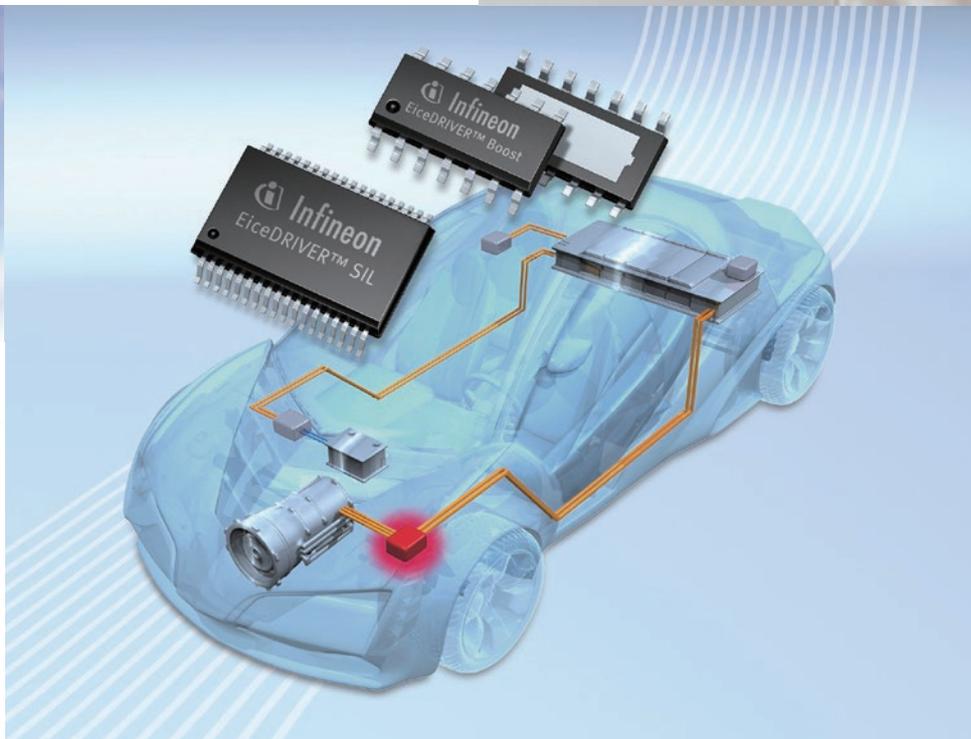
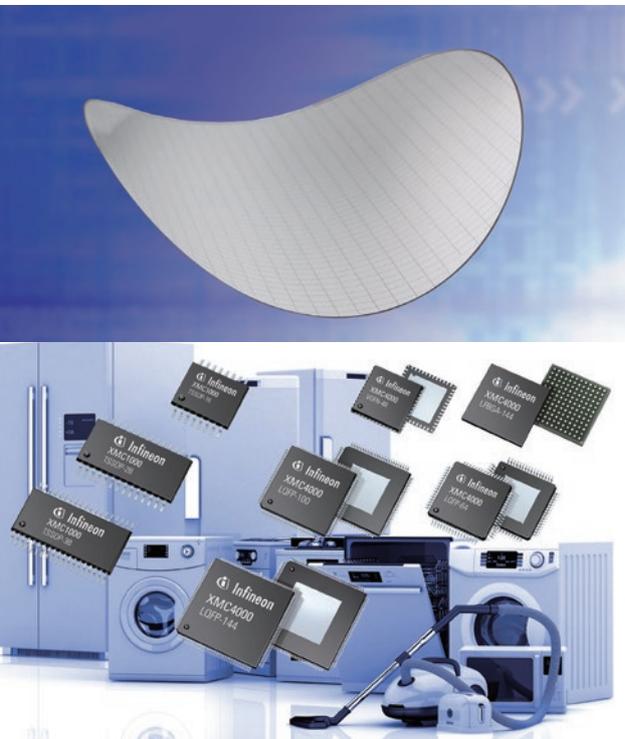
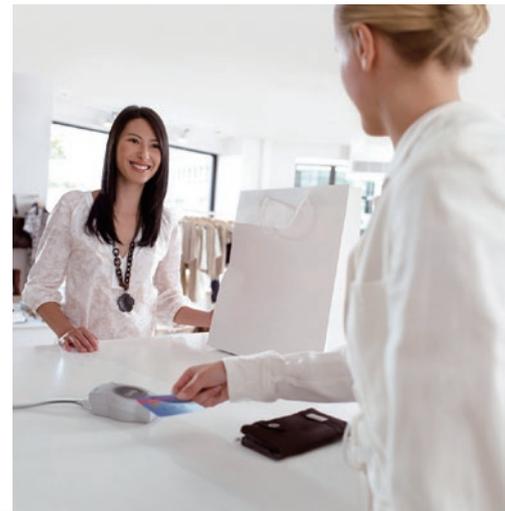
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