

ACCJ

THE AMERICAN CHAMBER OF COMMERCE IN JAPAN

# JOURNAL

ISSUES  
OPINIONS  
ADVOCACY

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## OUTSTANDING IN JAPAN

TOKYO, OSAKA, NAGOYA,  
KYOTO & FUKUOKA: JAPANESE  
CITIES LEADING THE WAY FOR  
FOREIGN BUSINESS GROWTH

**THE REBOUND**  
Jesper Koll detects signs of a  
Japanese economy on the mend

**EASTERN  
CURRENTS**  
Rick Cogley on translating  
Western IT culture in Japan

**ECO-TECH UPTICK**  
New trends in Japan's  
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SPECIAL  
ADVERTISING  
SECTION

MEDIA &  
COMMUNICATIONS

**PLUS:**

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Etihad Airways  
CEO, James Hogan

Review: An early look  
at the iPad in Japan

The ACCJ in Pictures

Pictured: ACCJ Chubu Chapter  
Vice President, Chris Zarodkiewicz

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HOTEL PEARL CITY



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Ryokan



HOTEL WELLNESS



TOP WELLNESS



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**'IN NAGOYA, YOU'LL SEE A SEA OF BLUES, GRAYS AND BLACK ATTIRE WORN BY THE BUSINESS PEOPLE IN THE CITY. WHEN YOU STEP OFF THE TRAIN IN OSAKA IT IS LIKE GOING FROM BLACK-AND-WHITE TO COLOR TV. THE DRESS CODE IS REFLECTIVE OF THE BUSINESS STYLE: SLOW AND CONSERVATIVE.'**

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**ON THE COVER:** Chris Zarodkiewicz, ACCJ Chuba Chapter Vice President. PHOTOGRAPH BY HIROMI IGUCHI



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ERRATA: IN APRIL 2010 ISSUE, IN THE FEATURE TITLED "CONTENT CLARITY," THE SECOND LINE IN THE SECOND COLUMN ON PAGE 32 THAT READ "OR IN THE CASE OF BOOKS, PUBLISHERS," SHOULD HAVE BEEN DELETED AND DOES NOT REFLECT THE INTENDED MESSAGE OF THE INTERVIEWEE, MR. YUJI NAGAYAMA. OUR SINCERE THANKS TO THOSE WHO NOTIFIED US OF THE ERROR IN THE TEXT.

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# INNOVATING, PLACE SHIFTING & INTERACTING

**I**t's a widely held belief that sometimes your office mates can know you better than even some of your most well worn friends. In my case, this may indeed hold some kernel of truth, as nearly everyone in my office during the last two weeks has knowingly greeted me with, "So...how's the iPad?" Even during the days leading up to my acquisition of Apple's latest flagship product, my technology obsession was readily apparent in the office.

How ironic it is then that, while my primary reason for moving my life to Japan was driven by my fascination with the country's technology, I now find myself regularly reminded of the amazing software and hardware innovations coming from the U.S. in the form of the iPhone and now the iPad. Although some are understandably somewhat skeptical about the potential impact of the product that critics insist on calling a "large iPod Touch," spending a couple of weeks with this device has only reaffirmed my faith in the ideas and creative business enterprises originating from the U.S., even in the midst of a rough economic recovery. I share a few more of my thoughts on Apple and their latest retail

marvel in the pages that follow ("The iPad Cometh," page 39). The only thing more fun than getting an early Japan-side look at the iPad was knowing that our months spent researching and carefully assembling this package would result in an exciting cover story ("Magnetic Cities," page 28) that has finally come to fruition. Although some ACCJ members have already mapped their path in Japan in terms of business development, many new entrepreneurs, as well as growth-minded veteran expats, remain open to the possibilities inherent in the nation's diverse landscapes.

Covering the cities of Osaka, Nagoya, Fukuoka, Tokyo and Kyoto, as well as their surrounding areas, we've constructed an overview of the relative benefits of launching a foreign business, or possibly expanding your existing Japanese concern to one of the aforementioned areas.

The detailed commentary and anecdotes we've extracted from some of the local business experts went a long way towards dispelling some of the myths related to these areas, as well as adding helpful details that further illuminate places most of us Japan-based expats thought we already knew. But most importantly, we've managed to suss out the facts

and figures that tell the real story behind these cities and what those data points mean in terms of successfully doing business in Japan. We'd like to thank those local market pioneers of foreign business for opening up and contributing their expert opinion.

Finally, I'd like to once again invite ACCJ members interested in contributing their expert perspective and analysis to the Journal to contact us at: [editorial@accjournal.com](mailto:editorial@accjournal.com). We welcome and appreciate all members who desire more involvement with the rest of the ACCJ community, so we look forward to hearing from you. **!**

**ADARIO STRANGE**  
EDITOR-IN-CHIEF

.....



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**Kate, 29**  
Marketing Assistant

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**Functional Experience:** Management Consulting, Marketing  
**Career Highlight:** Coordinated her company's last product launch into the Japanese market

*( Her defining moment?  
Secretly making pocket money from her Dad's  
lemon tree in the Summer of '85 )*

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# PRESIDENT'S MESSAGE

**E**conomist Jesper Koll was upbeat last month when he told us that Japanese CEOs were smiling because their greatly improved profits are beating estimates. So I asked Business and Financial Affairs Advisory Council head Tad Johnson and ACCJ Treasurer Nasir Majid if they had anything that would make me smile. I didn't hear enough to make me smile, but it was better than a cold shower. The basic ACCJ numbers are sound and I am optimistic about trends for the rest of the year.

Curiously, the intense politics in Washington and the new government in Japan create more flux in policies and future directions than we have seen for a long time. As our ACCJ leaders realized that big changes might upset some of our past expectations about Japanese government behavior, we have developed a sense of urgency that has really energized ACCJ advocacy initiatives to make sure we get our positions out where we can make a difference. The ACCJ has a number of active Task Forces working this year.

The APEC Task Force has prepared a paper to summarize ACCJ member positions on APEC agenda items. The paper helps get our issues into APEC discussions. The Task Force is also working with various economic organizations and government agencies to set up side events at APEC ministerial meetings. An example is the Trade Ministerial in Sapporo in June where APEC Trade Ministers and private sector CEOs will exchange views on impediments to regional trade. Other meetings will cover

**THE ACCJ HAS A NUMBER OF ACTIVE TASK FORCES WORKING THIS YEAR. THE APEC TASK FORCE HAS PREPARED A PAPER TO SUMMARIZE ACCJ MEMBER POSITIONS ON APEC AGENDA ITEMS. ”**

Energy and the Environment, Small and Medium Enterprises, Agriculture and Finance, leading up to the summit featuring APEC leaders in November.

The Growth Strategy Task Force has commissioned an economic study to analyze the drivers of economic growth in Japan and its findings should suggest actions that Japan can take to increase FDI. Increasing FDI has broad support with the government of Japan and with our ACCJ members.

The Financial Services Forum has decided to update and reissue its Financial Center White Paper. The Japanese government is very interested in this issue and we expect to point out how Japan can improve its regulatory and infrastructure environment to support continued growth of the financial services sector.

Each of these initiatives is an opportunity for ACCJ members to volunteer and contribute their ideas and support in an atmosphere where they can learn more about regulation, business practices, and how Japan works.

The ACCJ's Washington D.C. Doorknock is scheduled for April 28-30. It will be interesting to see what effect President Obama's recent policy speech on Trade has had on congressional attitudes. We

have made great efforts to tailor our message to our audience(s) and we hope to persuade elected representatives that trade is good for both countries. Statistics show that \$1 billion of agriculture exports supports 9,000 U.S. jobs; \$1 billion of service exports supports 14,000 U.S. jobs; and \$1 billion of manufactured exports supports 16,000 U.S. jobs.

We aren't convinced that Congress properly understands the benefits of trade. China is seen as a predatory exporter, but in many cases, China's value add is limited and the profits accrue to the designers of the product (U.S.), makers of the key components (U.S.), and the companies who cleverly market them to wealthy consumers around the world (U.S.).

You are members of an exciting and involved organization. Take advantage of it!



**TOM WHITSON**  
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**TOGETHER IN ELECTRIC DREAMS**

**J**apanese carmakers are serious about turning over a new leaf, and the shoots of recovery for the industry are undoubtedly green. (Particularly in the case of Nissan Motor Co., which plans to roll out an electric car called Leaf.)

But while all signs point to a green future, the necessary infrastructure for an eco-car ecosystem is still starkly lacking.

To propagate the use of electric cars, Toyota Motor Corp, Nissan Motor Co., Mitsubishi Motors Corp and Fuji Heavy Industries are working together to develop a standard recharging platform for electric cars, with the aim of eventually marketing the technology overseas.

Together with Tokyo Electric Power Co., the association, called CHAdeMO—"CHAdE MO" is an abbreviation of "CHArge de MOVE", which means "charge for moving," and is a play on the phrase "*O cha demo ikaga desuka*" in Japanese, suggesting that drivers could fill up on tea while recharging their car batteries—is still smoothing out details of its recharging platform.

Standardization would require agreement on the voltage, outlet and other aspects of the technology, without compromising the speed of recharging. Some 160 businesses, including foreign and government organizations, are part of the initiative.

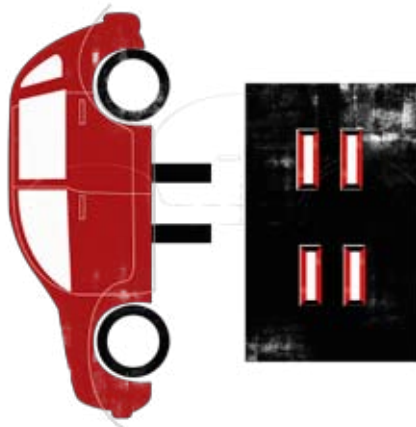
Among the other businesses in the group are Pacific Gas and Electric Co., French carmaker PSA, Japanese electronics maker Toshiba Corp. and KDDI Corp., a major Japanese telecommunications company.

Nissan Chief Operating Officer Toshiyuki Shiga told the *Nikkei*, "Automakers are competing in many aspects, but the entire industry needs to come together and offer convenience for our customers." The main hurdles that need to be overcome include more advanced battery technology, controlling costs and having conveniently located recharging stations.

The Japanese government has made reducing greenhouse gases a pillar of its policy, and is encouraging the use of electric vehicles. But electric vehicles still remain largely experimental, with government-related groups comprising the main users and only a niche market among regular consumers.

Other than Nissan's new Leaf model scheduled for release later this year,

**NISSAN CHIEF OPERATING OFFICER TOSHIYUKI SHIGA TOLD THE NIKKEI, 'AUTOMAKERS ARE COMPETING IN MANY ASPECTS, BUT THE ENTIRE INDUSTRY NEEDS TO COME TOGETHER AND OFFER CONVENIENCE FOR OUR CUSTOMERS.'**



Mitsubishi and Fuji Heavy already have electric vehicles on the market and Toyota has begun offering a rental plug-in version of its gas-electric hybrid vehicles.

However, the effort to go green already has some business sectors seeing red.

The Federation of Petroleum Product Dealers Associations (Zensekiren)—which represents around 20,000 petroleum product retailers—estimates that if green vehicles make up half of new car purchases and 20 percent of all vehicles in fiscal 2020, annual demand for gasoline will plunge to 40.88 million kiloliters, down 29 percent from fiscal 2008, while demand for light fuel oil will drop 15 percent to 28.66 million kiloliters.

The spread of eco-friendly vehicles could pull the shutters for about two-thirds of the nation's 40,000 gas stations in the next decade and, according to one observer, even render some rural communities uninhabitable.

More than 2,000 gas stations have been closing down annually in recent years, but this figure looks set to jump as more drivers opt for green cars that run on less—or no—fuel.

The demise of gas stations would be felt particularly in mountainous areas and rural regions, where people tend to rely on vehicles for getting around during their everyday lives. Gas stations are also often at the heart of communities as the sole suppliers of kerosene and fuel for farm equipment.

Installing battery rechargers for electric vehicles and repairing green cars at gas stations—in effect, turning eco-vehicles from foe to friend—could be one option for the petroleum product retail industry.

However, a high-speed recharger costs about 10 million yen to install and at least 1.9 million yen a year to maintain. That is a big outlay many gas stations are reluctant to make considering they can only expect to set recharging fees at about 500 yen per vehicle.

Even as CHAdeMO strives to make eco-cars a widespread reality, it appears plug-and-play electric cars won't be everyone's cup of tea.

**TAKASHIMAYA SAYS NO HANKYU, AND GOODBYE NY**

**F**ollowing in the star-crossed footsteps of brewers Kirin-Suntory and banks Shinsei-Aozora, another merger bites the dust as department stores Takashimaya Co. and H2O Retailing—which owns the Hankyu and Hanshin chains—decide to shelve their plans of joining forces to tackle slowing consumption.

One year into their merger discussions, the pair apparently realized that they have nothing very much in common except being founded in Osaka (and a thinning bottom line). Irreconcilable differences include an incompatible business culture, values and a lack of synergy.

Takashimaya and H2O Retailing had exchanged a 10 percent stake in each company back in February 2009, and had planned to become fully integrated in 2011. Perhaps partly a product of peer pressure, the merger took place amid the backdrop of a flurry of department store unions such as Daimaru Inc.-Matsuzakaya Co. and Mitsukoshi Ltd.-Isetan Co.

The merger was supposed to result in a complementary and comprehensive store network, as Takashimaya has a number of key stores in Tokyo, Osaka and other regions while H2O Retailing's flagships Hankyu and Hanshin are in Osaka's Umeda district.

However, the integration of the Takashimaya and H2O Retailing stores proved to be like mixing oil with water.

“Rather than our total size, the makeup and location of each of our stores is important,” H2O Retailing Chairman Shunichi Sugioka told *The Daily Yomiuri*. “It would be an enormous task to expand on a national scale.”

But they have decided to shift their focus to a business tie-up, such as on joint product development, after realizing that the planned merger would create insufficient synergy.

“We each have different organizational structures and are running our day-to-day operations differently, so this has made it difficult for the two companies to unify different corporate governance styles,” Sugioka said.

Department store sales, which had peaked at roughly 10 trillion yen in 1991, have been on the decline each year since the bursting of the bubble economy—and the drop-off became worse when the financial storm hit in the autumn of 2008. Sales plunged 10 percent on the year to some 6.5 trillion yen in 2009, with the downtrend continuing into 2010.

“Rather than expend effort on merger talks, we both decided it was better to rebuild our business models,” said Takashimaya President Koji Suzuki.

Meanwhile, as part of its restructuring efforts, Takashimaya will be pulling the shutters on its New York branch in June, completely withdrawing from the U.S. market after a presence of 17 years. The smallish, 1,705-sq.-meter store likely rang up sales of 20 million yen in fiscal 2009.

Takashimaya will now have just two overseas stores, located in Singapore and Taiwan.

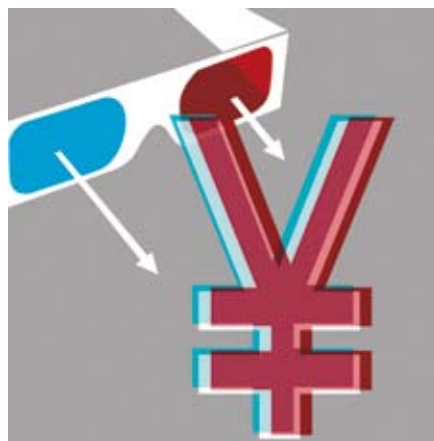
Earlier this year, H2O Retailing said that it will close the Shijo Kawaramachi Hankyu department store in Kyoto, which is operated by subsidiary Hankyu Hanshin Department Stores Inc. Adjoining a Hankyu Corp. train station, the store is located in a bustling commercial area, but young shoppers are increasingly turning their backs on big-ticket items.

## THE BIG FOUR IN 3-D

**T**elevision screens may be getting flatter to the point of being almost two-dimensional, but their images are destined for the world of 3-D.

With Sony Corp’s March announcement of its 3-D TV lineup scheduled for release mid-June, the race for eyeballs among major consumer electronics manufacturers is shaping up to be a four-corner battle between Sony, Panasonic Corp and South Korea’s Samsung and LG.

**TV-MARKET WATCHERS HAVE COINED 2010 AS THE DAWN OF THE 3-D TV ERA AS CONSUMER ELECTRONICS MANUFACTURERS ARE BETTING BIG ON 3-D TECHNOLOGY AND CONTENT TO BOOST FLAGGING SALES FIGURES. ”**



TV-market watchers have coined 2010 as the dawn of the 3-D TV era as consumer electronics manufacturers are betting big on 3-D technology and content to boost flagging sales figures.

Samsung was the first to broadly commercialize the product with the debut of a 3-D TV in Korea in February. In late March LG launched its 3-D TV with full LED backlighting and Panasonic unveiled a 3-D capable plasma TV in the United States earlier in the month.

As a sneak preview of the cutthroat reality of the 3-D TV market, Samsung—which holds the dominant flat-screen TV market share in North America—announced a day ahead of Panasonic’s product launch in the U.S. its plans to sell 3-D TVs cheaper than its Japanese rivals.

The lowest price for the 3-D TV launched by Samsung is about \$1,700 (about 150,000 yen) for a 46-inch model. That’s \$800 cheaper than Panasonic’s and about 140,000 yen cheaper than the one Sony is scheduled to release in June, which is slated to retail for about 290,000 yen, including a pair of viewing glasses.

Sony hopes to sell 2.5 million units in the year to March 2011, while Panasonic expects to sell 1 million. Meanwhile, Samsung aims to sell 2 million 3-D sets this year and LG aims to sell nearly 1 million units as it forecasts the global 3-D TV market to hit 3.8 million units overall in the period—bringing a whole new dimension to the Japan-Korea rivalry.

## SBARRO’S YEAST MEETS EAST

**D**eflation has interesting side-effects. Falling rental prices and business costs have spurred New York-based Italian fast food chain Sbarro into a global expansion spree in the Far East, with plans to roll in the dough in Japan, China, Vietnam and Indonesia, to name a few.

President and CEO Peter Beaudrault told the *Nikkei Marketing Journal* in an interview in Tokyo that the current economic downturn—which seems to benefit fast fashion and fast food brands—provided an opportunity to accelerate its growth plans. The firm aims to increase its outlets in Asia and South America and boost global outlets seven-fold to some 10,000 worldwide in 2020.

Sbarro has partnered with JCI Inc. to open 1,250 branches in Japan over the next 20 years, with plans to open 20 branches in Tokyo this year. The first restaurant was opened at the Aeon Mall in Hinode-Machi late last year. The second branch was launched at a street-facing location in Kichijoji, with the third recently starting operations in Shibuya, easily accessible from the train station.

Sbarro operates around 1,000 restaurants across 42 countries. The menu features Italian food, including pizza, a selection of pasta dishes and other hot and cold Italian entrees, salads, sandwiches, drinks and desserts.

**SBARRO HAS PARTNERED WITH JCI INC. TO OPEN 1,250 BRANCHES IN JAPAN OVER THE NEXT 20 YEARS, WITH PLANS TO OPEN 20 BRANCHES IN TOKYO THIS YEAR. ”**



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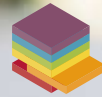
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In the U.S., 95 percent of its restaurants are set up inside shopping malls, but in Japan, the firm will adopt more flexible venues and menu strategies. Unsurprisingly, Sbarro in Japan offers some Japan-only items such as pizzas featuring teriyaki chicken, mayonnaise potato, tuna-corn-and-mayonnaise toppings and special edition pastas such as tarako cod-roe pasta.

The firm intends to open restaurants in such wide-ranging places as airports and university campuses. Sbarro came under the wing of U.S. private equity firm MidOcean Partners in 2007, and has since expanded business at a pace of 150 restaurants a year, offering pizza and pasta at low prices.

**FAST, CONNECTED & RICH**

Reflecting Japan's obsession with a constantly changing (and interchangeable) wardrobe in a plethora of colors, Uniqlo's parent company Fast Retailing chairman

Tadashi Yanai replaced Nintendo Co.'s Hiroshi Yamauchi as Japan's richest person for the first time, according to the March issue of *Forbes Asia*.

**THE FINANCIAL CRISIS HAS SHRUNK THE COFFERS OF JAPAN'S 40 RICHEST WITH THEIR TOTAL NET WORTH FALLING ALMOST 23 PERCENT TO \$69.5 BILLION SINCE THE LAST RESULTS FROM FORBES ASIA WERE PUBLISHED IN MAY 2009.**



Yanai, 61, saw his net worth rise by \$1.4 billion to \$6.1 billion as consumers sought retail therapy from the economic gloom at Uniqlo's affordable fast fashion lines. Salarymen seeking sanctuary at pachinko parlors helped pachinko mogul Kunio Busujima, former chairman of pachinko gambling machine maker Sankyo Co., rise up one rank to second—even as his net worth of \$5.2 billion marked a fall of \$200 million from the year before.

Nintendo's Yamauchi fell to third place as worsening economic conditions sliced \$3.3 billion off his net worth to \$4.5 billion. Indeed, the financial crisis has shrunk the coffers of Japan's 40 richest with their total net worth falling almost 23 percent to \$69.5 billion since the last results from *Forbes Asia* were published in May 2009.

A minimum net worth of \$480 million was needed to make the top 40, down from \$715 million last year, according to the magazine. The ranking was based on the market value of asset holdings as of mid-February 2010.

**SAPPORO SHAREHOLDERS REJECT BOARD CHANGE**

It seems that nothing less than a will of steel is needed to enact change in corporate Japan. Despite pulling off a surprise victory when Steel Partners successfully replaced wigmaker Aderan's entire board last year, shareholders of brewer Sapporo Holdings voted down the U.S. hedge fund's proposal to oust six of the company's 10 board members in a meeting in late March.

In January, Steel Partners demanded that Sapporo replace six directors, including President Takao Murakami, and wanted to install others, such as former Pokka Corp chairman Yoshiharu Naito, on the board.

Steel Partners, headed by Warren Lichtenstein, has been trying to push through reform at the brewer since it took a stake in the company in 2004 on the grounds that the current management was not doing enough to improve profitability. The fund holds an 18 percent share and suffered a failed attempt to raise its stake to 33.3 percent last year.

Some of its recommendations to Sapporo for reform include measures to boost returns from its real estate assets and to focus on its core beer business, instead of other lines such as restaurants.

In response, Sapporo said that Steel Partners' proposal was "abstract" and

that it was responding to difficult market conditions with cost-cutting measures.

"Steel Partners will continue to take whatever steps it deems necessary to bring positive change to Sapporo," Mr. Lichtenstein said in a statement on the company's official website.

**NISSAN'S COO NEXT JAMA CHAIRMAN**

Nissan Motor Co.'s Chief Operating Officer Toshiyuki Shiga will replace Honda Motor Co.'s Chairman Satoshi Aoki as chairman of the Japan Automobile Manufacturers' Association, or JAMA, come May, according to the *Nikkei*.

Shiga is currently the vice chairman of JAMA, which was established in 1967 as a nonprofit industry association. It comprises 14 manufacturers of passenger cars, trucks, buses and motorcycles in Japan such as Toyota Motor Corp, Mitsubishi Motors, Daihatsu Motors and Suzuki Motors.

The organization forecasts domestic demand for automobiles in fiscal 2010 ending March 2011 to shrink 4.9 percent from the estimate for this fiscal year 2009 ending March 31 to 4.65 million units.

According to JAMA, demand for passenger vehicles is expected to fall 5.5 percent at 3.95 million units, demand for trucks is forecast to dip 1.4 percent to 683,000 units, while demand for buses is likely to remain flat at 12,600 units.

JAMA's activities include conducting studies and surveys relating to automobile production, distribution, trade and use, and assisting in the rationalization of automobile production.

Close to 8 percent of Japan's working population is either directly or indirectly involved in auto industry-related work, and auto production accounts for 17 percent of the total value of Japan's manufacturing shipments and around 37 percent of the value of the machinery industries' combined shipments.

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### A TASTE FOR BEAUTY

**V**alentine's Day is a distant memory, yet consumers are still feeling its after effects—and not just from weight gain, but, well, the extra layers of *kawaii*.

Japan is going through another "Deco Boom" or decoration fad, which started with personalized chocolates and cupcakes, perfectly in tune with the Japanese penchant for unique handmade Valentine's Day gifts.

Tokyu Hands was full of do-it-yourself cupcake decorating packs in February. Then Baskin-Robbins capitalized on the trend by introducing deco-style items. Its new "Princess-Style" ice cream menu gives customers the option of their very own ice cream cup decorated to look like a cat (but dubbed a princess).

Companies are pairing the trend with occasions outside of Valentine's. Convenience store 7-Eleven began releasing decorated sweets for Girl's Day. And now the new kid on the block is personalized stationery, including glittery pens and calculators released in April—just in time to get all those new students excited for the start of the school year.

### EXPANDING YOUR HORIZONS

**W**e wrote about China coming to Japan last month. This month the focus is on Japan going to China. Forward thinking Japanese companies are adjusting to future growth plans with concerted efforts to reach more Chinese consumers.

Beauty manufacturer Shiseido is doing just that; the company has announced that its whole global strategy is based around China. In fact, 10 percent of its total sales already come from the country. Starting in March, Shiseido redoubled its efforts in the area by implementing its new brands into the market and beginning sales in Chinese drugstores.

Shiseido is not alone in its focus. Also in March, Dentsu Inc. established Dentsu Marketing East Asia Inc., which aims to make a business out of helping companies enter the market, focusing first on China and then on the rest of East Asia. For some Japanese companies, acknowledging China as a credible market for its exports has been a slow process.

### DIGITALIZING EVERYTHING

**S**alarmen standing in convenience stores reading newspapers to kill time before heading to work could go the way of the dinosaurs with the advent

of a new ritual—that of the digital sign.

Digital signage is a term referring to video screens used in place of traditional paper or other forms of advertising. Convenience store Lawson added digital signage to its stores starting in March in partnership with ADK and Docomo. FamilyMart is set to follow suit this month. Many of these screens offer mobile phone touch spots, where viewers can get coupons, points and information sent to their phones.

A similar phenomenon is popping up all around Japan, from screens by the cash register (like travel agency JTB) to mini screens on waiter's uniforms (British Pub in Nagoya). Some places, such as Goldwin sportswear brand Ellesse, are replacing clothing mannequins with digital photo frames, making it easier on store employees and more varied for customers. Another use is time-sensitive advertising, where ads shift depending on the time of day. Take a digital ad by KFC outside a train station, for example, where commuters are reminded to get their breakfast in the morning and chicken wings after school.

### THE EVOLUTION OF UNHEALTHY FOOD

**S**peaking of KFC, that company, along with McDonald's Japan, is changing the face of the fast food market in Japan.

McDonald's Japan has been on the offensive this year, starting with the closure of 10 percent of its stores. Last April, McDonald's opened a new, service-oriented style eatery. It utilizes a yellow-and-black logo rather than the typical red-and-yellow, along with a smarter interior, with an emphasis on design rather than typical fast-food surroundings. In fact, it's this new type of niche fast food store that is fast becoming a trend. In the past, chains have tried simply tweaking their menus in order to attract customers not keen on the idea of cheap, fast, unhealthy food. But now companies are going all out by establishing new types of stores dedicated to those would-be customers.

Kentucky Fried Chicken will do just that. Earlier this year the company announced the opening of a health-focused specialty restaurant some time this summer or fall. The new-style fast food joint will feature veggies and chicken not fried in oil on the menu, meant to cater to the needs of both senior citizens and health-conscious young women.

The twist is that domestic-based companies have now taken a cue from these foreign fast food chains and are coming up



**CONVENIENCE STORE LAWSON ADDED DIGITAL SIGNAGE TO ITS STORES STARTING IN MARCH IN PARTNERSHIP WITH ADK AND DOCOMO. MANY OF THESE SCREENS OFFER MOBILE PHONE TOUCH SPOTS, WHERE VIEWERS CAN GET COUPONS, POINTS AND INFORMATION SENT TO THEIR PHONES.**



with their own new types of stores. Mos Burger, which cemented a partnership with Mister Donut involving joint campaigns and promotions in 2008, has launched one of its own. The dual-type establishment "MOSDO" had its flagship store opening on April 23 in Hiroshima, featuring burgers and donuts—the perfect beginning and end to a meal. **1**



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# ECO OBSESSION

Trends in Japan's green technology energy sector pick up eco-friendly steam

BY DR. SERKAN TOTO

**W**hen it comes to saving energy, Japan has a lot to teach other industrialized countries. The resource-poor nation was swept up in energy conservation fever right after the oil shocks of the 1970s, and managed to quickly turn into one of the world's "green" role models.

America, for example, leads the world in renewable energy capacity (in absolute terms), but has had trouble keeping pace. By some measures, Japanese companies use half as much energy per dollar of economic activity when compared with their counterparts in the U.S.

An average American household consumes about twice as much energy as a Japanese home. Despite its large economy, energy-thrifty Japan holds a respectable fifth place in the UN carbon dioxide emissions ranking (trailing the United States, China, Russia and India).

These numbers don't come out of nowhere. Living in a country with no domestic sources of fossil fuel, many Japanese people are wired to save energy from birth. Japan's companies, though not completely ecologically sin-free, have been churning out eco-friendly products for decades, backed by relatively green-minded governments. And of all the clean technologies available, solar energy and electric vehicles are increasingly being thrust before the public eye.

Last year, the government singled out these sectors as especially critical to staying on the path to achieving a low-carbon-emission society. Japanese households are promised handsome incentives when installing solar panels at home or purchasing an electric car. Consequently, the country's biggest corporations have been pouring a lot of money into eco-innovations in recent years. In general terms, Japan considers weaning itself off oil a collective, national mission.

In the solar energy space, however, domestic companies have been treading water in recent years. A case in point is Sharp. The company was the world's biggest maker of solar panels a decade ago, but now ranks just fourth behind Q-Cells from Germany, Arizona-based First Solar and China's Suntech. In terms of total solar power capacity, however, Japan still is the world's number three, trailing Germany and Spain (in 2008, Japan produced almost twice as much solar energy as the U.S., which ranks fourth in the list).



Virtually every Japanese tech company has solar-related products in its portfolio, with Sanyo and Sharp leading the pack in terms of innovation. Take Sharp's SH6230C, for example, a cell phone that's partially powered by a tiny solar panel hidden under the lid. Released in Japan last year, the handset is already on sale in China and is scheduled for distribution in other international markets in the coming months.

Sharp also owns the bragging rights for the solar cell with the world's highest conversion efficiency (36 percent). The cell can even withstand conditions in outer space, making it an option for powering satellites and other space applications one day.

Sanyo's three-year "Sanyo Evolution Project" launched in 2005 and designed to turn the company into an environmentally friendly company worked so well that it

now probably boasts the greenest image among all of Japan's tech powerhouses. Some of Sanyo's bestselling products today are rechargeable batteries, solar chargers and panels. The latest innovation from the company is a prototype solar cell, which is thinner than a human hair and flexible enough for use on uneven surfaces.

Electric vehicle development has been picking up steam in recent months as well, triggered by higher demand, a number of groundbreaking industry alliances and intensified research and development.

Toyota and Tohoku University, for example, are working on a graphite-free battery that allows electric cars to travel ten times farther than today. Toyota is also part of a consortium of 158 companies and organizations that focus on turning CHAdeMO (short for "charge and move")—a charging system developed by Tokyo Electric Power—into a global standard for electric cars.

Another potential export hit is Sim-Drive, a four-motor vehicle backed by a total of 34 Japanese companies and municipalities, including Mitsubishi Motors and Isuzu Motors. Mass-production for the futuristic electric car, whose driving range (186km) is about twice that of current models, is scheduled to begin as early as 2013.

Japan is betting high on clean technologies. The government is expecting the solar sector alone to generate up to \$105 billion of "economic benefits" in the year 2020 (up from the current \$1 billion). But the road to a greener economy is littered with pitfalls. It's not just that renewable power and most green products, i.e. electric vehicles, are still too expensive for mass adoption. Other countries are catching up rapidly in the green tech race as well.

Especially in China, conservation efforts are about to go into overdrive. According to a recent industry report, China spent \$34.6 billion on clean energy in 2009, about forty times more than Japan and twice as much as the U.S. Using these figures as a yardstick, it seems the green sector in both Japan and America still has a lot of room for growth. ❶



**DR. SERKAN TOTO** is a Tokyo-based web industry consultant and writer for American online media network TechCrunch.

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# BREAKING NEW GROUND

Business immigration in Japan, an eye to the future

BY DEAN PAGE & JASON YOUNG

Recent developments in American immigration law highlight international immigration policy trends that may be useful if implemented in Japan.

The February 24 introduction of the StartUp Visa Act in America marks an important step in the ability of the U.S. to attract new jobs, innovative ideas, and lucrative business opportunities. This swift policy response from the U.S. shows an understanding and urgency in responding to the current global economic struggle, particularly on the issue of foreign direct investment. We strongly urge Japan to recognize the benefits of this policy and introduce similar legislation.

Legislation in Japan that would enable immigrant entrepreneurs who are creating new companies to secure visas to enter Japan would help to put Japan on a level playing field with the new American approach to business immigration. Such legislation would allow immigrant entrepreneurs in Japan to help drive innovation and job creation in an economy that is never far from leading the global market.

According to Chris Alderson, CEO of Japan Touchstone K.K., a company that provides Japan market entry services and support, "The number of individual entrepreneurs wishing to enter Japan who would benefit from legislation like this is by no means insignificant."

If such legal barriers persist, those entrepreneurs will eventually see opportunity in America and elsewhere around the world. This is not only a potentially very high opportunity cost paid in entrepreneurs who will not come to Japan, it is an incentive to leave Japan with its high corporate taxes for opportunity in America, which could be a significant blow to the ability of Japan's economy to compete in the global market.

Provisions that would bring these immigrant entrepreneurs here to Japan are certainly possible in today's market, and would be a worthwhile consideration on the part of policy makers.

As is often the case with Japanese laws, clarity and certainty are issues that need to be addressed. According to immigration attorney Shuichi Ishizaka, "Provided

that certain conditions are met, it may be possible for an entrepreneur to establish a business in Japan utilizing the current immigration law. However, there is much uncertainty associated with the current process and Japan could more effectively promote itself as a destination for foreign entrepreneurs."

Japanese legislation aimed at making a path for these new business leaders could provide for a temporary visa for entrepreneurs who secure a minimum level of startup investment from Japanese investors as a part of a minimum total equity to finance their proposed business here in Japan.



The proposed American legislation allows for a temporary period of two years, and a minimum of \$250,000 (about 22,277,075 yen) from an American investor. A study must be done to determine what temporary period is appropriate for a startup in Japan to prove its ability to succeed. Furthermore, there must be a determination of how much investment from the Japanese would be an appropriate minimum to ensure that such startup companies represent the desired contribution to the national economy.

At the end of that temporary visa, there must be an opportunity for those entrepreneurs participating to earn permanent residency in Japan so that they can have security in their new life here, as well as make long-term contributions to the stability and growth of the Japanese economy.

LEGISLATION IN JAPAN THAT WOULD ENABLE IMMIGRANT ENTREPRENEURS WHO ARE CREATING NEW COMPANIES TO SECURE VISAS TO ENTER JAPAN WOULD HELP TO PUT JAPAN ON A LEVEL PLAYING FIELD WITH THE NEW AMERICAN APPROACH TO BUSINESS IMMIGRATION.

The American legislation requires that at the end of the temporary visa period the immigrant entrepreneur who wishes to become a permanent resident must have generated either five full-time jobs, \$1,000,000 (about 89,108,300 yen) in additional capital investment, or achieved \$1,000,000 in revenue. Similar thresholds for job creation could be determined based upon unemployment rate predictions here in Japan, to determine exactly how much of the national work force immigrant entrepreneurs should expect to support if they wish to qualify for permanent residency. Requirements of additional capital investment or revenue achievement can be developed to reflect those in the proposed American legislation by looking at the earnings and investment portfolios of healthy businesses in Japan today.

Japanese lawmakers, venture capitalists, and economic reform leaders have an opportunity to analyze the predicted impact of the StartUp Visa Act in America and work to provide the first and most competitive legislative response. Emerging from the global recession as a stronger leader in the global market may depend upon it. ①



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ILLUSTRATION PHIL COUZENS

# YOKOSO, DOMESTIC DEMAND-LED GROWTH!

## All signs point to the end of Japan's economic doldrums

By **JESPER KOLL**

**F**orecasting the economic fortunes of nations is a bit like forecasting the weather. Sooner or later fortunes will change, pushed along by a natural cycle. No matter how miserable and freezing, eventually winter will give way to spring and summer. So let's be bold and forecast the return of strong economic growth to Japan this year.

And no, I am not just talking about a strong export-led recovery. Domestic demand is where it'll be at this year. Signs are good that—for the first time in over six years—a full-fledged domestic demand recovery could be underway. Yokoso domestic growth!

Call me an optimist, but please hear me out. The dynamics of home-grown demand are powered by the following force: The purchasing power of people that is rising and poised to rise even more in coming months, in my view. Why?

Yes, wages in Japan are now rising. This year's "shunto" spring wage negotiations resulted in a 1.7 percent increase in base pay, starting April 1. This is solid evidence that the recovery in corporate activity and profits is actually feeding through into better pay for the workers of Japan Inc.

Don't underestimate how strong the rise in workers' real spending power actually is. Given that consumer prices are still dropping by more than one percent, the real purchasing power of the people is actually rising by over 3 percent now. That is not just the highest growth in over a decade here in Japan, but also the highest increase in workers' effective wallet amongst all advanced industrial economies. Make no mistake—Mr. & Mrs. Watanabe are back on top.

The good news is that Japan's wage and income dynamics are poised to get

even better from here. Just as spring follows winter, workers' bonus pay follows corporate profits. With corporate profitability up a full 40 percent from the bottom recorded one year ago, summer bonus pay is likely set to be up by about 10-15 percent. That's what past sensitivity analysis suggests and, in my view, there is no reason to expect that this time around corporate managers will be less forthcoming in sharing corporate fortunes with their employee stakeholders.

The current political mood and social mores suggest that the leaders of Japan Inc. are more likely to want to be seen as giving back more to workers, rather than less.

The current ruling party and its labor union revival dynamics suggest as much, in my view.

Another direct boost to consumers' wallets come from government policy. Make no mistake—the Democrats' child support policy is poised to do more for spending than currently anticipated. Remember, households will get 13,000 yen per month, per child this year. On top of that, high school tuition will be free. Add it all up and you get a 1 percent boost in disposable incomes.

Importantly, the government decided *not* to cut back on child tax deduction allowances this year. In other words,



slightly more than one-third of all households (i.e., those with kids under age 15 or kids in high school) will get a boost to their purchasing power from government transfers, and the remaining two-thirds will see no tax hike. To be sure, next year, 2011, the child tax deductions will be tightened, but also the monthly allowance will be doubled, so next year we'll get a bit of "step on the brake while also stepping on the accelerator" policy. However, for 2010 there is no such confusion—it's pure and simple "pedal to the metal" policy support for consumer spending.

There is yet another aspect of new government policy that is often overlooked. Like it or not, the fact that labor laws have been tightened for part-time workers should actually boost confidence and incomes for the "lost generation" of part-time workers.

Example: Minister Kamei just got full support from the cabinet to push ahead with his Postal Services reform plan. Why? The Post Office will now likely re-employ almost 100,000 part-time workers as full-

**'THE GOOD NEWS IS THAT JAPAN'S WAGE AND INCOME DYNAMICS ARE POISED TO GET EVEN BETTER FROM HERE. JUST AS SPRING FOLLOWS WINTER, WORKERS' BONUS PAY FOLLOWS CORPORATE PROFITS. WITH CORPORATE PROFITABILITY UP A FULL 40 PERCENT FROM THE BOTTOM RECORDED ONE YEAR AGO, SUMMER BONUS PAY IS LIKELY SET TO BE UP BY ABOUT 10-15 PERCENT.'**

time workers. No good new political leader can say no to this, and why should they? Japan Post is now a de facto not-for-profit-state-owned enterprise.

Never mind the ideology and the implications for private companies facing possible unfair competition from a nationalized giant—for the economic forecast in 2010/11 the new government policy means that almost half a percent of Japan's workers (those postal part-timers) may not only get a pay-rise of almost 30 percent—that's the gap between part- and full-time pay per annum—but more importantly, their lifetime income expectations will turn from uncertain to certain. A significant boost to confidence is in the making here. With a little luck, this change of fortunes in employment practices may very well encourage more young Japanese to step up and take out a mortgage and buy their first mansion or home, methinks.

Other policy measures are also supportive for consumer confidence. Specifically, the new government has finally managed to ensure that more than 90 percent of those eligible for pension payments actually do get those payments (remember the disaster three years ago when the government lost the pension records of almost 40 million people...).

To be sure, there is more to the Democrats' public support and purchasing power policies than meets the eyes of hardcore Chicago-trained economists. Don't focus on the "unfair competition for banks" argument (I'll deal with that issue another day), focus on what is actually happening to the purchasing power of the people: It's going up at the fastest pace in over a decade due to both the export-led revival of corporate profits now feeding into domestic demand fundamentals and public policy support kicking in. Welcome back, domestic demand! **!**



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# CORE CONCERNS

## The recent uptick in property transactions may just be a chimera

BY SETH SULKIN

Looking at the increasing number of large-scale commercial property transactions recently, one might be excused for thinking that we are in the midst of a broad recovery in the Japanese real estate market.

A closer look at many of these transactions, however, raises several sticky questions: Do these deals fairly represent market sentiment? Is the increase in transactions sustainable? And does Japan have sufficient transparency and corporate governance in the real estate sector?

To be fair, some of the most notable recent transactions have been on an arm's length basis. The largest office and retail transactions took place in December 2009, as Secured Capital Japan acquired the Pacific Century Place Marunouchi at a price said to be over 140 billion yen and SEB Asset Management of Germany bought a shopping center in Chiba for about 12 billion yen.

However, a large number of publicly announced transactions have been between related parties, raising issues about whether investors on both sides are getting a fair deal, and whether there is sufficient disclosure.

Since the public debt and equity markets opened up again to blue-chip Japanese real estate investment trusts (REITs) a few months ago, there have been many transactions between REITs and their "sponsors."

During the first quarter of 2010, REITs acquired 229 billion yen of properties, the most since the third quarter of 2008 right before the Lehman Brothers shock. Many people in the industry have been puzzled by these deals. Not only have market watchers questioned the pricing, but they have challenged whether some of these acquisitions would have occurred at all

if the sponsors did not control the asset managers of the REITs.

When queried about whether REIT managers sufficiently safeguard the interests of their shareholders, Japanese authorities say that it is the job of licensed appraisers to protect investors by making sure that REITs are buying properties at fair market value.

In the U.S., many mortgage lenders burned by the subprime crisis attribute a large portion of the blame to inflated

to resume Japanese investment in 2010. If you ask what they like about Japan, they cite economic size, a high savings rate, political stability (believe it or not), clear laws and regulations and well-established financial institutions.

If you ask what they don't like about the Japanese real estate market, they mention a lack of transparency in terms of transaction data, deflation, the lack of a simple pass-through vehicle to own property, the absence of a clear government policy to address Japan's economic problems, a falling population and a general perception that major Japanese companies have special access to the best acquisition and financing opportunities.

Considering the glacial pace at which things change in Japan, one cannot expect the Japanese government to tackle all of these issues at once. Foreign investors were crucial to supporting the last boom in Japanese real estate prices, so the government should make greater efforts to address key issues such as transparency and corporate governance that could be handled relatively quickly.

Given the low prevailing cap rates (yields) on high quality Japanese property and limited availability of debt, Japan is becoming known as a country only suitable for so-called "core" investors. Typically, one associates core properties with high income stability and low risk, yet it is hard to attribute those features to the Japanese property market at the moment. **i**



valuations arranged by interested parties and hence no longer allow buyers to choose the appraisers.

Many in the U.S. are also pointing fingers at the major credit rating agencies, which granted triple-A ratings on securities backed by sub-prime loans that later turned out to have little or no value, and whose fees were paid by the issuers of the securities.

With the Japanese economy still stuck in the doldrums, weighed by spiraling deflation and a continued rise in the vacancy rate despite falling rents, it is hard to make a case for investing in Japanese real estate based on the fundamentals alone.

Yet many major global institutions with allocations for Asia are looking for reasons



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ILLUSTRATION BY PHIL COUZENS

# THE GREEN ROAD TO RICHES

Corporate responsibility is no longer about feel-good donations or volunteerism, it is all about sustainability and success

BY LUKE POLISZCUK

There is a widely held view that corporate responsibility, environmentally friendly products and socially ethical business practices are expensive, time-consuming and detract from the fundamental role of businesses in society, i.e., to make money for their shareholders.

Well, allow me to borrow a phrase from Ray Anderson, founder and chairman of Interface Inc., from his book "Confessions of a Radical Industrialist": "As you

digits are showing in your savings account.

The thousands of small businesses across Japan that scrape by on tiny sums of money that barely support the owners is testimony to this different definition of success. Before you scoff and dismiss them as simpletons who simply don't have the Ivy League business school training to run a "real" business, think about this: For many of these people, while they wouldn't hate being rich, their primary goal in life is to run a business that produces a product they can be proud of or provides a service that is useful to their community. If they

that do not will be wiped out. However, they have forgotten a critical lesson of evolution.

By the evolutionary standards of longevity, diversity, volume and numbers, by far the most "successful" organisms on Earth are the humble bacteria. However, these are not the only evolutionary über-success stories to be found on Earth. Many other nominally "insignificant" organisms are highly successful by evolutionary standards. In fact, if you removed all other material from the planet, you would still be able to see the outlines of geographical features defined by biomass from each of them.

All of these organisms have certain things in common. They don't require many resources or much space and they evolve quickly because of their short reproduction times. This helps them to become very diverse, so they can occupy many niches. And, like the bacteria in your body, most successful species have fostered symbiotic relationships with other species in the community where they perform key functions in nutrient cycles.

What's the point, you ask?

"Symbiosis is all well and good for bacteria, but we are running a business in a cut-throat world." And that is exactly the point. Corporate responsibility is epitomized by sustainability. The ultimate in corporate irresponsibility is to manage a company unsustainably, i.e., drive it into the ground. A successful business is one that continues to be successful, not just in the short-term but over the long-term. And, it is an undisputable fact that 3.5 billion years of evolution cannot be wrong when it comes to long-term sustainability.

So, however you define "success," take a look at nature's finest examples and learn from their practice of creating symbiotic relationships, evolving to meet changing conditions and adapting to perform core functions in their communities. Apply those lessons to your own organization and not only will you be more successful, you may just get rich while you're at it. **1**



read this [article], you will see that the choices—the trade-offs—we are told we must make between financial success and environmental success, between doing well and doing good, are just plain false."

When most business people think of success, honestly speaking, they are thinking of financial gain. This is one of modern society's deepest failings because there are much better ways to be "successful" than accumulating piles of paper and metal called money. (Although in this day and age, wealth is more likely to be a few intangible bytes on a secure server than anything physical.)

Creating something lasting, whether it be a physical object like a sculpture, or something intangible like a business, building a home, connecting with people, making a difference—these are all things that will still hold true meaning long after you have stopped caring about how many extra

can achieve that goal with a 100 percent "success" rate, are they not "successful"?

Of course, this kind of thinking does not sit well with many people. For starters, they believe that, essentially, money can solve all problems. But people who define "success" as financial wealth over and above what others around them possess also often subscribe to a fatally flawed view of evolution. They believe that evolution proscribes that the biggest, fastest and strongest inevitably "win," and the smallest, weakest and slowest "lose."

They think of the "winners" as lions, eagles and sharks. Extrapolating from this viewpoint, these "win-olutionists" come to believe that "successful" companies must continually grow bigger, better, faster and leaner by cutting costs, slashing staff, viciously competing and cutting down their competitors at every opportunity, and those



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ILLUSTRATION BY PHIL COUZENS



# RICK COGLEY

CEO of eSolia Inc.

BY HUGH ASHTON

**R**ick Cogley is CEO of eSolia Inc., a bilingual solutions provider specializing in IT management for non-Japanese corporations operating in Japan. He has lived in Yokohama for the majority of the 22 years he has been in Japan, with most of that time spent in the IT business. eSolia's offices, as the result of circumstances when the company was founded 10 years ago, are in the slightly unfashionable (for foreign-owned companies, at least) Bunkyo-ku, in central Tokyo. Cogley describes eSolia's job as "helping people to come over here [to Japan] and succeed" which he sees as "a worthwhile thing to do" and one which he enjoys doing.

**Journal:** *What is eSolia?*

**Rick Cogley:** We have a core team of about ten people, with another ten consultants used regularly. They're basically bi-cultural—mostly Japanese who have spent time overseas and are used to non-Japanese business practices. I'm the only non-Japanese member of the core team, but about half our consultants are not Japanese. We've had non-Japanese who've not been able to fit into the business culture here, and have had problems as a result. We need people who can "act Japanese" when necessary.

It's important for our people to have good personality and language skills; it's about communication. You can teach technical skills, but you can't teach personality or cultural immersion.

**Journal:** *Who are eSolia's clients?*

**Cogley:** Typically our clients are multinationals doing business here in Tokyo. We have had one or two Japanese clients, and we have done one or two projects within the region, but the majority

of our work is done within Tokyo or Yokohama for business from outside Japan.

I'd say that between 20 and 30 percent of our customers are in financial services.

**Journal:** *What services are you providing to your clients?*

**Cogley:** There's a full continuum. Sometimes the clients want a full IT service, where everything is outsourced, and we try to provide that if that's what's wanted. At the other end, it can be very simple, just a weekly, or even a monthly visit. In those last cases, you can't do everything, so you have to rely on the IT department in Europe or the U.S. to do most of the heavy lifting and take care of day-to-day support. But even in these cases, we may do some small projects, such as office moves or upgrades.

We try to be good at communication and let the head office IT know what's going on here, and we control the local vendors. We don't sell everything—we can't give big discounts on a lot of hardware—we're not that sort of company and we don't try to be, but we can coordinate and make sure that our clients get what they want. One of the things we said when we started out is that we didn't want to be colored by any one vendor. We've got various certifications within our team, but we don't push that sort of thing until we find out what the

client's requirements actually are. Being tied too tightly to a supplier can lead to deals that are less than honest—you're under pressure to shift a set quantity of boxes in a set timeframe.

In many ways, we can be seen as implementors, with local knowledge to make things work in this particular Japanese environment. We're also enforcers, making sure individuals don't go down to Akihabara and buy random equipment.

**Journal:** *Speaking of which, what sort of local competition do you face?*

**Cogley:** Sometimes Japanese vendors are competing for the same business as us. But we've actually beaten some of these big Japanese vendors a number of times because we're able to communicate with the IT departments and the management of the clients better than the Japanese vendors can.

We were called in once at the last minute to provide bilingual liaison services at a meeting where the overseas IT department was coming to Japan to meet a large vendor who had been talking to the *somubu* (general affairs, or operations department) and were feeding them a line of absolute garbage. They weren't taking any notice of their client's internal standards and were recommending the wrong kit and solutions. The *somubu* were just about to sign up at the end of the meeting and I

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held up my hand and said “Wait,” but they [the somubu] wanted to discuss all this in front of the vendor—most unusual for Japan—because they’d been talking with the vendor for the previous six months and they were ready to sign. We took over the local management of the project at the request of the IT department, and the vendor didn’t like this at all!

We told them that we weren’t going to cut them out, but we wanted good prices. We told them that we understand prices are more expensive in Japan, but they don’t have to be triple the U.S. prices. We changed one component where they were quoting a local alternative to the corporate global standard and knocked the quote on this approved system down from 25 million yen to 14 million, via a rival quote at 12 million. I asked them how they could just eliminate that much profit, but I never got an answer.

**Journal:** *So you’re working for the head office?*

**Cogley:** Yes, we’ve found that if you come and set up in Japan, and you hire Japanese people, it becomes a Japanese company. You find things being done, and you end up with interpretations, which are very Japanese in nature. I love this country, but some things are a bit bureaucratic, and sometimes there’s a lack of awareness of what’s going on in the world.

The somubu do what they want, and IT from head office has to wrest control from them at times. With the multinationals, if there’s not a huge local IT department here, and the head office wants to control things from overseas, then we’re the local facilitators.

**Journal:** *How far do you find you have to move away from global corporate standards when you implement solutions here in Japan?*

**Cogley:** It used to be that we had to move away quite a lot in the past when the global standards imposed by head office just wouldn’t work in a Japanese environment. But these days, the tools that we’re using, Microsoft Exchange for example, are more developed and more aware of a multi-cultural, multi-language situation than they used to be. There are still things to be aware of and we have to tell the IT department back home how to make the settings for Japan when they’re setting these things up. In other words, we’re the boots on the ground here for the



IT department, giving them the heads-up on various things, telling them, “We know this situation; it has to be done this way.” For example, setting programs to be aware of Unicode to handle Japanese language.

That means we’ve got to have the expertise, and that we have the systems here to play with. So we use similar products to those used by the multinationals, on a smaller scale of course, and we set things up here so that we know how they work and how we can support them. But then we also do things with

open-source and alternative software.

We run various systems here on Apple’s OS X Snow Leopard Server, for email and a Wiki, for example. We’re not an exclusively Microsoft shop.

**Journal:** *Do you encounter resistance when you try to recommend open source solutions?*

**Cogley:** Yes, and I’d say it’s most difficult to sell such solutions when it’s a small contract and we’re told to do just what is asked by the head office. It’s a continuum of trust in a way, sometimes we’re told, “We

trust you guys—we'll go for the solution you recommend.”

We have a whole lot of systems we can use to recommend to clients to provide solutions: Wiki, project management, databases and so on to keep things organized. And because we use these things ourselves we can recommend and support them with confidence. Of course, these large companies have invested a lot of money in things like Oracle and no one wants to break out of the existing investment.

Sometimes it takes a number of years between making the decision to implement a solution and actually implementing it, so that's a good time to get some sort of system in place up and running which can be used as a sort of UAT [User Acceptance Testing] system and get them used to the idea of having the data available for use. Then they have to move to the corporate approved system, and things may be different.

We always make sure at the early stage that the system will work in Japan—for instance, the search will work. But sometimes a non-Japanese solution will give us a lot of work to make sure that it will function here. We call it a “bilingual liaison” and we make a checklist for the head office IT to work on. Often they have no idea of the demands of the Japanese language and ask why it can't all be done in English, for example, and we have to explain about *kanji* and *furigana*. We have an in-house Wiki of such articles which we can use as reference when we're explaining these things.

It's a question of where the culture impacts the technology, and the other way round—sometimes the limitations of the technology make it impossible to do certain things. How do you sort a list of kanji using foreign software, for example?

**Journal:** *What about open source on the desktop?*

**Cogley:** No, not yet. I don't see open source as a panacea. Take the iPhone versus Android, for example. You don't necessarily want to give Joe User a phone and say “you can put anything on it.” If you give people a complex phone, they're going to get lost. Companies aren't willing to make the jump to open source—they're not even willing to make the jump to Apple on the desktop, which is a mixture of open source and proprietary aspects.



## IT'S A QUESTION OF WHERE THE CULTURE IMPACTS THE TECHNOLOGY, AND THE OTHER WAY ROUND—SOMETIMES THE LIMITATIONS OF THE TECHNOLOGY MAKE IT IMPOSSIBLE TO DO CERTAIN THINGS. HOW DO YOU SORT A LIST OF KANJI USING FOREIGN SOFTWARE, FOR EXAMPLE?

**Journal:** *Cloud computing is very trendy at the moment. Any views on the subject?*

**Cogley:** Yes, we run on a mixture of in-house and cloud servers. Cloud's popular, of course, and we've been moving things over the past four years over to a private cloud. For example, clients can log in and see what tickets are open and what their status is. But we're using the cloud at the same time, as we're nervous about the cloud. We have developed systems whereby if the cloud went down, we'd still have our data and be able to use it. We have scripts to sync the data from the cloud and keep it safe here in the office, and we can then back it up. It's a challenge, and I take it seriously because I've seen cases where people have lost data because they were trusting whoever was running the cloud server to have done the right thing. Of course it's less expensive, but there's something that makes you nervous about the concept. I have a rule that if you can't get the data out, you shouldn't use it.

Even with us, you could make the argument that we are holding hostage any company that uses us, even though we are very open. The point I'm trying to make is that you need a transparent way of accessing and backing up the data. It's possible to do it now with Amazon and so on, so we can now offer these solutions to customers.

**Journal:** *What about DR (disaster recovery)? Everyone always seems to think of Japan and earthquakes and the logistics of such a large DR effort.*

**Cogley:** We've done a few of these projects. But the initiative usually comes from the head office, rather than from the Japan office. Obviously the Financial Services

Agency and J-SOX are compliance drivers here, but we get called in to advise on DR solutions—evaluating the DR sites and facilities—providing a kind of due diligence for the head office.

**Journal:** *What has the “Lehman shock” done to eSolia?*

**Cogley:** I would say that companies are more careful in their purchases now. We've been lucky in that we haven't had any customers up and leave Japan. But people are conservative about the way they spend, and so they are receptive to the idea of saving money in IT, and they want to know how to do that, so we've found that, if anything, our business has grown during this past couple of years because of people moving around.

People have been moving into smaller offices. People are always doing it, and sometimes I think it's a waste, but if they get a couple of years' worth of an office at a lower rent, then it's worth it.

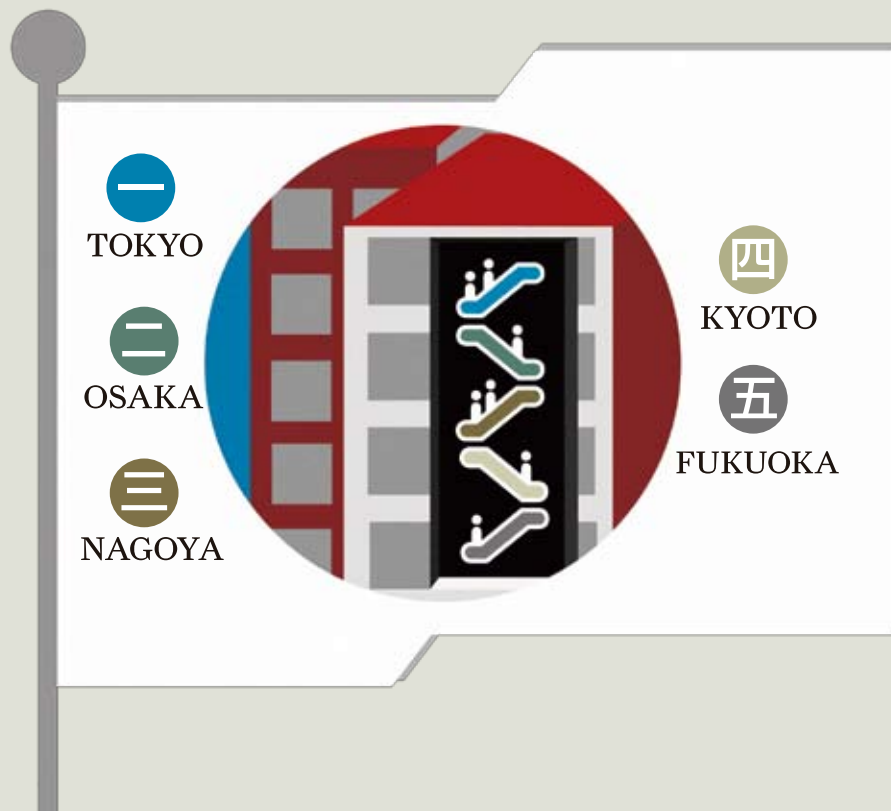
In the financial sector we're starting to see some growth again. We saw a bit of contract shrinkage, but after a while it went back to the way it was, because they realized that they needed the support. The companies that have large IT departments over here can provide their own solutions, but for the companies that are outsourcing to us, or managing from overseas through us, we can continue to provide advice.

And that's what we're here to do. We're slow growing, and we're not about aggressive sales and marketing. We're about stability—in our business, and in the systems we build and support—rather than rapid growth. **1**

PHOTOGRAPHY BY HIROMI IGUCHI

# MAGNETIC

Five Japanese regions primed for new foreign business growth



BY CHING-LI TOR

**G**eographically distinct and culturally unique, Japan's natural predisposition leans toward isolation. Yet, by virtue of its trailblazing innovation and manufacturing muscle, it continues to warrant special attention from global corporations that view the Asia-Pacific region in terms of Japan and "ex-Japan."

But for a country that can't wait more than three minutes for noodles to cook, Japan isn't a place where foreign investors can make an instant profit. Harking back to its agricultural past, Japanese relationships require patient cultivation before any fruits of labor can be reaped.

Those in a hurry may favor the allure of China, which prides itself on doing things faster and cheaper. And much in the same way that the Shanghai Maglev Train—which can achieve a record speed of 501 km per hour by magnetic levitation—makes Japan's Shinkansen seem like a snail's

crawl by comparison, China's booming economy is threatening to surpass Japan as the world's second largest economy.

But as in any race, maintenance is the hard part. Like the Shinkansen's impeccable reputation for punctuality and safety over the past half century since it first began operation, Japan's track record as an orderly and efficient business venue should keep it a natural destination for foreign investors looking to expand in Asia.

Inevitably feeling the heat of the global economic meltdown, Japan's real Gross Domestic Product for 2009 back-wheeled 5 percent from the previous year, marking the steepest decline since records began in 1955. China, on the other hand, powered ahead to hit 8.7 percent real GDP growth over the same period.

Thus, Japan's need to ensure a constant infusion of capital from overseas to remain robust on the world stage—or risk degenerating into an insular economy wistful for the good old days of self-sufficiency.

As part of the bitter pill to recovery, the government has set a target of attracting Foreign Direct Investment (FDI)—a key driver of globalization as businesses invest overseas to access markets, technology and talent—to the tune of 5 percent of its GDP by 2010.

However, Japan's balance of payments data for 2009 shows that FDI in Japan slid by 55.7 percent compared to the previous year. According to a 2008 survey on Japan's attractiveness to businesses conducted by the Japanese External Trade Organization, China is by far the largest host country for FDI projects in Asia.

In 2007, 38 percent of the FDI projects in Asia were directed to China, followed by India, while Japan ranked fifth with a market share of 5 percent. FDI in Japan amounted to 3 percent of its economy, compared with between 17-20 percent of GDP in the U.S. and the European Union respectively.

Mirroring this global tussle for investment dollars on a local level are

# CITIES

Japan's regional cities, which are engaged in a fierce domestic rivalry for foreign investment dollars, gamely hoping to challenge Tokyo's hegemony as the city of choice for the headquarters of foreign business interests.

## CITY SCAN

While Tokyo may be Japan's capital city, it certainly isn't the only city attracting foreign capital.

Responding to the *Journal*, the Japan External Trade Organization said, "Where to base your business depends on the function of the company or the type of industry the company belongs to."

To the west, Osaka, the second most densely-populated city in Japan, touts itself as Japan's center of enterprise and innovation.

Neighboring Kyoto, the capital of Japan for over 1,000 years from 794, is where consumer electronics and tech giants like Nintendo, Murata, Kyocera and Nidec call home, cultivating a Silicon Valley-style ecosystem with over 40 universities working in close contact, along with the Kansai Science City located in south Kyoto as well as the Kyoto Research Park.

Nagoya, in the central mountains of Honshu, is gaining traction as a value-for-money business center. Fukuoka in the south, said to be one of the oldest cities in Japan, has the largest population west of Osaka and has gained repute for being very livable while heavily industrialized.

So while Japan has a reputation for being a very homogenous society, there are regional subtleties and differences to bear in mind. Of course, business ethos aside, a major deciding factor for business location is cost.

Rent, labor, and other costs of living and doing business in Tokyo are prohibitively expensive, explaining the preference of SMEs to set up shop outside the capital.

Osaka claims to be 30-50 percent cheaper than setting up a business in Tokyo. Indeed a cost comparison by JETRO revealed—among the cities featured here—Tokyo to be the most expensive followed by Osaka, Nagoya, Kyoto and Fukuoka.

## THE JAPANESE SILO

According to the 2008 JETRO business attractiveness survey, foreign companies with a Japan presence in the medical/pharmaceutical and cosmetics sector,

electronic parts/devices, professional business services and the information technology and telecommunications devices sector expressed an interest in expanding their business in Japan.

However, for foreign enterprises that have yet to break into the market, Japan presents several unique challenges. JETRO survey respondents cited difficulties in securing English-proficient personnel, high business costs and the closed nature and particularity of Japanese markets.

Both written and unwritten laws and regulations make it difficult for companies to obtain approval for innovative or



**JAPAN'S TRACK RECORD AS AN ORDERLY AND EFFICIENT BUSINESS VENUE SHOULD KEEP IT A NATURAL DESTINATION FOR FOREIGN INVESTORS LOOKING TO EXPAND IN ASIA. ”**



competitive products or services, or limit the ability to compete once approval is achieved, not to mention entrenched business practices that restrict the competitiveness of new entrants based on product, service and price.

"Because of the power relationships among auto manufacturers, dealers and vendors, we cannot make adequate margins," cited one survey respondent.

Indeed, the *keiretsu* (business group) relationship between producers and corporate purchasers of products and services is a common market access hurdle commonly faced by U.S. and European enterprises.

Vertical keiretsu would include, for example, the relationship between a Japanese car manufacturer and the family of parts suppliers that design and build parts for that manufacturer.

An example of a horizontal keiretsu would be a group of companies formed around a particular bank, which tend to deal with each other to the exclusion of competitors doing business with a competing bank's group.

Hence, keiretsu represents an obstacle also for foreign financial services, because, despite a weakening of the control of Japan's main banks, there remains a strong bias towards domestic group financial institutions. This bias makes it difficult for foreign financial institutions to penetrate the Japanese market, even if they can offer very competitive services.

## PATENTLY COMPETITIVE

Nevertheless, Japan managed to move one place up to 8th overall in the Global Competitiveness Report 2009-2010 published by the World Economic Forum. Japan ranked 1st for business sophistication and 4th in terms of innovation.

"(Japan maintained) its performance compared with last year, while other countries in the top 10 have weakened," cited the report.

"(Japan) benefits from the strong availability of scientists and engineers and high company spending on R&D, as well as a capacity for innovation that is second to none," said the report, which ranks a country's overall competitiveness based on key indicators such as infrastructure, market size and a survey of over 10,000 members of the World Economic Forum.

Japan churns out 263.4 patents per million inhabitants, putting it second to Taiwan which has 279.3 per million, and above the U.S.A at 250.9 per million. Many of these unique technologies are possessed by small and medium enterprises in Japan, enabling them to occupy niches that major companies find difficult to break into.

This offers valuable tie-up opportunities for foreign partners looking to enter the Japanese market, in exchange for helping the local companies boost their technological and marketing capacity, as well as to open up markets and sales channels overseas.

And with green energy and the environment emerging as growth sectors of the future, Japan—already highly advanced in waste disposal and recycling—is poised to be the pacesetter in eco-innovation, and a sure draw for foreign investors looking for greenfield projects.

This month, the *Journal* brings you an overview of Japan's leading business-friendly cities and why foreign capital and talent are invested there.

# 01 TOKYO

## CITY PULSE

**POPULATION:** 12.76 million

**GDP:** 92.3 trillion yen

**MAJOR INDUSTRIES:** Transport & communication, retail, financial & insurance, publishing & printing, electronic devices, manufacturing

**DEVELOPING INDUSTRIES:** Animation, information & communications-related, lifestyle service, medical & social services

**CONNECTIVITY BY:** Air: Narita International Airport, Haneda Airport  
Sea: Port of Tokyo

Over half of Japan's publicly-listed corporations are headquartered in Tokyo, the capital of Japan and center of consumption known as "The Shogun's Backyard" during the Edo era. Proud of Tokyo's samurai past, Tokyoites are generally thought of as reticent, reserved and reliable, yet they're open to fresh ideas, so new trends and concepts are often piloted in Tokyo.

In addition to serving as the venue for a myriad of major business conferences, the city is at the vanguard of Japanese culture. Leading the way in this respect is Tokyo's role as the nation's fashion capital. Both Uniqlo Co., Ltd. and Gap Japan—currently providing the lifeblood of fashion commerce as local tastes turn toward more affordable fare—are based in Tokyo along with the likes of Forever 21 (founded in Los Angeles, California in 1984 by Do-Won Chang and his wife Jin Sook Chang) and the high-end purveyor of business attire, Brooks Brothers Japan Inc., a brand born in New York City.

The city is also an attractive business hub for those in the technology sector. Jim Weisser, President of telecommunications provider PBXL, reveals that he faced a major decision between Osaka and Tokyo when he launched his business five years ago.

"I decided on Tokyo for its higher concentration of business activity within, say, a 50-100 km radius compared to anywhere else in the world," said Weisser, who has been in Japan for around 17 years.

When asked about the relative merits of the five different cities profiled here, Tom Whitson, a partner at KPMG FAS Co., Ltd., and the President of the American Chamber of Commerce in Japan, said, "Each market entrant is looking for and needs different qualities to be successful. In many cases, a critical mass of suppliers and customers is key. There may be a need for government or university access. Tokyo has the greatest concentration of nearly everything a new company needs, but it is more expensive than the other cities you name."

Indeed, there are over 690,000 business establishments in Tokyo, with over 90 percent of them small and medium businesses. Of the 8.7 million people who work in Tokyo, about 70 percent of them are employees of small and medium businesses. And seven out of every ten foreign companies in Japan are concentrated in Tokyo.

"Tokyo still offers a good mix of an educated workforce, respect for the rule of law, business opportunities and no legal impediments. I believe Tokyo will continue to grow in importance to Japan's GDP," said Weisser.

# 02 OSAKA

## CITY PULSE

**POPULATION:** 8.83 million

**GDP:** 39.1 trillion yen

**MAJOR INDUSTRIES:** Metal, textile & plastic products, electronic devices and machinery, food & beverage

**DEVELOPING INDUSTRIES:** Biotechnology, intelligent household appliances, environment & new energy, robotics-related

**CONNECTIVITY BY:** Air: Osaka International Airport, Kansai International Airport  
Sea: Osaka Port

Osaka, Tokyo's main business rival, lays claim to founding and serving as the headquarters for a number of famous Japanese companies such as Panasonic, Sanyo, Sharp, Suntory, Takashimaya and the Nomura Group, to name but a few. The city and overall region also lays claim to inventing daily necessities for the salaryman such as Nissin Cup Noodles, One Cup Sake and the ATM.

Indeed, Osaka does well in living up to its old nickname, "The Nation's Kitchen," a nod to its mercantile past.

Some would say innovation such as cup noodles reflects the impatience of Osakans and their yen for all things entertainment/amusement-oriented. There is even an Entrepreneurial Museum of Challenge and Innovation documenting the achievements of Osaka's business community. Of the 200,000 enterprises in Osaka, nearly 99 percent are SMEs.

While Tokyoites are typically reticent and reserved, Osakans tend to be loud and as in-your-face as they are tongue-in-cheek. It is said the fast lane on Osaka's escalators is on the left while in Tokyo it's on the right because traditionally the samurai preferred to stay on the left, so they could draw their swords more easily if necessary (their swords were worn on their left side), while in Osaka the merchants preferred standing on the right to protect their belongings oft carried in their right hand.

Indeed, Kansai—which includes the likes of Osaka, Kobe, Kyoto and Nara—boasts a Gross Domestic Product equivalent to that of Canada.

"Kansai is a combination of three important elements: Its economic power and size, its status as the cultural heart of Japan and a lifestyle less hectic than that of Tokyo's," said Jiri Mestecky, a Registered Foreign Attorney and Partner at Osaka-based law firm Kitahama Partners.

"Accessibility is a huge plus for Kansai/Osaka," said Michael Bobrove, President of Nihon Medrad, which established an office in Osaka in 1996. "The local government is more accessible, and Kansai is also very well connected in terms of transport, with airports, the Shinkansen and a very active port."

Commenting on the particularities of doing business in Osaka, Bobrove, a Special Advisor for the ACCJ Kansai Chapter, said, "In Osaka, you'll find people are more gregarious and willing to talk about price. To understand Osaka's emphasis on value, just take the food scene for example—even if a shop has a good location but doesn't serve up good value for money, it won't survive."



# THE NAGOYA WAY

## Chris Zarodkiewicz on the advantages of doing business in Japan

BY CHING-LI TOR

After a four-year career with Hilton International in New York and Canada, followed by a move to Japan, which soon found him managing a restaurant in Nagoya, Chris Zarodkiewicz decided to set up his own dining establishment. Combining ambition with his passion for sports, Shooters Sports Bar and Grill was created.

Zarodkiewicz's company, Cezars International, has since diversified into relocation services in the form of Interlink K.K. and food service management via Cezars Kitchen with clients throughout Japan. Zarodkiewicz is currently the Vice President of the ACCJ Chubu Chapter and is married with two children, Christopher and Sophia.

**JOURNAL:** *What would you say are the pros and cons of setting up a headquarters in Nagoya?*

**ZARODKIEWICZ:** The obvious reasons for setting up a headquarters in Nagoya are lower costs and proximity to all three major city centers. Nagoya rents and the costs to do business are substantially cheaper than those in Kansai or Kanto. Entertainment, transportation, housing, etc. are all significantly cheaper. I have actually seen several companies move their headquarters to Nagoya recently and even with the cost of moving staff, office and key money the business will see a savings within the first few months.

Until the recent economic meltdown Nagoya had also seen some steady growth at higher levels than the rest of Japan. A new airport, the Aichi Expo in 2005, the strength of Toyota, and a lot of construction all helped to keep the economy strong while other parts of Japan were flat.

**JOURNAL:** *Are there any unique schemes offered by Nagoya for any particular industry?*

**ZARODKIEWICZ:** The Greater Nagoya Initiative has a very strong presence in the Chubu region and has been set up to work with the Nagoya government and the outlying regions in Chubu to help develop and increase FDI. They are very eager to meet with companies that are considering moves to Japan, or moving to or starting an office in Nagoya. Companies that do set up in Nagoya can use the GNI to promote and develop their business after they have arrived.

**JOURNAL:** *How would you sum up Nagoya's "X factor" as a business destination?*

**ZARODKIEWICZ:** I think there are several X factors, one being the current mayor who is very interested in internationalizing Nagoya and has been very enthusiastic about working with the ACCJ. He has been a big supporter for the Walkathon and supports our chapters' efforts to assist Nagoya and the outlying areas with the goal of increasing foreign investment. He speaks English well and often does his speeches in both Japanese and English.

# 03 NAGOYA

## CITY PULSE

**POPULATION:** 2.25 million

**GDP:** 12.7 trillion yen

**MAJOR INDUSTRIES:** Automobiles, fine ceramics  
aircrafts/rockets & machine tools

**DEVELOPING INDUSTRIES:** Environment, medical care/  
welfare/health information, advanced science  
technologies

**CONNECTIVITY BY:** Air: Central Japan International Airport  
Sea: Nagoya Port

In between the Tokyo-Osaka rivalry is Nagoya, coined the biggest "country town" in Japan for its *inaka* (small town) mentality, making it reputedly the hardest city in Japan to do business in because of its conservative mindset.

With a population of over 2.2 million, Nagoya has the greatest concentration of manufacturing industries in Japan. Home to Toyota Motors, it produces 40 percent or more of Japan's automobiles, automobile parts, machine tools, and aircraft parts.

"If you are an auto supplier then Nagoya is key as several of the major automakers are based here," said Chris Zarodkiewicz, president of Cezars International, an F&B and services company founded in Nagoya in 1996. "This is also a very key location for all of the heavy industry groups like Mitsubishi Heavy Industries, Kawasaki Heavy Industries and others," said Zarodkiewicz.

Also serving as the Vice President of the ACCJ Chubu Chapter, Zarodkiewicz is candid about the business culture of the region. "In Nagoya, you'll see a sea of blues, grays and black attire worn by the business people in the city. When you step off the train in Osaka it is like going from black-and-white to color TV. The dress code is reflective of the business style: Slow and conservative. It is always very easy to pick out a businessperson from the city of Osaka as they are much more aggressive. Osaka sales people, for example, will actually try and close a deal in the first meeting, whereas a Nagoya sales person won't bring up sales for at least a few meetings."

According to Steve Burson, president of Nagoya-based relocation services H&R Group, "Nagoya has a very conservative business environment that teaches you good business ethics for Japan that you can use anywhere else in the country. The language barrier is tougher in Nagoya; less people and companies speak good English. Relationship building takes a long time; meeting the people you want to meet usually has to be done by introduction and can take a long time.

"But pay-off is available in Nagoya if you are willing to commit for the long-term, build relationships, and be both persistent and consistent. Due to the conservative nature of the economy in Nagoya and the fact that the foreign community is so small, Nagoya is a breeding ground for the best foreign entrepreneurs in Japan. You often hear people say that if you can do business in Nagoya, you can do business anywhere in Japan, and I believe this is very true."

PHOTO BY HERMI (G) ICHI

# JAPANOMICS

## The big picture on Japan's regional engines of economic opportunity

The rarified breed of time zone agnostic, globetrotting businessperson with thousands of frequent flier miles that include points earned at Japan's major airports, usually considers himself well-versed in the country's unique offerings—even after having traveled to just a couple of cities. But the truth is that Japan's business landscape is incredibly diverse (at times, dauntingly so).

From the rough and tumble streets of Osaka, to the delicate precision of Nagoya, to the pragmatic hominess of Fukuoka, successfully doing business in Japan requires a well considered grasp of the nation's big picture in terms of regional specialties and unique areas of focus. Presented here we offer an informational thumbnail sketch highlighting five of the nation's hotbeds of economic activity. —ADARIO STRANGE

ILLUSTRATION BY PHIL COUZENS

### NUMBER OF BUSINESS ESTABLISHMENTS & EMPLOYEES



Number of business establishments



Number of employees (in thousands)

### SUBSCRIPTIONS & CONTRACTS TO INFORMATION & COMMUNICATIONS SERVICES



Home Internet



Mobile Phone contracts

SOURCE: JAPAN STATISTICAL YEARBOOK 2010, MINISTRY OF INTERNAL AFFAIRS AND COMMUNICATIONS

### ↓ FUKUOKA

- Average monthly office rents are 53% and 78% of those in Tokyo and Osaka, respectively
- Equidistant from Tokyo and Shanghai, 90 daily flights departing for Tokyo approximately every 5-20 minutes



### **i** FUKUOKA

224,954  
 2,216  
 1,376,239  
 3,657,097

### → OSAKA

- Second only to Tokyo as most expensive city for expatriate employees in the world
- Location of "Den-Den Town," Osaka's mecca for consumer electronics commerce



### → KYOTO

- Headquarters of Nintendo and Kyocera
- World Heritage Site & thriving tourism business center

### **i** KYOTO

128,660  
 1,170  
 794,385  
 1,903,451

### **i** OSAKA

428,247  
 4,451  
 276,8362  
 7,201,277





**↓ NAGOYA**

- Japan's greatest concentration of automobile, aircraft and high-tech industries
- The Nagoya area accounts for approximately 1% of the global GDP



**← TOKYO**

- More than 70% of foreign-affiliated companies are located in Tokyo
- International airline hub: Haneda and Narita airports
- Fashion hub: Home to GAP Japan, Brooks Brothers Japan & Forever 21



**i NAGOYA**

 335,601  
 3,762  
 2,006,663  
 5,672,580

**i TOKYO**

 690,556  
 8,705  
 3,896,278  
 12,267,998



Pacific Ocean



# WORKING OUTSIDE OF THE BOX

## Business locations for trailblazers willing to defy convention

BY ADARIO STRANGE

**Yokohama:** Known by many of Tokyo's working class as a commuter's paradise, Yokohama's global influence is fueled in part by a highly active hand in hosting international conventions. With a wide range of foreign small-business owners in operation, including the many vendors populating the area's Chinatown district, Yokohama offers the promise of niche-oriented business opportunity within the soothing confines of a suburban environment, with easy access to Tokyo.

In November, Yokohama will also serve as the venue for the Asia-Pacific Economic Cooperation, or APEC, shining an additional spotlight on an already vibrant business community.

**Hokkaido:** Famed for its hearty snow sports, ski culture and resort infrastructure, for years Hokkaido has served as a remote attraction for adventurous expats hoping to merge their love of nature with an entrepreneurial spirit. Assuming the region's distance from the rest of the planet doesn't put you off, the area's low rents and waves of seasonal consumer traffic make this an attractive prospect for those offering innovative products and services.

**Okinawa:** With its reputation for year round mild weather, surfing tourism, and a relatively large population of foreign consumers, Okinawa presents an enticing business path for those hoping to create services catering specifically to the region's expat community, as well as the local populace, while benefiting from the slow pace and relaxing atmosphere of the region's beach culture.

**Nagano:** Acting as yet another hub of Japanese ski resort culture, along with a substantial wine lover's community, Nagano is one of Japan's best-kept secrets. Centrally located in the middle of Japan, and just over an hour from Tokyo, low rents and high traffic from ski enthusiasts make this area a unique opportunity for those looking for large spaces at low-cost, as well as a great quality of life.



## TOP 10 POPULATED CITIES IN JAPAN 2010

TOKYO: 8,800,000

YOKOHAMA: 3,672,000

OSAKA: 2,662,000

NAGOYA: 2,258,000

SAPPORO: 1,904,000

KOBE: 1,536,000

KYOTO: 1,466,000

FUKUOKA: 1,450,000

KAWASAKI: 1,409,000

SAITAMA: 1,221,000

SOURCE: JAPAN MONTHLY STATISTICS, MINISTRY OF INTERNAL AFFAIRS AND COMMUNICATIONS FROM JAPAN 2010 AN INTERNATIONAL COMPARISON

# 04 KYOTO

## CITY PULSE

POPULATION: 2.63 million

GDP: 10.2 trillion yen

MAJOR INDUSTRIES: Electrical/transport/precision equipment, robotics, textile & chemical

DEVELOPING INDUSTRIES: Information, environment, health & welfare, biotechnology-related

CONNECTIVITY BY: Air: Kansai International Airport  
Sea: Maizuru Port

For those less seasoned in the unique aesthetics of Japanese etiquette, doing business in Kyoto can be like trying to get into one of the über exclusive dining establishments in Gion.

"Business relationships within Kyoto are oft said to be like the *ichigensan okotowari* (一見さんおことわり) style of top notch restaurants here. It's difficult to get a new client or partner by just turning up at the door, in fact, it may even be difficult to physically find the front door in the first place in narrow buildings with no signs!" said Peter Davis, chief executive officer of private R&D company Telecognix which specializes in new technologies for telecommunications.

"But it is not because they don't want new partners. If you have a good introduction and the quality of your product and service is good, then it is not difficult to develop a strong and lasting relationship," said Davis.

Citing the example of multinational gaming company Nintendo, Davis said, "It does not have a huge public profile and it is hard to find its location in Kyoto. But its huge global sales are supported by a large community of small businesses and freelance programmers, including foreigners, who are contracted to help develop its games."

Davis said he chose Kyoto as the location for his firm in 2007 due to the abundance of research labs of many international electronics and telecommunications companies—such as Kyocera, Murata, Rohm, Panasonic, Sharp, Sanyo, NTT and Nintendo—and universities easily accessible from Kyoto.

Indeed, the prefecture boasts more university students per 100,000 people compared to the rest of Japan. Some 5,000 students in science and engineering graduate every year from Kyoto's 28 universities, providing a pool of human resources for the IT industry.

Despite a relatively large student population, Japan still lags in terms of software development and innovation. Thus local robotics firms like Advanced Telecommunications Research Laboratories continue to attract foreign software firms that may help usher in the first generation of mainstream commercial robots designed for private households.

With many generations-old ryokans, Kyoto's allure as a tourist attraction gets better with age. "The Kyoto community welcomes the business and people from overseas," said Mikio Motegi, director of Kyoto Consultant Inc., a Kyoto-based executive search firm specializing in the hospitality sector. "The city government and local chamber of commerce recognizes the need for '5 star hotels,' which means supporting Kyoto's hospitality industry to remain truly competitive with other convention destinations such as Yokohama and Okinawa."

# CLEAN & GREEN CITIES

By CHING-LI TOR

Foreign companies interested in smart grid technologies and the energy sector may want to keep an eye on Yokohama, Kitakyushu and Kansai Science City, which covers parts of Kyoto, Osaka and Nara Prefectures.

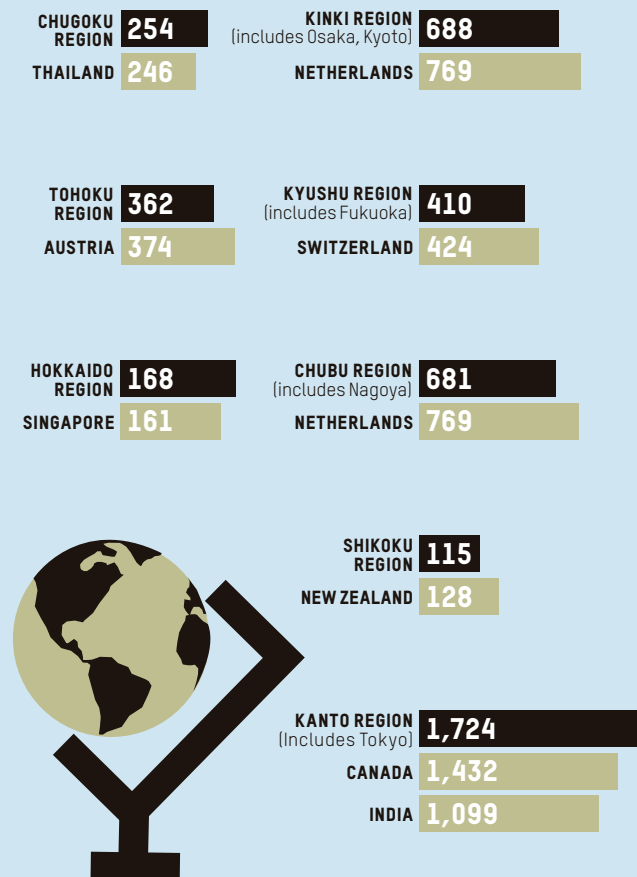
These will be the first cities in Japan to experience the smart grid system that integrates renewable energy such as solar and wind power. The public-private trial run, set to start this fiscal year, involves 5,000 households, and the total cost of the project is estimated at 100 billion yen over the next five years. The system is meant to encourage green behavior by giving customers real-time data about their energy consumption and by providing live updates about electricity bills.

Major consulting firm Accenture Corp., Toyota Motor Corp. and Nippon Steel Corp will serve as project coordinators in Yokohama, Toyota and Kitakyushu, respectively, along with the municipal governments. The Kyoto prefectural government will supervise the smart grid in Kansai Science City.

## JAPAN IN CONTEXT

GDP COMPARISON OF JAPAN'S REGIONS WITH SOME COUNTRIES

IN US\$ BILLIONS:



SOURCE: JAPAN EXTERNAL TRADE ORGANIZATION, "10 ADVANTAGES TO INVESTING IN JAPAN" 2009

# 05 FUKUOKA

## CITY PULSE

POPULATION: 1.42 million

GDP: 7.5 trillion yen

**MAJOR INDUSTRIES:** Wholesale/retail, real estate, transport/communications, manufacturing industries (food processing, printing/publishing, and machinery/metals)

**DEVELOPING INDUSTRIES:** Knowledge-creating industries (ICT, robotics, semiconductor, online content, and nanotechnology) automotive industries, health/medical/welfare, logistics industries

**CONNECTIVITY BY:** Air: Fukuoka Airport, New Kitakyushu Airport  
Sea: Hakata Port, Port of Kitakyushu

**K**nown as the "cradle of Japanese culture" for its history dating back some 2,000 years and as the first Japanese city to cultivate rice, Fukuoka City weaves the clockwork efficiency of Japan with the traditional manners of the countryside, and the outward-looking mindset of a port city with an easygoing seaside lifestyle blessed with abundant seafood from the Genkai Sea.

San Francisco-based international translation services firm Elanex Inc. set up its first Japan branch in Tokyo in 2003, and its second office in Fukuoka City in 2007.

"With the booming manufacturing and technology sector in Fukuoka and with close business ties to China, Korea and Taiwan, there was a need for a very efficient translation company to manage the whole translation outsourcing process," said Robert Gumley, Japan general manager.

Fukuoka is located in the heart of the "Silicon Sea Belt," so-called for the high concentration of global semiconductor production areas that extends from Korea to Shanghai, Taiwan, Hong Kong and Singapore—all easily accessible from Fukuoka, which is 560 miles away from both Shanghai and Tokyo.

"When we first came to Fukuoka we were most impressed by the casualness of the city, the friendliness of the people and the wonderful climate. At the same time we were very impressed with the business acumen of the local business people," said Gumley.

That said, businesspeople in Fukuoka will probably find themselves spending their first year in the city building relationships and winning trust before any business deals can move forward.

"The beginning is tough as business is still very much about interpersonal relationships, somewhat like Tokyo twenty years ago. But once you develop a firm relationship, you'll find that people in Fukuoka are a lot friendlier," said Gumley.

"You can do business faster in Tokyo but you also lose business a lot faster as partnerships don't play such a big role. In Fukuoka if you show that you are there to help grow the business, you can develop a long-term friendship," said Gumley.

He also noted the strong symbiotic relationship between universities, research institutes and industries. The Kyushu Silicon Cluster Plan is one such initiative promoted through an industry-government-academia collaboration. There is also a Silicon Sea Belt Fukuoka Project promoted by the prefecture to make the city a design and development hub for the semiconductor industry. **1**

\*CITY PULSE DATA SOURCED FROM JAPAN EXTERNAL TRADE ORGANIZATION

# THE ECONOCLAST

## A look at Dr. Enzo von Pfeil's controversial notions regarding the U.S. economy

BY STEVEN TOWNS

As someone who has followed Enzo von Pfeil's work for the past several years, I can confidently say that "Trade Myths: Globalization Has Left Trade Balances Behind (Revised 2009 edition)" is as iconoclastic as he intended it to be and with good reason. Enzo's latest work served as a real eye opener, particularly in terms of what headline trade figures mean (or that is, what they miss), as well as how much foreigners are really financing America, and for the various scenarios provided of what could happen if trade goes wrong.

Of the five trade myths he discusses, in each instance Enzo explains that anachronistic beliefs about trade could lead to an impaired U.S. economy with a simultaneous jump in interest rates having widespread repercussions.

The first so-called myth is that "imports kill jobs." Enzo readily dismisses this as self-serving for politicians wanting to avoid inconvenient truths. In short, politicians (the key subjects of Enzo's work) would rather blame outside forces for their constituencies' economic troubles rather than acknowledge failing policies in areas such as education and matters such as burdensome taxation.

Enzo also questions how the U.S. can be expected to increase its headline trade surplus as it employs fewer people in manufacturing. And it turns out that as imports rise, so does employment, primarily in services.

Yet, if all so-called "unfair" imports were banned, America's multi-national corporations (MNCs) would suffer heavy blows since their foreign-made products could not be imported back into the U.S.

The second so-called myth is that "exchange rates drive trade." The argument that if other countries' exchange rates were

stronger, America would not have a deficit, does not hold water, explains Enzo, since a devalued U.S. dollar brings trouble of the kind explained above.

The third so-called myth is that "trade balances are a national matter." He opines that, given the interconnectedness of the global economy, viewing trade balances nationally is purely mercantilist thinking and potentially subjects MNCs to host government protectionist retaliation.

The fourth so-called myth is that "America's trade deficit is 'bad.'" Two keys to this notion are that non-U.S. MNCs are more than ready to take market share from

that news reports are misleading:

Foreigners as a whole owned 25 percent of Treasuries outstanding in 2006, but of that an increasing amount is held by private investors (such as hedge funds and also MNCs) as opposed to institutions or governments, thus lessening the impact if there were ever any dumping.

Data suggests a very strong correlation since 1970 between the growth of FDI and the "foreign" ownership of Treasuries. The other point here is that even if foreign holders were to dump Treasuries, there is no other market that offers the depth, liquidity, and sophistication of the U.S.

**DATA SUGGESTS A VERY STRONG CORRELATION SINCE 1970 BETWEEN THE GROWTH OF FDI AND THE "FOREIGN" OWNERSHIP OF TREASURIES. THE OTHER POINT HERE IS THAT EVEN IF FOREIGN HOLDERS WERE TO DUMP TREASURIES, THERE IS NO OTHER MARKET THAT OFFERS THE DEPTH, LIQUIDITY, AND SOPHISTICATION OF THE U.S.**

U.S. MNCs; and it doesn't necessarily require a ban on U.S. MNCs operating abroad, since U.S. politicians angering a host country such as China could result in the same dire consequences. Enzo wonders just how disaffected U.S. MNCs would respond in terms of their political contributions.

The fifth and final so-called myth is that "foreigners finance America." Once again, he regards this as a political ploy (whether deliberate or naively inadvertent) playing on vulnerability and blaming foreigners for ills.

However, taking a step back, Enzo enlightens readers on two other fronts. The first is that one must review just who the foreigners that own U.S. debt are and what percentage of the whole it comprises. Interestingly, Enzo explains

Enzo notes that the size of the U.S. bond market is greater than that of the EU, UK, Japan, and Switzerland combined.

The remainder of Enzo's tome includes an explanation of the drivers of trade flows, the history of the economics behind trade, and his suggestions for how to remediate the discussion of trade.

In closing, while Enzo duly notes that political self-interest can prevail during economic downturns, I was compelled to reflect on an earlier quoted passage from the late Professor Daniel Boorstin, which Enzo recaps in stating: "[America's] politicians/leadership recognizing the U.S. itself is the largest stakeholder in the globalized economy will be the necessary first step in the process of transforming mindsets about America's trade balances and trade policies."

## Q&A WITH DR. ENZIO VON PFEIL

**E**nzio von Pfeil is a Hong Kong-based investment advisor who also manages his own family of funds using his Economic Clock (a proprietary system of economic indicators designed to provide market information).

He is a regular contributor to Bloomberg TV and CNBC Asia. Enzo earned his Ph.D. in economics at the University of Freiburg in Germany (he studied under renowned “Austrian School” economist Friedrich von Hayek), and then went into banking and garnered invaluable experience in Treasuries, currencies, and macro strategies. He later served as chief regional economist for leading London-based investment banks in Hong Kong.

Many of Enzo’s ideas stem from his years in banking and economic strategizing, ideas that are becoming increasingly acute since the financial crisis. Recently, Enzo made himself available directly for an interview regarding some of his more interesting ideas and observations.

**STEVEN TOWNS:** *What are your thoughts on the latest “currency manipulation” talk out of Washington, especially since the situation seems to be worsening with growing bipartisan support in both Congress and Senate?*

**ENZIO VON PFEIL:** This talk has to be seen against the backdrop of mid-term elections in America. It also has to be seen against the backdrop of Congressional “stimulus” packages which have resulted in 10 percent unemployment rates and in 20 percent unemployment rates for males who are 30–55 years old.

**TOWNS:** *There’s a palpable escalation of angst in the U.S.; meanwhile there seems to be firm resolution in China (regarding a desired gradual appreciation of the yuan). Do you think another Smoot-Hawley type tariff and a subsequent devastating impact is a possibility?*

**VON PFEIL:** Absolutely not. I don’t think that Congress would be that short-sighted. But I can see its members chasing the WTO with all sorts of lawsuits, depending upon which constituencies these Reps and Senators are representing.

**TOWNS:** *Changing directions then, tell me, is trade balance accounting consistent among the*

*U.S. trading partners, and what, if anything, is being done to modernize the accounting?*

**VON PFEIL:** Yes, everyone uses the same, 16th century framework. Thus, all trade balances are measured in terms of national borders. This was logical in the 16th century, when there were very few MNCs and when mercantilism was common practice.

**TOWNS:** *What do you think is a healthy amount or range of debt-to-GDP?*

**VON PFEIL:** It is not so much the ratio per se as it is who is financing that deficit. If the foreigner really is financing that deficit, then the country that is borrowing the money is vulnerable to the foreigner pulling their funds out. But a second point also is relevant: What is the currency of the fiscal deficit? If it is a small currency, then the foreigner, in fact, can pull out. But in the case of the U.S., the dollar is the world’s dominant currency, so that reduces the leverage of the foreigner. Furthermore, if American politicians accepted that their own MNCs are very much “at fault” for America’s geographical trade deficit, their whole mindset would change from: “How can we punish ‘bad’ China,” to “How can we re-invigorate our own competitiveness?”

**TOWNS:** *If we recognize the massive trade surplus in the U.S. and, correspondingly, the huge deficit in China when backing out MNC activity, does this change the ongoing U.S.-China trade and currency arguments?*

**VON PFEIL:** Absolutely. Were MNCs’ balances to be included in such “global” trade balances between China and America, then Americans would be asking their very own politicians just why American MNCs are producing more and more abroad instead of back home in the United States.

Answer: The politicians have, in their quest to get re-elected, made many expensive promises. That means that taxes and regulations have increased, courtesy of politicians’ desire to get re-elected. The upshot is that the U.S. (like Europe and Japan) have “priced themselves out of the market” in terms of costs and regulations. As a second fusillade primarily against U.S. politicians: Instead of focusing on what could make America more competitive—namely, pre-college vocational training—those very politicians who rail against “bad and dangerous” China have a mendacious record when it comes to vocational education policy in America.

Thus, were my points regarding America’s global trade surplus and China’s

**‘WERE MY POINTS REGARDING AMERICA’S GLOBAL TRADE SURPLUS AND CHINA’S GLOBAL TRADE DEFICIT TO BE HEDED, THEN THIS TALK ABOUT EXCHANGE RATES “REALLY” AFFECTING TRADE FLOWS WOULD WILT IN THE FACE OF MUCH MORE IMPORTANT COMPETITIVE CONSIDERATIONS, E.G. DOMESTIC TAX AS WELL AS REGULATORY REGIMES, ALONG WITH (VOCATIONAL) EDUCATION POLICY.’** ”

-Enzio von Pfeil

global trade deficit to be heeded, then this talk about exchange rates “really” affecting trade flows would wilt in the face of much more important competitive considerations, e.g. domestic tax as well as regulatory regimes, along with (vocational) education policy.

Laconically, you cannot import a car repair; you need a qualified local to repair that Mercedes that you have imported from Germany. Were exchange rates really as important as some politicians claim, then why do Germany, Japan and Switzerland—whose currencies have appreciated fourfold against the dollar since 1970/71—all have trade surpluses? ❶



**STEVEN TOWNS** is a senior development research analyst at Yale University. He was previously a contributing editor at Seeking Alpha.

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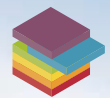
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technology

# THE IPAD COMETH

An early look at the Apple iPad in Japan

REVIEW BY ADARIO STRANGE

In the March edition of the *Journal* we covered the announcement of Apple's new iPad device by accessing the views and opinions of some of the leading Japan-based professionals in publishing, marketing and content distribution. Since then the iPad has debuted in the U.S. to mostly rave reviews, accompanied by the now par for the course long lines at Apple's stores.

Confounding the brand's skeptics, Apple managed to sell 500,000 iPads in its first week, leading the company to announce a supply shortage that will delay the device's international distribution until late May (which, in Apple-speak, really means around mid-June). The initial lack of international availability has given rise to a black market for the device on the Internet and in tiny gadget shops as far flung as Beijing, where some customers are paying as much as \$1,060 for the \$499 16-gigabyte model (the 32GB and 64GB models sell for \$599 and \$699 respectively. Japan pricing will be announced on May 10th).

Thankfully, we didn't have to resort to such measures, and managed to have an iPad delivered to us in Tokyo (at normal cost) by a friend just a few days after its U.S. release. In fact, this very article was composed on the iPad.

After going through the initial stage of geek glory at being one of the few in Japan to have the iPad, then allowing friends and office mates to take the unit for a brief (and closely monitored!) spin, it was time to settle in and figure out if this could indeed act as a netbook-like companion to my main computers at home and the office.

In the first week after the iPad's release I followed the efforts of a few well-known U.S.-based tech pundits to see if the device could be used as a full-fledged "laptop" replacement. With one exception, they



all determined that the iPad "could not" function as a laptop replacement. From my vantage point their primary mistakes were setting the bar too high in terms of performance/features, and not using that first week to first acclimate themselves to this totally new computing paradigm. Despite those who dismiss the iPad as just a big iPod Touch, this really is a new kind of computing that the iPod Touch and iPhone only hinted at.

Thus, I spent my first week with the device not trying to force it to suddenly do everything I'm accustomed to on my laptop; instead I spent that time simply becoming comfortable with a new style of computing. The closest thing I can reference, for those who haven't handled the device, is the touch panel computers seen on television's "Star Trek: The Next Generation." Using it really does feel a bit like science fiction.

The screen is better than any laptop I've used, the Apple-made A4 processor

makes the computer's functions incredibly fast, and I've yet to feel even a hint of heat from the unit. The speakers are surprisingly loud, and surfing the Web is faster on the iPad than any device I own. In terms of WiFi, unlike some rumors on the Web, I had no problems consistently connecting wirelessly.

I went in with low expectations (a good idea with new category, first generation devices), and as a result I had few disappointments.

That said, there *are* downsides. I have large hands, but at times the device felt a bit heavy after prolonged use in a traditional book reading position. The iPad has no USB or other data ports through which to transfer your information, making it a closed device, unless you're someone who uses cloud services to store your data. Finally, to even get the iPad started you must connect it to iTunes (my least favorite app) on another computer. While strategically understandable, it will likely stop many from purchasing the device. In the long term, I expect this limitation to vanish when the operating system matures.

At present, the amount of truly useful iPad apps is somewhat low, but growing daily. Apple's iBooks app is definitely the best in its class, but has the smallest selection of titles. Amazon's Kindle iPad app will likely be the choice for voracious book readers. Along the same lines, the Bloomberg stock and world index app was simply amazing. In the area of news apps, Reuters outclasses the competition by including—along with its world news coverage—visually stunning real-time world stock market info-graphics and currency exchange rate updates.

Perhaps the most amazing example of an app that points the way towards the future of education is the "Theodore Gray: The Elements" app. This app-meets-book takes you into the periodic table of elements with detailed information and fully interactive 360-degree rotating videos that can be manipulated by touch. By far this is the app that wows most first-time iPad onlookers, and with good reason. How these kinds of text and interactive content apps will play out in Japan's vastly different publishing market is something worth keeping a close eye on.

continued on page 42

## ADVERTISING SPECIAL: MEDIA & COMMUNICATIONS

THE OLD ADAGE HAS IT THAT "ANY PUBLICITY IS GOOD PUBLICITY." BUT IN TODAY'S WORLD OF DISCERNING AND BRAND-CONSCIOUS CONSUMERISM, PROJECTING THE RIGHT IMAGE IS KEY TO MARKET SUCCESS. HENCE, ENGAGING THE RIGHT PUBLIC RELATIONS

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# ENLIGHTENED APPROACH

Candlewick helps clients get the right message through the media

**C**andlewick is a brand consultancy, public relations and marketing company that offers Integrated Marketing and Communication (IMC) services aimed primarily at luxury and premium products and services.

Many of our clients are foreign companies (*gaishikeri*) including IKEA, the Swedish furniture giant, Garrard, an international jeweler and Josiane Laure, a premium French hair care brand. We have assisted many companies with starting up their business and introducing new products into the "distinctive" Japanese market.

So, what led our clients to succeed in the Japanese market?

It's simple. We provided journalists with stories that made them want to listen. Journalists look for news. Therefore to generate coverage in key media outlets, a product or brand must be sufficiently appealing. Why then do many foreign companies that have succeeded in their home country or abroad suffer when entering the Japanese market?

Many times it's because they have "imported" their brand story and not "localized" it for the Japanese market. At Candlewick, we put in many hours to learn our client's business and uncover the hidden stories that will resonate with Japanese journalists.

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and generate publicity that reaches the target audience.

Our activities include the distribution of information via press releases and press caravans, in which we visit editorial departments of major publications. At Candlewick, we use "quality caravans" to carefully introduce information to journalists, selected on a brand-by-brand basis. This way we are able to increase their understanding to secure "ink" for our clients.

We also arrange press conferences, interviews, press events and receptions. We have strong media relations with senior editors and journalists, and create effective press materials that deliver the right key message to the right person.

Our services do not end with just media activities. Our consultants have years of product and industry knowledge, and

can provide advice from the inception of a product's development to launch. We conduct market research, group interviews, usage tests, and offer counsel that make the most of your communication activities, including establishing distribution and sales channels.

In 2007, Steam Cream, a company from the UK approached Candlewick to assist with their entry into the Japanese market. Candlewick provided consultation from the overall concept, package design, logo and marketing to the planning of PR activities. The product was launched and immediately attracted people who sought to use it as a gift. Following White Day (March 14) in Japan, weekly sales of the product reached over 1,000 units and are continuing to grow.

Candlewick also provides consultation on personnel hiring and training programs, including preparing corporate manuals for internal use.

Candlewick also works with overseas-based clients to provide ongoing consultation on their position in the Japanese market and actively get out its message of commitment to Japan.

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# STRATEGIC COMMUNICATIONS

COSMO celebrates 50 years of providing communications expertise

COSMO, one of Japan's foremost strategic communications consultancies, is celebrating its 50th anniversary in 2010. A pioneer in the public relations industry in Japan, COSMO began its operations working with Japanese companies and providing assistance to multinationals looking to become established in the Japanese market. Over the last two decades, COSMO has brought results to more than five-hundred multinationals conducting business in Japan, focusing primarily in the healthcare and food and food science industries. Through

its global experience and domestic expertise, COSMO delivers effective communication solutions. COSMO develops and manages multifaceted campaigns involving media outreach, crisis and issues management, reputation management, advocacy, public affairs, key opinion leader research, corporate positioning, consumer communications and corporate social responsibility.

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Prices start from ¥1,980 for 250gm

continued from page 39

In the iBooks app I was able to easily make purchases from Japan using my U.S. iTunes account. If you're not ready to commit your credit card information to iTunes, you can still sign up for a U.S. iTunes account for free from Japan and download some of the free applications.

Using the iPad for business is an area that holds promise, but this will all depend on the kind of apps developers make available in the coming months. In general, Apple's iWork suite of productivity apps (word processing, spreadsheets, presentations) is currently a mediocre offering that is likely to be matched or outdone by third-party iPad developers. The suite's one saving grace is its spreadsheet application Numbers (\$9.99), which allows you to import and export Excel documents as well as create sophisticated spreadsheet formulas directly from the iPad. Although the iPad's onscreen virtual keyboard works perfectly well, when I connected my wireless Bluetooth keyboard to the device my speed and comfort level with the word processing apps increased dramatically.

Within the realm of word processing, I should also mention that when using the iPad's larger virtual keyboard, inputting Japanese characters was relatively effortless. Despite the shortcomings of the iWork suite, there are a wide variety of compelling apps that do offer useful functions and have led me to agree with a sentiment I've heard from others, but had initially dismissed as hyperbole: Like it or not, this is the future of mainstream, consumer computing.

In the week following the iPad's launch, rumors began to circulate of Google's intentions to port its Android mobile operating system onto a touch screen tablet device to offer Apple's product a fair bit of competition. What this likely indicates is that the tablet market (largely pioneered by the efforts of Microsoft) is finally set to heat up, and we can expect Japanese firms to belly up to the bar with their own competitive tablet devices in the near future.

And while the iPad may be the target of skepticism on some fronts, there are those in Japan looking upon its arrival with guarded optimism. Jun Hasebe, a Tokyo-based analyst at Daiwa Securities, recently told *BusinessWeek*, "There's a strong chance that a device like the iPad will allow authors to cut out the publishers as middlemen... Japanese printing, publishing and distribution industries are strongly interconnected and all three face that threat." Hasebe's comment may hold a kernel of truth, but the facts on the ground in Japan reveal that paper-based content is not as unpopular as in the States (particular in light of Japan's massive elderly population, still largely wed to older formats), and ebook readers—one of the iPad's major selling points—have never taken off in this country, despite repeated attempts.

Regardless of the possible pitfalls awaiting the iPad in Japan, the device has clearly garnered the attention of the global tech and publishing industry and seems poised to serve as a market compass for the viability of touch screen tablets becoming fully mainstream, all-purpose computers. To be clear, as of now the iPad is not a laptop replacement (although the OS4, multi-tasking update coming to the iPad in the fall will bring it a lot closer). But as a netbook-like companion to your main computers, the iPad is a pleasure to use and owning version one is perfect preparation for when most computers look like this. ❶

FOR MORE INFORMATION VISIT: [WWW.APPLE.COM/IPAD](http://WWW.APPLE.COM/IPAD)

## restaurant **TWO ROOMS**

BY YUKARI SAKAMOTO

**T**wo Rooms near Omotesando has one of Tokyo's best dream teams at the helm of the restaurant. In the kitchen, chef Matthew Crabbe's impressive resume includes the New York Bar and Grill at the Park Hyatt and Kyoto's Hyatt Regency. Eddie Baffoe was the popular bar manager at the Oak Door at the Grand Hyatt.



Rounding out the team, Nathan Smith's most recent position was as the Food and Beverage Director at the Park Hyatt. The stellar trio bring to the table enough experience between them that expectations are high, and they do not disappoint.

Two Rooms consists of a dining room, complete with counter seats overlooking the open kitchen, communal tables and booths along one wall. The other room consists of a bar overlooking a well stocked wine cellar. One of the central highlights of the space is the open-air terrace. The ideal late afternoon cocktail can be enjoyed on the outdoor patio, and the evening brings a cool and lively vibe to the bar area.

There is a great list of cocktails including mojitos based on fresh fruit juice like passion fruit and mango. The 1,800 bottle wine list is one of the better ones to be found in Tokyo. Mostly filled with new world wines, regions like Australia, New Zealand, and the U.S. are well represented. Classic wines from Champagne, Bordeaux, Burgundy, and a handful of Italians round out the line-up.

The Two Rooms Caesar salad is a well-seasoned delight and the fresh local fruit tomatoes are sweet and juicy, served with Italian buffalo mozzarella. Well-selected meats are simply seasoned and grilled. Options include pork from Iwate, Fukushima chicken, and marbled wagyu beef from the Hida Takayama area. If you prefer meatier steaks, you might want to lean towards the Australian cuts from Rangers Valley. Popular sides include the fried fat cut potatoes and the mushrooms sautéed with hazelnuts.

Two Rooms excels at using local ingredients, and this continues with the dessert menu. Amaou strawberries bursting with flavor and aroma are served as a bavrois with lemon meringue. The crème brulee is based on Shizuoka matcha green tea and is paired with *kinako* (roasted soybean powder) ice cream and Okinawa brown sugar.

The bar menu includes a popular Two Rooms burger as well as prime steak on ciabatta. Sunday brunch tempts diners with Kyoto carrot cake loaf, rum raisin banana French toast, and eggs Benedict.

The dining room is filled with a fair mix of locals and foreigners. Service is professional while maintaining a casual air that evokes the charm of a high-end Western concern. The best part of Two Rooms is the feeling that you are welcome and that this is somewhere one can easily call home. Regardless of the occasion or the time of day, Two Rooms is a great place for food or drinks. ❶

TWO ROOMS, 5F AO BUILDING 3-11-7 KITA-AOYAMA, MINATO-KU, TEL: 03-3498-0002

# FLYING INTO THE FUTURE

James Hogan, CEO of Etihad Airways, joined the ACCJ member community to discuss the state of the airline industry

BY HUGH ASHTON

**O**n April 1, at the Westin Hotel Tokyo, James Hogan, the CEO of Etihad Airways, the national airline of the United Arab Emirates, spoke to ACCJ members about running and planning an airline's operations, and building up a new hub in Abu Dhabi.

Hogan started by reminding the audience that Etihad had started services through Narita the previous week, code-sharing with ANA, and complementing the services to Nagoya that started in February.

He pointed out that the airline industry needs to address a continued series of shocks to the market, pandemics, fuel price fluctuations, financial crises, etc., and therefore has to adapt and move faster than most. In his opinion, 2009 was the worst year that the airline industry has faced, with the global financial crisis and flu pandemic causing travelers to stay at home, and the introduction of the new Airbus A380 "superjumbo" by three of Etihad's rivals providing an additional competitive challenge. Hogan, however, sees this crisis as a time to rise and meet such challenges, as well as being a time during which the airline industry can put pressure on governments.

In Hogan's view, tempered by industry experience, governmental restrictions, such as the Chicago Convention, place restraints on global operations. As a specific example, he mentioned that a preferred way of commencing Japanese operations would have been daily flights through Narita. Almost singularly unique to the airline industry when planning ahead (placing aircraft orders and building up networks), it is necessary to anticipate changes in bilateral agreements, as well as fuel prices, airspace rates, etc. "Open skies" policies are, in his opinion, vital for airlines to achieve economies of global scale.

However, being a new airline, Etihad has no need to go through the restructuring



James Hogan, CEO of Etihad Airways.



process that many of its competitors must face. Some other airlines, faced with the task of replacing aging equipment, must raise capital. With an average fleet age of 2 1/2 years, Etihad can produce new product and new designs, and operate with greater economy than its rivals. The newer planes provide greater range than older models and allow Etihad to take advantage of its location to build up Abu Dhabi as a hub. Earlier, flights from Australia to Europe could involve seven stops. Now, one stop, in the Middle East, may be all that is required. Hogan went on to list major destinations (London, New York, Tokyo, Sydney, etc.) that are all now reachable non-stop from Abu Dhabi.

One aspect of airline operations that may not be immediately obvious to those

outside the industry is the segmentation of the customer base, such as: traffic within Asia, family traffic between Asia and Australasia, religious traffic for pilgrims making the Haj from Indonesia and Malaysia, construction worker traffic, and other specific customer markets.

In response to detractors of Etihad who claim the airline, as a national airline that is backed by a long purse, has a playing field tilted in its favor, Hogan said that the Emirates definitely treats the airline as an operation intended to make money, which is also a primary objective for Hogan.

Hogan also described the attractions of Abu Dhabi not merely as a hub (one attraction for airlines is oil—enough for at least 100 years to come) but as a destination. Abu Dhabi hosts events such as F1 car racing, and boasts luxury hotels (including some with the new six-star rating), museums (the Louvre and Guggenheim), universities and medical research facilities. He pointed out that the nations within three hours' flying time of Abu Dhabi have a population close to the size of China—a potential market for business and leisure, including shopping, with Abu Dhabi as a “one-stop destination.” Even today, 50 percent of Etihad's traffic to Abu Dhabi comes “to do business with the city.”

Outsourcing is another important part of Etihad's business strategy. “Anything that isn't part of our core business, servicing the customer or making money can be outsourced,” explained Hogan. But diversity within the company is also important. There are people from 110

nationalities within the business, which is run as a strictly non-union shop. Etihad provides many facilities to employees based in Abu Dhabi: housing, children's education and many others. What Hogan finds especially exciting about Etihad's employees is the “mix of young people bonding as one to create the best airline in the world.”

At the Farnborough International Airshow show last year, Etihad placed an order for a further 100 aircraft, with options and rights on another 105—the biggest deal in aviation history, with a list price for the planes of \$43 billion. These orders were split between Airbus and Boeing (when asked in the Q&A session whether this duopoly seemed restrictive, Hogan pragmatically answered that “you have to play the cards you're dealt”). Making such a deal in one go, taking very long-range comprehensive planning factors from different business groups into account was considered preferable to a “top-up” strategy.

Hogan elaborated on Etihad's service philosophy, explaining some of the benefits to customers who use the airline. “The product is outstanding,” he claimed, smilingly adding that there is no premium economy class, “because our economy is premium economy.” Cabin crew performance is reviewed every two years. “It's about building an airline that's competitive and the best in class, to make money.”

Pointing out that an airline customer's time is in the airline's hands, Hogan said, “How we treat your time is fundamental. It's not about herding sheep or cattle—it's



Etihad flight attendants.

about treating people with respect.” (A phrase which seemed to strike a chord in some of the audience.)

The challenges of carbon emissions and regulations on airlines (which are responsible for 2 percent of global emissions) are going to be severe, Hogan added, but again, Etihad's new fleet means that they have a head start.

Concluding on an upbeat note, Hogan sees 2010 and 2011 as starting a return to normality, with South-East Asian and the Middle East traffic increasing, and general economy traffic booming and returning to pre-crisis levels. With multinationals moving into Abu Dhabi, business traffic is increasing. Japan is seen as a great opportunity for business travel, as well as vacation traffic to Abu Dhabi. However, he admits that Europe is a worry, with corporate traffic not picking up and sees high-speed rail as a major competitor within Europe, but some routes he quoted, such as “secondary” destinations within Europe (e.g. Dublin and Istanbul), are already proving to be popular. As Etihad moves towards profitability, Hogan seemed confident that the strategy adopted so far would continue to pay dividends in the future.

The talk ended with Etihad cabin crew handing out models of the Airbus A380 super-jumbo in Etihad colors to attendees. **1**



Etihad Airways CEO James Hogan addressing ACCJ members at the Westin Hotel.

PHOTOGRAPHY BY HIROMI IGUCHI

# ACCJ IN PICTURES

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ACCJ President Tom Whitson with Caterpillar Corporation CEO Jim Owens.



JP Morgan's Chief Economist in Japan, Jesper Koll, gives his 12th annual presentation to ACCJ members on the state of Japan's economy, post-Lehman crisis.



Yosuke Kondo, member of the House of Councilors (DPJ) and Vice Minister of Economy, Trade and Industry, shares the new government's views on future trends in Japan's biotechnology industry with ACCJ members and guests.



APEC Task Force co-chairs Bruce Ellsworth and Tom Clark discuss American business interests in the Asia-Pacific region.



Thierry Porte, Chairman of the Japan-U.S. Friendship Commission and Operating Partner of private equity firm J.C. Flowers & Co. gives his take on the financial crisis and the view of Japan from the U.S.



ACCJ Kansai Chapter Vice President Jiri Mestecky thanks Chubu Chapter Vice President Harry Hill for his speech on corporate social responsibility held in Osaka on March 17.

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Deputy Chief of Mission, James P. Zumwalt, of the U.S. Embassy speaks on the present state of the U.S.-Japan bilateral relationship at the monthly ACCJ Leadership Forum.



One of the Asia-Pacific Economic Cooperation Task Forces in preparation for the upcoming APEC conference to be hosted in Japan this November.



Secretary of the U.S. Department of Homeland Security Janet Napolitano speaks on enhancing international aviation security at a recent off-the-record session with the ACCJ.



The ACCJ Chubu Chapter External Affairs Committee delegates meet with Nobuo Kamio, Vice Chairman of the Chubu Economic Federation and members of the Toyohashi Chamber of Commerce on March 9.



The ACCJ's elected and committee members at the Leadership Forum on March 17, 2010.

ACCJ Viewpoints are the core products of ACCJ Advocacy. An ACCJ Viewpoint is a brief paper, generated by a committee, that expresses the Chamber's official position on a specific issue. Viewpoints are primarily used to express opinions on

current policies, policies under consideration by the Japanese and/or U.S. governments, and policies under discussion in bilateral or multilateral forums. They are also used to raise new concerns about issues not currently on the Japanese government agenda.

## Ensure that the Scheduled Review of the Money Lending Business Law is Conducted by a Qualified Independent Policy Research Organization

Banking and Finance Committee  
Valid Through October 2010

### RECOMMENDATIONS

**T**he revised Money Lending Business Law (MLBL) should be reviewed in accordance with Article 67 of the Supplemental Provisions of the Law prior to June 2010, and in any event prior to full implementation of such revisions.

In order to ensure an objective and unbiased review is performed, the American Chamber of Commerce in Japan (ACCJ) recommends that a qualified independent policy research organization conduct the review and report the results to the Diet and appropriate regulators, including the Financial Services Agency (FSA), Consumer Affairs Agency (CAA) and Ministry of Justice (MOJ).

To give full effect to the purpose of Article 67, the review should be carefully considered by the Diet and appropriate regulators and its findings considered in finalizing implementation of the revised MLBL.

## Ensure Transparency, Fairness and a Level Playing Field in the Distribution of Investment Trusts by Japan Post

Investment Management Committee  
Valid Through March 2011

### RECOMMENDATIONS

**T**he American Chamber of Commerce in Japan (ACCJ) has remained neutral to whether Japan Post should be privatized.

The Chamber's position has always been, and remains today, that the decision of how to structure Japan Post ultimately rests with the Government of Japan.

However, regardless of the direction the Government of Japan decides to take on postal reform, Japan has a duty to abide by its bilateral commitments to the United States of America and to its WTO obligations, including the national treatment provision of the General Agreement on Trade in Services (GATS).

This means establishing equivalent conditions of competition between the Japan Post entities and U.S. and other foreign banks and express delivery, insurance, and investment management companies—before Japan Post is permitted to offer new products or services.

With regard to investment management, the ACCJ urges the Government of Japan to ensure that the reform of Japan Post be undertaken in

a way that ensures that (i) the investment trust product selection process and criteria for selection by Japan Post Bank Co., Ltd. (Japan Post Bank) is transparent and fair and provides equal access to all product providers; (ii) in the distribution of investment trusts, Japan Post Bank is subject to an equivalent regulatory regime as is currently in place for private sector funds; and (iii) Japan Post Bank is not allowed to expand into the business of establishing or managing investment trusts.

ACCJの「意見書」は、特定の問題に対して、ACCJの公式見解を表明する委員会が作成した簡潔な提言書であり、提言活動の中核を成しています。現行の政策や、日本又は米国政府で検討中の政策、二国間もしくは多国間で協議中の政策についてだけでなく、新たな関心を高めるために現在日本政府の課題となっていない問題についても意見を述べています。

## 貸金業法の見直しにあたり適切な独立政策研究機関の起用を提言

銀行・金融委員会  
2010年10月まで有効

### 提言

改正貸金業法は、附則第67条の見直し規定により、2010年6月までに行われる完全施行より前に見直しの検討が行われることになっている。在日米国商工会議所 (ACCJ) は、客観的かつ公平な見直しの検討が行われるようにするため、適切な独立政策研究機関が調査を実施し、国会および関係省庁 (金融庁、消費者庁、法務省) に結果報告を行なうことを推奨する。国会および関係省庁は、第67条の趣旨に沿うべく調査結果を十分に検討し、それを改正貸金業法の最終的な施行において考慮すべきである。

## 日本郵政による投資信託の窓口販売における透明性、公正さ、公平性の確保

投資運用委員会  
2011年3月まで有効

### 提言

在日米国商工会議所 (ACCJ) は、日本郵政株式会社の民営化の当否について、今日に至るまで、日本郵政をどのような体制にするかを決めるのは最終的に日本政府である、という中立的な立場を一貫して維持している。しかし、郵政改革に対する日本政府の決定がどのような方向に向かおうとも、日本はサービスの貿易に関する一般協定 (GATS) の内国民待遇条項を含むWTO協定に加え、米国との二国間のコミットメントを遵守する義務を負っている。これは、日本郵政株式会社が新しい商品やサービ

スの提供を許可される前に、日本郵政の事業体と米国およびその他外国の銀行、宅配事業、保険、投資運用会社との間に同等の競争条件を確立することを意味する。投資運用業務について、ACCJは、日本郵政株式会社の改革が次の点を確保できる方法で行われることを確実にするよう日本政府に強く要請する。(1) 株式会社ゆうちょ銀行 (以下、「ゆうちょ銀行」) による投資信託商品の選定プロセスと基準が透明かつ公正であり、全ての商品提供者に対して平等なアクセスが提供されること、(2) 投資信託の販売において、ゆうちょ銀行に係る規制は、現在の民間セクターの投信に対するものと同等とすること、および(3) ゆうちょ銀行が投資信託商品の設定や運用に事業拡大することについては認められないこと、である。



## ACCJ NOTICES

### U.S. EMBASSY: REQUEST FOR INFORMATION ON CHILD ABDUCTIONS

With the rise in international marriages, an increasing number of Americans face situations in which one parent takes a child away from the child's other parent, and denies the "left-behind parent" access to the child. The U.S. Embassy encourages such Americans to contact the Consular Section at 03-3224-5000 or [tokyoacs@state.gov](mailto:tokyoacs@state.gov).

The Embassy is urging Japan to allow left-behind parents to maintain contact with their children, to ensure visitation rights, and to establish a framework to resolve child abduction cases.

### 19TH ACCJ / NIS WALKATHON AND INTERNATIONAL CHARITY FESTIVAL

**Date:** Sunday, May 23, 10:00 - 16:00 • **Venue:** Tsurumai Park  
**URL:** <http://www.nagoyawalkathon.com>

Give Back to Chubu! Your Organization Can Make a Difference! Thanks to the support of our many volunteers and sponsors, 2009 brought over 5.5 million yen for worthy causes into the Chubu Region, including helping orphans, victims of child abuse, the physically or emotionally challenged, and organizations helping people cope with devastating illnesses including HIV/AIDS and cancer.

While it is always a pleasure to help so many members of our community, every year the number of those who need our help increases. Together, we can strive to make an even bigger difference in people's lives this year, and bring smiles to more faces than ever before. Now is the time to step up! We need your help!

### ACCJ KANSAI CHARITY WALK & FESTIVAL

**Date:** Saturday, October 16 • **Venue:** Kobe Meriken Park  
**URL:** <http://www.accj.or.jp/user/432/Walkathon/>

Last year's record-breaking number of participants—over 2,000—enabled ACCJ Kansai to distribute 4.7 million yen to seven recipient organizations. Get ready for one of the biggest charitable events in Kansai by sponsoring! Simply contact the ACCJ Kansai office for more information: 06-6345-9880.

### ACCJ MEMBERSHIP DIRECTORY SALES REPRESENTATIVE RFP

[http://www.accj.or.jp/doclib/file\\_view/DirectoryAdsRFP.pdf](http://www.accj.or.jp/doclib/file_view/DirectoryAdsRFP.pdf)

The American Chamber of Commerce in Japan (ACCJ) is seeking a sales representative to sell advertising space in the 2011 edition of its Membership Directory. Approximately 3,500 copies of the Membership Directory will be printed and distributed. All ACCJ Commercial Members in related industries are encouraged to participate in the bid if the RFP linked above appeals to your qualifications.

## CHAMBER NOTES

# SPRING BREAKS

Of ACCJ participation and membership

**A**h, it's Spring and trade policy wonks' fancy naturally turns to the National Trade Estimates Report (NTE). Every April the United States Government publishes the NTE, which serves as an interagency score card on where we are with all our trade partners on the full range of trade issues of interest to American companies.

This Congressionally mandated annual effort demanded months of work by Embassy officials worldwide and by officials of all the trade related agencies in Washington.

In reading through the section on Japan, it is clear that ACCJ member companies provided enormous input. ACCJ advocacy is not identical to U.S. Government trade policy, but the NTE shows on issue after issue that our stances are substantially congruent.

While the ACCJ may be the single organization with the broadest input into this study, numerous other interest groups have also been able to include their concerns. I think we can all take pride, and we should give special recognition to our committee leadership for doing such a fine job in keeping the needs of member companies at the forefront of the U.S.-Japan trade policy debate.

Since everyone seems to be talking about China these days, it was interesting to note that 40 pages of this year's NTE are dedicated to laying out issues American businesses have in China. Japan merited a mere seventeen pages, more than the next longest national entry but less than half the length of the China section.

If you'd like to take a look at the full report you can access it via the ACCJ website by clicking on the advocacy section, going to U.S. Government, and clicking on the link.

At the March Board Meeting, a resolution was passed to offer a 6-month entrance fee waiver for all newly joining Non-Resident Members. This is an excellent opportunity to get your friends back home enrolled in the ACCJ. Non-resident members enjoy many benefits of membership. These include joining committees or task forces, attending programs at the member rate, bringing guests to ACCJ events, listing in the Membership Directory, and receiving a copy of the Directory and the monthly Journal.

Non-Resident Membership is only 30,000 yen and if you are overseas or more than 100-kilometers from our Tokyo, Kansai or Chubu chapters, you are eligible. Becoming a Non-Resident Member is an excellent way to stay in touch with what is going on in Japan's evolving business and political worlds.

If you travel to Japan, ACCJ membership connects you with the people you will need to know to be successful in Japan. As technology continues to whittle away at geography, we think Non-Resident Membership will become increasingly valuable to more and more companies and executives.

**SAM KIDDER**  
ACCJ EXECUTIVE DIRECTOR





Q & A

# STEVE RUBEL

**01 | JOURNAL:** *How visible/transparent are you to your professional peers?*

**RUBEL:** It's a mix—much of my thoughts about the Internet and where it's going is transparent to everyone, some is only for our clients and teams and some is for an even smaller group. My personal life is personal.

**02 | JOURNAL:** *What was your most recent, big mistake?*

**RUBEL:** Overestimating the importance of channels rather than watching people.

**03 | JOURNAL:** *What percentage of decisions do you base more on logic than emotion?*

**RUBEL:** I try to base the majority on logic, pulling in multiple opinions from people who think differently than I do, especially my teammates. It's something I picked up from studying President Obama.

**04 | JOURNAL:** *When you travel abroad (outside of the U.S.) what is the most frequent, yet surprising response to your work?*

**RUBEL:** That I am willing to admit I don't have all the

answers, particularly about the markets that I visit.

**05 | JOURNAL:** *What are your top three strengths?*

**RUBEL:** 1) Big picture thinking. 2) Observing trends/patterns from multiple points of view. 3) Understanding technology and how people use it.

**06 | JOURNAL:** *How do you take personal responsibility when you get things wrong?*

**RUBEL:** I apologize, own the mistake and try never to make the same mistake twice.

**07 | JOURNAL:** *If you were stripped of your current professional position, do you think your ideas and approach would still resonate with those you interact with?*

**RUBEL:** Yes, but I have no plans to go anywhere. Edelman and I have a great mutually beneficial relationship. I am lucky to play for this team. **1**

ILLUSTRATION BY ADAM FITZCHARLES



In the field of communicating ideas to the masses, Edelman stands as one of the biggest players on the planet, which is why Steve Rubel, Senior Vice President, Edelman Digital, a division of Edelman, determined years ago that his role as a public relations expert would need a decidedly new digital edge. Working with some of the biggest brands in America such as Kraft Foods, Wal-Mart, Pfizer, Johnson & Johnson, Microsoft, Starbucks and others, Edelman is at the forefront of devising ways to capture customer attention in a rapidly changing mediascape. Rubel has recently focused his efforts on a new initiative within the company called Edelman Digital, a digital and social marketing division designed to harness the power of the Internet and social media to reach customers and increase brand awareness.

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2010/2 (OR&C 2010/39)

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for work.  
There's a time  
for play.  
And  
somewhere in the middle,  
there's a time  
for naps.



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