



THE AMERICAN CHAMBER OF COMMERCE IN JAPAN

# JOURNAL

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#### The American Chamber of Commerce in Japan

Masonic 39 MT Bldg. 10F, 2-4-5 Azabudai  
Minato-ku, Tokyo, Japan 106-0041  
Tel: 03-3433-5381 ■ Fax: 03-3433-8454 ■ [www.accj.or.jp](http://www.accj.or.jp)

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# Invest in Your Business —and in Yourself

## Finding the many paths to personal and financial success in Japan

**A**s we continue building entire issues of *The ACCJ Journal* around singular themes, this time we take a look at investment—specifically, investing in Japan. From individual entrepreneurs to large organizations, there are many opportunities to be had. There are also many needs to be addressed as the world continues to battle Covid-19 and look beyond the pandemic.

While we were putting together this issue, corporate Japan was in the midst of the 2021 annual general meeting season, and the American Chamber of Commerce in Japan (ACCJ) Alternative Investment Committee hosted its third annual Shareholder Forum on June 16. Last year, the focus was on facing new challenges amid the pandemic. This year, with an eye beyond the crisis, the speakers talked about active engagement and stewardship, sharing how corporate governance and board diversity are changing as the Financial Services Agency's reforms—launched in 2015—continue to reshape the landscape. Our coverage of the forum begins on page 10.

### Expat Expertise

I had the pleasure of penning two tales of interest to individuals for this issue. Both involve real estate investments but one casts a wider net. A perk of my role as editor-in-chief of *The ACCJ Journal* is the chance to learn about a wide range of topics from experts. On July 1, I attended a presentation by Tokyo Family Stays Chief Executive Officer Tracey Northcott about *minpaku* (short-term rentals)—something many people instantly associate with Airbnb. The turmoil surrounding the market in Japan is well known, but, with rules now in place, there are great opportunities for investment. Northcott delivered a wonderful bit of insight into the business, and I recap it all starting on page 24.

For the second piece, I talked to experts from three companies about possible paths for expat investors in Japan, as well as some of the pitfalls which they must navigate. You'll find their advice beginning on page 40.

### Global Investment

One of the Japanese government's goals is to position the country as a destination for companies looking to relocate their Asia-Pacific headquarters. But there are some obstacles to achieving this.

The ACCJ Financial Services Forum and Investment Management Committee have both recently released papers that recommend changes that could make Japan more attractive. Starting on page 34, we talk to the authors and committee leaders to learn more about these ideas for making Japan a top financial center.

Additional thoughts in this issue come from renowned economist Jesper Koll, who has again written an insightful column for us about the keys to successful investment in Japan. He notes that keeping those bits of headline-grabbing advice in perspective and staying focused on the fundamentals is a must. Find out what else he recommends on page 32.

*It is important to remember that the word “investment” does not always have to be tied to money. It's also important to invest in ourselves—through learning, taking on new experiences, and challenging our notions.*

### Invest in Yourself

Lastly, I think it is important to remember that the word “investment” does not always have to be tied to money. It's also important to invest in ourselves—through learning, taking on new experiences, and challenging our notions. To that end, it was a real pleasure to chronicle the leadership journey of ACCJ Chair and GE Japan President Eriko Asai. Her phenomenal and inspiring story that spans five countries and multiple industries provides a wonderful roadmap for those looking to build a career and reach the highest levels of success. She presented the journey as part of the ACCJ-Kansai CEO Series, and clearly outlined many actionable points that can make anyone a better leader. The story starts on page 16.

As we head into the heat of summer, watch the long-delayed Tokyo 2020 Olympic and Paralympic Games take place, and continue to be encouraged by Japan's vaccination campaign, I hope you will find a springboard in this issue from which to launch into a prosperous post-pandemic future. ■



**C Bryan Jones**  
Publisher and  
editor-in-chief

[cjones@accj.or.jp](mailto:cjones@accj.or.jp)



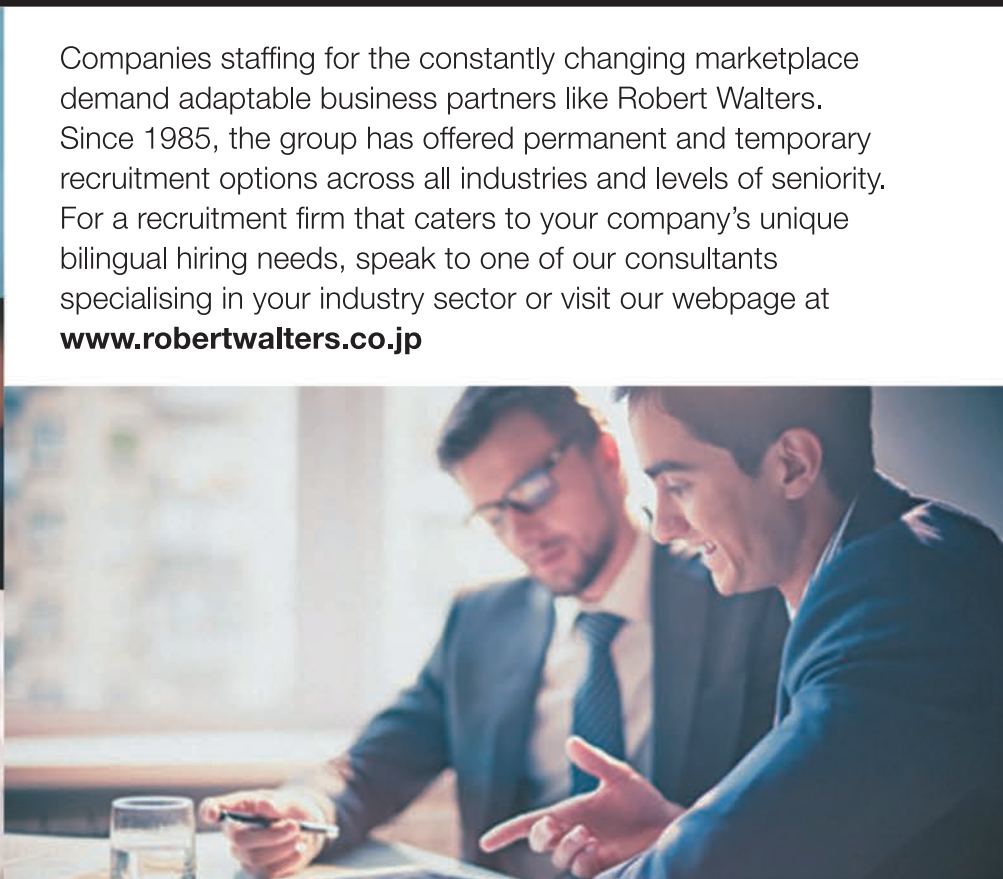
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# Going Long on the ACCJ

## Investing yourself in the chamber is a great investment in Japan

In keeping with this issue's theme, I'd like to highlight an alternative form of investing in Japan that is uniquely available to members of the American Chamber of Commerce in Japan (ACCJ): taking on a leadership role at the chamber.

As Japan's most active and influential international business community, the ACCJ plays a vital role in improving the country's business environment. As an ACCJ leader, you can put your experience to work to create lasting benefits that extend far beyond the scope of your present role.

With more than 60 active committees and a broad, best-in-class advocacy program, the ACCJ's true strength is the expertise and engagement of its members. Serving as a leader in an organization with such bench strength and influence is an investment that can pay meaningful dividends.

### *Serving as a leader in an organization with such bench strength and influence ... can pay meaningful dividends.*

For younger executives, it is a way to develop leadership skills and networks to help build your career. For mid-career executives, it can be a great stepping-stone toward future board engagements, career advancement, and professional fulfillment. For senior executives, it's a chance to give back to the communities in which you've flourished, leverage your skills in a more diverse environment, and help mentor the next generation of leaders.

#### Continuity

This year, the ACCJ board and I have launched a new focus on the resilience and sustainability of the chamber. We appreciate our active leadership and want to strengthen it by encouraging development opportunities in which others—including new members—get involved as leaders. We've asked committee chairs and vice-chairs to develop succession plans and to create openings for more members to take on leadership roles.

We believe that having a pipeline of leaders and encouraging rotation will lead to a more dynamic and vibrant chamber. The ACCJ has long been a leader on the diversity front, and we're challenging ourselves to

energize our organization with even greater diversity at all levels. Both these initiatives create tremendous opportunities for interested members to invest their time and expertise in the future of business in Japan.

#### Payoff

Having a leadership role in the chamber can provide a different experience compared with one in the private sector, as well as opportunities to hone your skills or develop new ones. The ACCJ is much less hierarchical, and more consensus-driven, than many private-sector organizations. As a volunteer body, the chamber can provide a refreshing change of environment as the use of persuasion more than authority is key when navigating the diverse opinions and priorities of the membership.

For many, the ACCJ represents a great opportunity to fine-tune the type of management skills required to meet the needs of today's workforce. For others, it offers a "mental gymnasium" in which to focus on something outside the usual routine. And for all, it's a great way to expand your network, get involved in meaningful change, and broaden your professional experience.

#### Get Started

How do you get involved? A great first step is to speak to members who are in leadership roles today. Ask them about their experience and seek their input on areas where your skills might be put to best use.

For committee roles, speak to the ACCJ programs team or the current leaders of the committees in which you are interested. For Board positions, the Nominations Committee launched their self-nomination campaign in July and is seeking members who would like to put forward their name. We highly encourage self-nominations and welcome anyone who would like to contribute their time and energy.

I have been involved with the ACCJ in various capacities for the past six years, was a member once before—when previously living in Japan—while my parents were both governors in the 1980s. I can tell you that it has been a very rewarding and productive relationship for me, and I know that my parents were proud to be part of the positive changes the chamber has helped to foster in Japan. I want more members to have that experience, and I invite you to take on a leadership role. It's an investment with a guaranteed high rate of return. ■



Jenifer Rogers  
ACCJ president



# The ACCJ Is Working for You



During these challenging times, it's more important than ever to make sure you and your employees stay connected, informed, and engaged, especially when other professional development activities are less accessible.

**ACCJ members benefit** from a virtual ecosystem that helps member companies stay informed and connected, at a fraction of the cost of travel and conference fees. This invaluable resource includes the following benefits:

- ▶ **Connect** with more than **70** special interest committees
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# Wishing You a Happy Independence Day

## Greetings to readers of *The ACCJ Journal* from the US Embassy Tokyo

**H**appy Independence Day to our partners and friends at the American Chamber of Commerce in Japan (ACCJ). On the 245th anniversary of the adoption of the Declaration of Independence, the democratic values that underpin the US–Japan alliance continue to bear fruit. Reflecting on the year thus far, we have much to celebrate as our bilateral ties with Japan remain strong. Just as the Declaration of Independence symbolizes peace and prosperity for the American people, the US–Japan Alliance promotes these same values in the Indo–Pacific and across the world.

### Steadfast Friendship

The United States and Japan ushered in the year with strong symbols of our steadfast friendship, exhibited through several firsts. In March, Secretary of State Antony J. Blinken and Secretary of Defense Lloyd J. Austin III visited Tokyo on their first trips overseas as Cabinet officials, participating in the Japan–US Security Consultative Committee (2+2). Their visit reaffirmed the enduring strength of our security partnership and its contributions to peace, security, and prosperity in the region and beyond.

We solidified our close bond with Japan when President Joe Biden welcomed Prime Minister Yoshihide Suga as the first world leader to visit Washington. During the visit, the two leaders launched the Competitiveness and Resilience (CoRe) Partnership—as well as the US–Japan Climate Partnership—and pledged to work together to address the global threats posed by Covid-19 and climate change, while resisting challenges to the free and open rules-based international order.

We will need your help in implementing these initiatives and realizing their success in areas that range from boosting innovation and cooperating on research and development to securing critical supply chains.

Finally, we celebrated US–Japan cooperation in space. We witnessed the simultaneous presence of two Japanese astronauts aboard the International Space Station for the first time since 2010. One of the Japanese together with three other astronauts were then ferried from the space station by a commercial SpaceX ship.

### One of the Strongest Relationships

The United States and Japan continue to be top trade and investment partners. Our close economic cooperation supports open and competitive energy markets,

the digital economy, secure 5G networks, space exploration, and a wide range of emerging technologies.

Of course, we are still grappling with Covid-19, but vaccinations are helping our economies and societies recover. Throughout the pandemic, the United States and Japan have demonstrated that close cooperation in tackling global issues is emblematic of our strong relationship. As we have worked to vaccinate the people in our countries, we have also partnered to ensure the rest of the world has access to vaccines through the COVAX Advance Market Commitment.



**Nicholas M. Hill**  
Chargé d'Affaires  
Embassy of the  
United States, Tokyo

*The ACCJ has played a critical role in strengthening the bonds between our countries, deepening our economic ties with Japan, and advocating for the US business community.*

I continue to be impressed by the ACCJ's contributions to our strong economic ties, and your efforts to mitigate the impact of Covid-19. Your leadership—particularly in the areas of digital transformation and pharmaceuticals—has been invaluable in helping to promote hope and prosperity amid this crisis.

### Shared Values Tie Us Together

As the two largest market economies in the world, our commitments to defending freedom, championing free and fair trade, promoting diversity and inclusion, and upholding human rights are rooted deeply in our shared values. The ACCJ has played a critical role in strengthening the bonds between our countries, deepening our economic ties with Japan, and advocating for the US business community.

As President Biden and Prime Minister Suga recently affirmed, “an ocean separates our countries, but commitments to universal values and common principles—including freedom, democracy, human rights, the rule of law, international law, multilateralism, and a free and fair economic order—unite us.”

Let us take this Independence Day to celebrate what unites us. ■



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EVENT

By Malcolm Foster

# Third Annual ACCJ Shareholder Forum

Focusing on active engagement and stewardship during the AGM season

**A**fter more than a year of operating during the coronavirus pandemic—and adapting to the changes it has brought forth—companies are facing another season of shareholder meetings. With vaccinations signaling that we may soon emerge from the crisis into a more familiar, although changed, world, leaders are able to focus on other critical areas, such as the environment and sustainability, as well as diversity and inclusion.

On June 16, the American Chamber of Commerce in Japan (ACCJ) Alternative Investment Committee (AIC) hosted the third annual ACCJ Shareholder Forum. Held virtually once again this year, the event brought together six speakers with expert knowledge of the fiduciary and regulatory landscape:

- **Satoshi Ikeda**, chief sustainable finance officer at Japan's Financial Services Agency (FSA)
- **Nicholas Smith**, strategist at CLSA Securities Japan Co., Ltd.
- **Paras Anand**, chief investment officer for Asia-Pacific at Fidelity International Ltd. (FIL)
- **David Baran**, chief executive officer of Symphony Financial Partners (Singapore) Pte. Ltd.
- **Alicia Ogawa**, director of the Project on Japanese Corporate Governance at Columbia University
- **Seth Fischer**, chief investment officer at Oasis Management Company, Ltd.

The mission of the forum is to address the lack of public information about the existence of shareholder initiatives among listed companies in Japan. This year's discussion included timely issues for active investors, such as environmental, social, and corporate governance (ESG), climate-change disclosures, the growing emphasis on diversity of boards, and the differing styles of engagement used to achieve successful outcomes.

"These days, lots of attention is focused on boards of directors and corporate governance," AIC Chair Frank Packard said during his opening remarks. "Less attention is focused on active engagement and stewardship. It is this attention gap that the ACCJ seeks to address with this forum."

"Active investor engagement can lead to constructive results, and we see that with the Toshiba investigative report. This increased transparency only happened

because an actively engaged investor requested an extraordinary general meeting of shareholders," he added, referring to the revelations in June that the manufacturing giant allegedly colluded with government officials to influence the outcome of votes at its 2020 annual general meeting (AGM).

ACCJ President Jenifer Rogers, who serves as a non-executive director on the boards of three Japanese companies—Mitsui & Co., Ltd., Kawasaki Heavy Industries, Ltd., and Nissan Motor Co., Ltd.—welcomed attendees and shared how the chamber is modeling best practices in terms of governance and member shareholder engagement.

"For almost 10 years, the ACCJ and its members have advocated constructively with the government of Japan to improve corporate governance and investor behavior, to increase corporate value for all investors and stakeholders," she said. "This event is part of a long-standing interest of our chamber members in these important issues."

Rogers noted that the coronavirus pandemic has helped hasten the adoption of ESG principles at many companies and prompted more attention to be focused on climate change. "Changed attitudes about sustainability are also—and, should I say, finally—emerging in Japan."

## Response to Reform

Satoshi Ikeda provided perspectives on corporate governance reforms on behalf of the FSA, where he is chief sustainable finance officer. The agency's reforms were launched in 2015 and recently finalized in time for June's busy AGM season—despite resistance from Japan's corporate chieftains.

"To put it bluntly, the corporate governance reform in Japan was really hated by Japanese corporate executives, and it continues to be largely so even today," Ikeda said, adding that this is no surprise because such moves are intended to strengthen oversight of corporate executives. "It is human tendency to resist being deprived of entitlements," he noted.

The reforms came after the persistently low profitability and low returns on equity at Japanese corporations came into the spotlight in the early 2010s, Ikeda explained. "It was perceived that Japanese corporate management was maybe too prudent. So, we thought it would be necessary to change the balance."



**Satoshi Ikeda**  
Chief sustainable  
finance officer  
Financial Services  
Agency (FSA)



**Frank Packard**  
ACCJ governor  
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**Chris Wells**  
Partner  
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**Nicholas Smith**  
Strategist  
CLSA Securities Japan Co., Ltd.

Long-term equity investors are in the best position to help realize the “right vision-based finance” in Japan, Ikeda added, despite the negative image that many Japanese have of them as short-term speculators who descend like “a swarm of locusts” and demand an immediate payout through dividends or stock buybacks, and then disappear. But by aligning their interests with those of the company, long-term investors can encourage value creation for shareholders by engaging in stewardship activities, he said.

Reforms to the corporate governance code are also aimed at changing the traditional mindset at Japanese companies that prioritized clients and employees more than shareholders. That way of thinking also was not suitable for responding to civil society organizations pushing agendas, such as greater respect for human rights and addressing climate change.

### Expanding Scope

Chris Wells, AIC vice-chair and a partner at law firm Morgan, Lewis & Brockius LLP, explained that, over the past year or so, the thinking about stewardship responsibilities has expanded beyond just improving corporate governance to embracing environmental and social responsibilities. But, he added, the adoption of a stewardship code by investors appears to have had very limited impact on advancing ESG objectives. The framework for the ESG goals envisioned in the stewardship code is “just not working” he explained.

One problem, he stated, is that some companies are criticized for greenwashing—conveying a misleading or false impression about how their products or services are environmentally sound.

What’s needed is the development of a consensus list of ESG metrics—relevant not just to shareholders, but to employees, suppliers, and service providers—that can be used to measure progress toward those goals, Wells said. “We cannot expect Japanese corporate managers, investment managers, or financial intermediaries to take action on ESG objectives if no agreed metrics exist whereby to measure their success.”

Government leadership is needed to help achieve this, Wells added. “Only government action can ensure that investors will receive this information in a consistent format—one in which they can compare apples to apples when making their investment decisions.”

### What If?

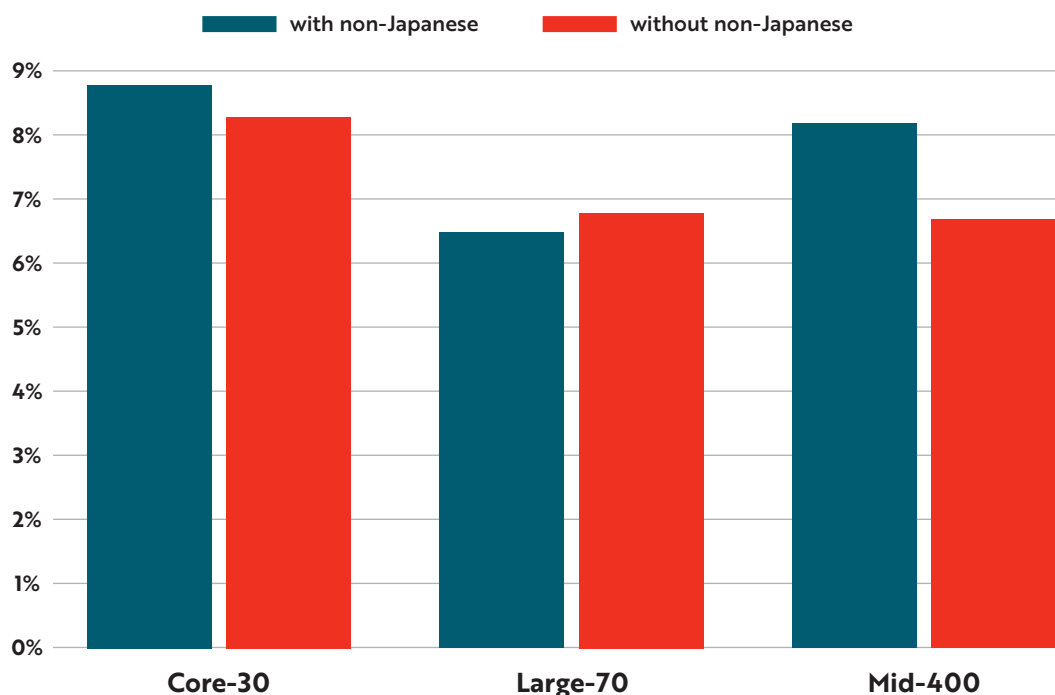
Nicholas Smith, the Japan strategist for CLSA Securities, used a series of charts to talk about what could happen were Japan to take corporate governance seriously. He said the recently released Toshiba investigation report “totally changed” the governance landscape in Japan. “Activists have been handed a powerful new weapon. A lawyer-mandated investigation is clearly every bit as powerful as US discovery.”

A major reason the Japanese government has focused attention on corporate governance in recent years is that Japan’s ¥1.6 trillion Government Pension Investment Fund has shifted out of low-yielding bonds into stocks, Smith said. This move required three things:

- Investors trusting company numbers
- Companies generating an economic rate of return
- Companies sharing those returns with investors

## Value of Diversity

Five-year returns on invested capital for companies with and without non-Japanese board members



Source: CLSA, Bloomberg



## *The pandemic had helped hasten the adoption of ESG principles at many companies and prompted more attention to be focused on climate change.*

According to Smith, “This is what corporate governance is about. It’s not about being a goody two-shoes. It’s about not pillaging granny’s pension pot.”

Next, he highlighted how 2021 is shaping up to be a big year for share buybacks, which have already reached three-quarters of last year’s total. Still, half of Japanese stocks are trading below book value, he said, suggesting “real potential in activism as governance issues are ironed out.”

Back in 1995, some 96 percent of companies held their annual meetings on the same day. While that figure has fallen to about a quarter, 82 percent of meetings continue to be held during the same week. This is still “unacceptably atrocious—a deliberate and transparent attempt to make it hard for the owners of these companies to attend the AGM,” Smith noted. And despite the pandemic, most companies are not permitting virtual attendance. Fifty-eight percent don’t permit electronic voting platforms and 55 percent don’t give English documentation, he added. “You couldn’t make this up. It’s almost as if they don’t want their investors to vote.”

The number of activist events in Japan had “exploded” in recent years, Smith stated, with Japan last year being the second-largest global market for activism after the United States.

### **Thematic Engagements**

The forum then heard from three actively engaged managers, beginning with Paras Anand, chief investment officer for Asia-Pacific at FIL, who talked about how active managers are reshaping Japan’s corporate sector.

Anand, who spoke from Singapore, said that one key indicator of change is that five years ago, whenever his team would meet with company leaders, discussions about financial performance would have been separate from any talk of climate or social issues—or those topics would have been squeezed in at the very end. Now, “those two meetings are becoming much more integrated,” he said.

FIL has also held more “thematic engagements” with companies on single issues, Anand explained, such as trying to help address the plight of 400,000 stranded seafarers who operate the huge shipping vessels that carry much of the world’s cargo. These crew members are usually not allowed to disembark for a break or to see their families, meaning they are kind of stuck onboard “floating prisons.”

FIL has worked with shipping companies, airlines, and non-governmental organizations to spotlight the

issue and, together with a coalition of investors, wrote a letter to the United Nations outlining measures they felt would alleviate this problem.

Anand said a smart way to amplify your voting rights as an active investor is to lay out your voting policy ahead of time—including what might be some red line issues—to show people how you’re going to vote. FIL has, for example, adopted new policies on climate change and gender-balanced boards that look at how companies are doing on those scores.

In Japan, FIL has adopted a new campaign for gender diversity which ask all investee companies to achieve a level of 30 percent by 2030 for three indicators:

- Percentage of women on the board of directors
- Ratio of women in management positions
- Percentage of all employees who are female

### **Long View**

The second active investor, Symphony Financial Partners founder and CEO David Baran, was interviewed by Alicia Ogawa, director of the Project on Japanese Corporate Governance and Stewardship at Columbia University’s Business School, in a video shot just prior to the forum.

Asked about how he engages Japanese companies, Baran said there are plenty of very good Japanese companies trading at depressed prices. So, rather than getting confrontational with poorly run business, he tries to take a constructive approach. “Isn’t it easier to buy good companies that are trading at deep discounts and help the share price go up?”

Japanese companies aren’t broken, Baran noted, it’s the market that’s broken. “The function of the market as a battleground for discovering value [is broken] and the pricing doesn’t work,” he explained.

Changes that activist investors and corporate governance reforms seek will take time, and habitual practices are hard to break. Japanese companies are often faulted for sitting on too much cash, but Baran pointed out that this is the result of the administrative guidance the enterprises received from the government after the asset bubble of the 1980s burst.

Changing business culture takes time—particularly in Japan. “I think the fuse was lit, it’s just a very long fuse for a lot of these things,” Baran said. “You’re not just dumping a set of rules on the table. You’re saying, ‘Here’s the change in culture. Now you’ve got to learn to adapt to it; decide how you’re going to adopt it.’”



**Paras Anand**  
Chief investment officer  
for Asia-Pacific  
Fidelity International Ltd.



**Alicia Ogawa**  
Director  
Project on Japanese  
Corporate Governance  
Columbia University



**David Baran**  
Chief executive officer  
Symphony Financial  
Partners (Singapore)  
Pte. Ltd.



**Seth Fischer**  
Chief investment officer  
Oasis Management  
Company, Ltd.

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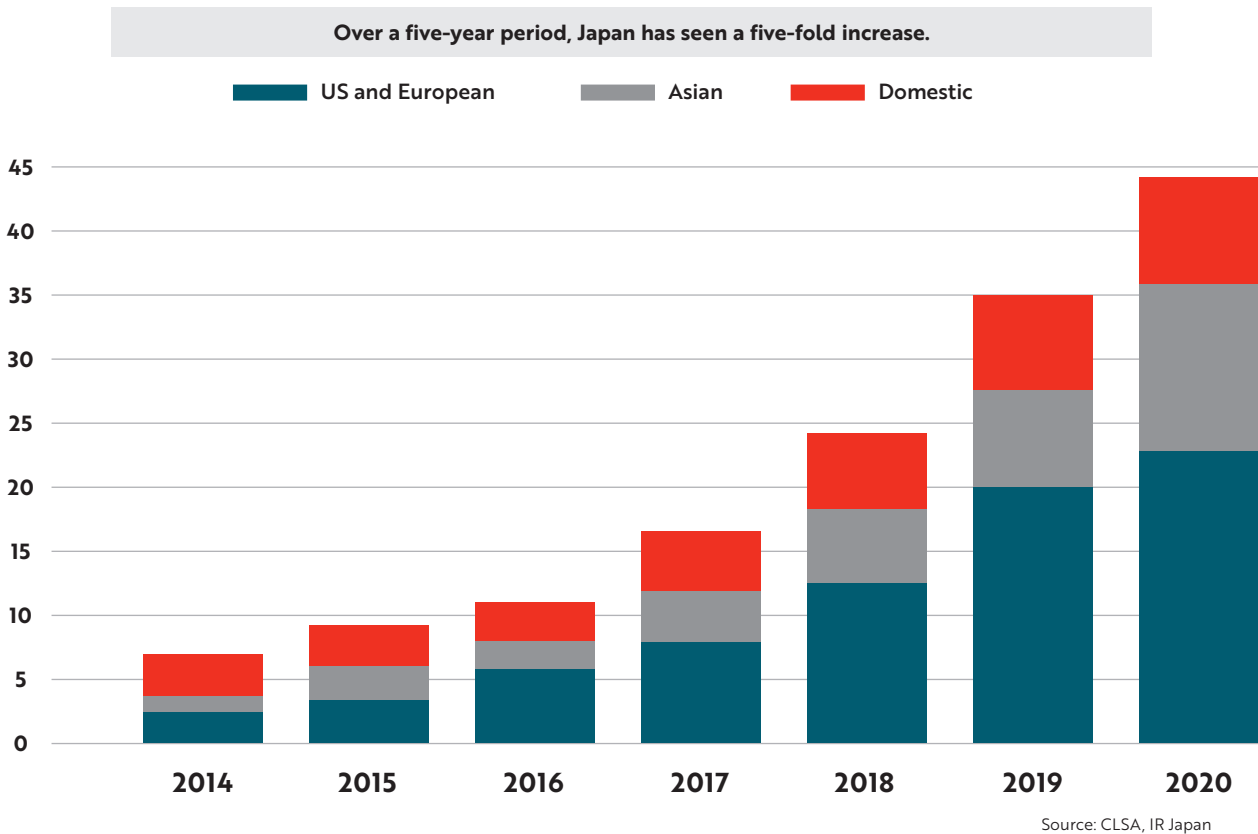
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## Growth of Activist Funds



*The number of activist events in Japan had “exploded” in recent years ... with Japan last year being the second-largest global market for activism after the United States.*

“Companies are living things,” Baran reminded attendees. His team meets with company leadership seven to 10 times a year, and often they are talking about the same topics. “When you leave, they’re like, ‘OK, now I need to absorb that.’ Your conversation does not stop when you walk out of the room.”

You need to take the long view in Japan, but change can accelerate once consensus is reached. “Nothing happens quickly—until it does,” Baran said. “You’re waiting and waiting and waiting ... and then the next day you go from zero to 100 miles per hour in execution.”

### Positive Response

The third active investor was Seth Fischer, founder and chief investment officer at Hong Kong-based Oasis Capital Management. He highlighted how shareholder activism during last year’s AGM season reached new heights as measured by the number of companies receiving shareholder proposals and the number of proposals submitted by funds, as well as the number of candidates proposed by directors.

In a whirlwind of slides, Fischer gave numerous specific examples of his fund’s engagement with several companies. At last year’s Mitsubishi Logistics AGM, Oasis urged the company to implement a buyback of five percent of its shares, and the company responded with a 5.8-percent buyback.

Oasis also proposed electing outside directors and abolishing the *komon* system—under which former presidents, chairs, and top executives stay on as senior advisors—a practice seen by many as a hindrance to innovation. The company abolished two *komon* posts.

Oasis has also been active in Tokyo Dome Corporation, which owns the home stadium of the Yomiuri Giants baseball team. A year-and-a-half ago, Oasis came forward with an asset-improvement plan that went through a “long and quite public engagement with the company,” Fischer explained. At an extraordinary general meeting, Oasis proposed removing three board members, two of whom had held their posts for at least 15 years. Tokyo Dome was taken private by Mitsui Fudosan Co., Ltd. and Yomiuri for a 45-percent premium, and Fischer said, “Our business plans are being fully implemented.”

This year, Oasis plans to submit proposals at the AGM of Tenma Corporation, a plastics manufacturer that has struggled with governance issues following a bribery scandal at one of its Vietnam subsidiaries. The incident has spurred a battle for control between two of the founding families, distracting the company from its main business operations. Fischer’s firm is proposing that three directors be elected to help unify the business “and improve governance at the company.”

Wrapping up the forum, Packard said a key takeaway from the diverse views shared was that, if “activism is viewed constructively and done properly, it can receive the support of management.” ■

EVENT

By C Bryan Jones

# MY LEADERSHIP JOURNEY



ACCJ-KANSAI CEO SERIES:  
GE'S ERIKO ASAI SHARES HOW TO STAY  
RESILIENT DURING UNCERTAIN TIMES





**S**ince 2015, the American Chamber of Commerce in Japan (ACCJ) Kansai chapter has hosted the CEO Series, an annual collection of speaker events featuring top executives from leading companies. The sessions are very popular due to their intimate and insightful nature, and the glimpses they offer into the lives of successful leaders. Attendees leave inspired and with actionable advice to help them improve their work lives, while the candid discussion is especially valuable for young professionals starting to build their careers.

On May 19, Eriko Asai, president of GE Japan and ACCJ chair, spoke at an event co-hosted by the ACCJ-Kansai Business Programs Committee and Diversity & Inclusion Committee. She revealed what she had learned on her way to becoming GE Japan's first female president.

"Today, I'm going to share with you my leadership journey and some of the challenges I've experienced over the years that helped me develop my leadership skills and keep myself resilient during uncertain times," she said.

The landscape has changed significantly since Asai took the helm of GE Japan in January 2018, and the company currently is undergoing its biggest business transformation of the past 128 years. "One of the most important jobs, as a leader, is to drive the cultural transformation and make a difference," she noted.



**ENERGY TRANSITION**



**PRECISION HEALTH**



**FUTURE OF FLIGHT**

*GE is working with governments around the world to implement rules and regulations that harness innovation while ensuring a sustainable future.*

**Milestones**

Asai opened her presentation with a slide labeled “Leadership Journey” on which she charted the major events in her life and career, beginning with her birth in the UK.

More than just a visual representation of education and job changes, the chart tells a story that Asai believes has great value. “I highly recommend that you write your journey like this, because it helps you reflect on who you are, your strengths and weaknesses, why you think about something a certain way, what you care about, what has been consistent in your career journey, and where you want to be in the future,” she explained.

One thing that this writing exercise brings to the forefront is self-awareness which, Asai said, is such an important part of the leadership journey. Noting that her rise to company president was a zigzag, not linear, she outlined her career progression and the skills she learned along the way—a particularly valuable way of looking at professional development and staying the course.

“It’s very important to be intentional about your journey, according to your life stage,” she explained, breaking down the phases of career progression by age:

- Twenties: challenge yourself
- Thirties: work-life balance and expertise
- Forties: leadership
- Fifties: investing in the next generation

When she moved to Japan at age three, to Australia at age nine, and then returned to Japan two years later—all due to her father’s work with a trading company—Asai learned three key skills that would help her become a leader:

- Survival
- Listening
- Adapting to change

Two more skills were added when she chose to study at a UK university, before going to work for Sony Europe in Germany—despite speaking no German:

- Being the minority
- Communication

When she began a series of transitions in her thirties—shifting first to government affairs with Microsoft Corporation, then to healthcare with GE Healthcare, during which time she also served as director of the American Medical Devices and Diagnostics Manufacturers’ Association, later expanding her role to energy and finally becoming president of GE Japan in her late forties—she added two more key traits:

- Self-confidence
- Resilience

Now that she is president, she has taken on roles that help her invest in the next generation. This includes serving as chair of the ACCJ. And, while she leverages her experience to help others grow, she finds herself also refining skills such as:

- Developing people
- Building teams
- Crisis management

“I have lived in many places, in five countries, and have always been a minority in those societies—so I know how it feels when your voice is not heard, how painful it is to be left out with no means to respond,” she said. “Although I didn’t know the word ‘inclusive’ when I was very young, I came to understand what inclusive leadership looks like through my experiences in the early part of life. I’m sure many of you have had similar experiences. It’s very good to reflect on those and think about how you can apply what you learned earlier in life to your workplace today.”

As she noted, her path has zigzagged, so it is important to remember that you can learn at any time. “Leadership is all about acquiring skills at any point in your life. If you didn’t have a particular experience—for example, a chance to live abroad—earlier in your life, you can always do something different in your current life and practice adapting to the change.”

### Pandemic Leadership

Next, Asai talked about the current situation and the need for leaders and teams to work together when dealing with a crisis such as the coronavirus pandemic.

“This is a moment when leadership really matters,” she said. “We need to prepare for the worst-case scenario and make sure that people understand the guidelines we have put in place. This takes self-awareness and imagination.”

She said that, in such situations, it is important to follow up with employees who may be feeling left out, or who find it difficult to talk with a manager. “We need to be creative about supporting them in making the work-from-home experience comfortable.”

At the start of the pandemic, Asai set up the national crisis management team for GE Japan, to help it cope with Covid-19 and the potential disruptions to business operations. By working together, helping everyone understand the risks and importance of establishing and following safety guidelines, and listening to employee concerns so that they might feel comfortable and adapt, GE Japan was able to continue being productive and secure.

Once everyone had become accustomed to the new procedures and workstyle, she handed over related responsibilities to the business leaders, who then managed their units and teams on their own.

### Strategy and Policy

Expanding on GE’s business transformation, Asai highlighted the importance of focus.

“GE has a 128-year history, but we have really changed our portfolio over the past couple of years,” she explained. “We used to have businesses such as capital, plastics, and even media. But we have divested ourselves of most of the non-core businesses and now are focusing on infrastructure. The three areas of the strategy are:

- Energy transition
- Precision health
- Future of flight

In terms of policy, GE is working with governments around the world to implement rules and regulations that harness innovation while ensuring a sustainable future. Three key policy areas are:

- Decarbonization
- Decoupling
- Digital transformation



Asai (front center) at the 2019 ACCJ-Kansai Leadership Series. She closed the five-part series on April 18 with a presentation about inclusive leadership.



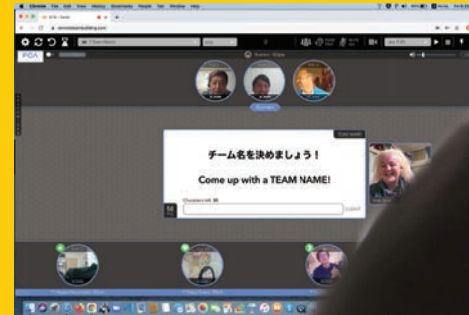
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## GE's three leadership behaviors for success



act with  
humility



lead with  
transparency



deliver  
with focus

Highlighting the last of these, she reminded attendees that “the ACCJ just released the Japan Digital Agenda 2030 report, which provides comprehensive guidance as to how Japan should leap from here, given that the government is focusing on establishing a digital ministry and there are a lot of changes to come. It’s an important time for the ACCJ to be putting forth a position on this, and we are also doing so at GE.”

### Building a Culture of Success

“To make this business transformation, one of the most important jobs as a leader is to drive the cultural change,” Asai said, explaining that, at GE, 50 percent of a team member’s review score is based on performance and 50 percent on leadership behaviors, of which the company has three:

- Act with humility
- Lead with transparency
- Deliver with focus

“When we talk about acting with humility, it sounds obvious. But it’s also surprising that we are talking about it at this point in GE’s long history,” she said. “We are very proud of our technology, but because we are so proud, we have become a little bit arrogant. So, the questions are: How can we become more humble? How do we behave with humility? What does humility look like? We need to discuss and debate this as a team.”

She added that humility is a very important starting point for leadership behavior. “If you think something is wrong, you should say so. We have to be open to this. It has to be a culture of welcoming feedback and acknowledging mistakes.”

Transparency, she explained, goes hand in hand with humility, because without transparency, people will not raise issues and you cannot solve problems. The worst-case scenario for a company is not having the bad things reported up to management level.

“Trust is the base of this transparency,” she said. “And this also goes for leaders sharing bad news with the team in a timely fashion, because, without leaders exercising transparency, the team will not have the courage to share bad news themselves. It goes both ways.”

Delivering with focus relates to our ability to manage the demands of modern life, where it is easy to become distracted or be drawn into doing a task that is not the highest priority.

“In a world where we have so much work to do, we really need focus and speed. And being able to focus on the most important thing is a continuous challenge,” she said. “It is about ruthless prioritization and practice, and I am continually struggling to do that myself. Priorities are so important.”

### Takeaways

In closing, Asai recapped five points that she believes can lead to a successful and rewarding career—one in which you might also zigzag your way to the top:

- Leadership is about continuous learning
- Focus on building trust
- Embrace awareness and imagination
- Be mindful of how you use time
- Take control of your life and have fun!

“We live in an uncertain world, so constant change is the norm,” she said. “We are never going to be perfect, so we need to be humble and learn from others. The good news is that you don’t have to be perfect, and you don’t have to know everything, because there’s no way to know everything.”

Building trust, Asai noted, takes time. But “speed of trust,” as she calls it, is very important because when there is trust you can get work done faster.

Being mindful of how you use time also is critical, she said. “In my case, I need to spend about 20 percent of my time reflecting and really thinking deeply, without meetings, and 10 percent or more on people development, talking to people—especially young talent who have points of view to share—and spending time with them outside my work.

“And, obviously, sleep and exercise—all the things that keep you healthy—must be tended to, so it’s very important to carve out time in your schedule for that,” she added in closing. “Making sure you are healthy is, in the end, bringing a healthy spirit to work every day.” ■

# Investing in Kochi Prefecture

How three expat families are making a difference in rural Japan

For most, investing brings to mind index funds, real estate investment trusts, or property. But what about investing in the growth of your local community via beer, tourism, or fitness? In Kochi, on the island of Shikoku, three families are looking beyond plain profit as they seek to revitalize and secure the future of their communities in unexpected ways.

Presented in partnership with



## Fitness Fans

Violet and Carlo Pacileo decided to move to Ootoyo to help Violet’s mother restore the family’s land. But the enterprising duo decided they could do more.

“Aging populations, businesses dying out, houses being abandoned ... these are issues all of Japan’s rural

communities are facing. But seeing the impact firsthand in Ootoyo was heartbreaking,” Violet explained.

Having spent her career analyzing businesses and investment potential, Violet quickly understood that the community needed an injection of private capital. “After years working for large financial institutions, this is my chance to give back to the community.”

The Pacileos recently received approval to start building a CrossFit box, in other words a barebones gym. While the idea is unconventional, they have done their research. “Shikoku doesn’t have a box yet and the weightlifting association in Kochi told us there are only two facilities where they can drop weights—and both are in public high schools,” Violet said. “I knew then that there would be a market, and that we had to get in while the fitness industry here is still in its infancy.” She expects their new business not only to bring fitness-loving visitors to Ootoyo, but also to help improve health issues in the community.

## Beer Brewers

Former California residents Kenneth and Masako Mukai moved to Niyodogawa-cho to start a brewery, which opened in November 2020. Although this may seem an odd thing to do in a village of 5,000 people, the Blue Brew Taproom is already a hit.

Kenneth explained that the brewery is having multiple positive effects on the local economy. “Our local post office gets more business from us shipping our products, and the local government receives tax funds from people buying our beer through the *furusato nozei* program. Sales at restaurants and hotels around us have gotten a boost, as our customers often stay nearby.”







Learn more about Kochi:  
[visitkochijapan.com/en](https://visitkochijapan.com/en)



The Mukais buy locally produced items such as tea, ginger, and *Satsuma-imo* (sweet potatoes), which they use as flavoring, and collaborate with six farmers to grow hops, creating a new market in the community.

They have many supporters among the owners of established businesses in the area, and their positive example has also brought about changes in the village government's perception of investment from outside. "The *chiiki-okoshi kyoryoku-tai* program used to be closed to non-Japanese applicants, but, in April, the first American member was accepted and moved here with his family!" Kenneth said.

### Hospitality Queen and Organic Farmer

Australian Rosie Moloney and her husband, Tsuyoshi, live in the 1,481-person village of Mihara. They know well the importance of leading by example and engaging with the community.

"When I first presented my plan to start a guesthouse, many locals asked, 'Who would want to come here?!'" Rosie explained. "People can't see the value of what they have, and it can take someone from outside to open their eyes and show them the opportunities outside the infamous box."

Clearly, her guests agree. Rosie now runs two highly rated guesthouses in the Shimanto area, while also engaging in permaculture and helping with Tsuyoshi's organic rice fields.

"I see such beauty, value, and potential here," she said. "I started guesthouses to encourage the tourism industry and create new job opportunities."

Many of Rosie's guests—Japanese and those from abroad—stay for several days and contribute to the village economy through visits to restaurants and shops, as well as by booking outdoor activities. According to her, "Guests often say that the fondest memories of their trip are [those of] interacting with locals." ■



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EVENT

By C Bryan Jones

# Are *Minpaku* a New Asset Class?

How short-term rentals can bring personal, financial, and cultural rewards

**A**lthough inbound tourism has been put on hold as the world grapples with Covid-19, Japan was a top destination prior to the pandemic and no doubt will be again. While there long have been plenty of places for visitors to stay—Yamanashi Prefecture is home to the world's oldest operational hotel, Nishiyama Onsen Keiunkan, which was founded in 705 AD—a new market has been emerging in recent years. Driven by the Japanese government's focus on tourism as part of its recovery efforts following the global financial crisis of 2008, *minpaku* (short-term rentals) have become a big opportunity for investors and real estate owners.

On July 1, the American Chamber of Commerce in Japan Alternative Investment Committee welcomed Tracey Northcott, chief executive officer of Tokyo Family Stays G.K. and Tracey Northcott Consulting, to talk about her experience as one of Tokyo's most successful *minpaku* hosts and how she grew Tokyo Family Stays into a seven-figure business. She also discussed the ecosystem of services and operating models that provide business opportunities, as well as how hosts can make themselves a valued part of the community by collaborating with neighbors and local business.

### Starting Point

While there are plenty of midrange business hotels in Japan, these are not ideal for many leisure travelers as they are neither family nor tourist friendly. They can also be difficult to book if you do not speak Japanese. *Minpaku*, in contrast, are family friendly, budget friendly, and can easily be booked online in English.

Northcott, an Australia native who has lived in Japan for 21 years, began her *minpaku* journey in 2011 with a single unit. Four years later, she had 25. She was able to take advantage of a surge in visitors to Japan that followed the easing of visa restrictions in 2013—a development to which major hotels were slow to respond, because of the planning and construction required for such large-scale facilities and the need to maximize their return on investment (ROI).

“The tourists were going to places where the cost of land is very high, such as Tokyo and Osaka,” she said. “When a hotel is built, the company really wants to maximize their ROI, which means they want to put a five-star hotel on the land. So, you didn't really see a lot of the smaller chains then that you might see now.”

As an example, she noted how companies such as Best Western operate a range of brands and hotel types, from luxury to economy, thus serving the needs not only of executives traveling on business, but also families on vacation. This is common in the United States, but not in Japan.

“There was a massive hole in the infrastructure. But for *minpaku* hosts, because they use existing buildings, there is a very low barrier to entry, and there was an absolute boom in *minpaku* growth from 2013 onwards,” she explained.

During her presentation, Northcott highlighted three points that helped that quick growth:

- Lack of regulations
- Plenty of available real estate
- Decades of flat rental prices

“It was a no-brainer for people to do exactly what I was doing—to set up a second or third apartment for rental and then list them on the [online lodging] platforms,” she added.

### Backlash and Legal Turns

As more people seized this seemingly easy way to make money, the popularity of Airbnb in Japan took off. In fact, the country became the platform's second-largest and fastest-growing market after the United States. But as Airbnb grew—particularly between 2015 and 2018—there was a backlash from local communities and businesses. Northcott highlighted six reasons for this:

- Big increase in tourism, but with little improvement to infrastructure
- Popular tourist locations becoming saturated by non-Japanese
- Disruptions to neighborhoods and residents' usual lifestyles
- Some Airbnb hosts and their guests acting poorly or unprofessionally
- Press reports and TV shows doing gotcha pieces
- Airbnb's failure to educate the domestic market

These and other concerns led to a poor image of the *minpaku* industry among the general public and resulted in a push for regulation.

“It was hard when you were a professional host, and you really were proud of what you were doing, but there were some people out there who were giving us all a bad name,” she recalled.

Perhaps in a majority of cases, *minpaku* listings were in violation of local statutes. But this doesn't mean they were illegal, as rules for this form of lodging had not been defined. There were a lot of gray areas. Public sentiment against hosts, however, was definitely building.

Initially, *minpaku* fell under the rules and regulations of the Inns and Hotel Business Act, which was



**Tracey Northcott**  
Chief executive officer  
Tokyo Family Stays G.K.  
and Tracey Northcott  
Consulting



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Northcott's businesses:  
[tracey-northcott.com](https://tracey-northcott.com)



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Dining at home is an experience travelers simply cannot have in traditional hotel settings. Shown here is Northcott's "Pencil House" property in Shinjuku.



enacted in 1948 to govern the operation of hotels and three other forms of lodging: *minshuku* (Japanese-style bed and breakfasts), *ryokan* (traditional Japanese inns), and youth hostels. *Minpaku*, Northcott explained, is a modern evolution of the *minshuku* tradition. Changes were needed to keep up with the evolving market, and in March 2016 the Diet passed the *minpaku* law, formally known as the Private Lodging Business Act.

A big drop in the number of listings accompanied the implementation of the law on June 15, 2018, with Airbnb removing about 80 percent of listings on June 4. In the blink of an eye, the number of available options dropped from 62,000 to 13,800. But this purge, and the clearer rules introduced by the government, led to an increase in the quality of hospitality and allowed the market to mature. Professional hosts and property managers were better able to take advantage of opportunities to build their businesses.

"The people who were just trying to make a buck decided they were going to move on to something a little bit easier," Northcott said. "That allowed the market to mature, and for professional hosts to really dig into their hospitality style, and to do some market segmentation and outside marketing—all the things that go into a professional business."

***"A hotel is really an accommodation product; it's a bed, it's where you stay, and then all your experience is outside the house. A minpaku is a really a hospitality and experience product."***



Kitchens such as the one in Tokyo Family Stays' Honmachi Cottage allow guests to truly experience what everyday cooking is like for a local.

With the Wild West days of *minpaku* gone, owners must now get a license to rent out a property for short-term stays. The terms and conditions for approvals are strict, while additional fire and safety certification is required. Information about guests must also be reported to the local *hokenjo* (public health center) every two months. This includes nationalities, dates and length of stay, and the tracking of guests' movement around the city or country. This health requirement is not specifically tied to Covid-19. It was already in place for hotels as part of the 1948 law.

While the Private Lodging Business Act provides a framework for the operation of short-term rentals, the regulations vary by location. Bookings are limited to stays of 28 days or less—for a total of 180 days per year per facility—but what days are allowed depends on the city or neighborhood. In Tokyo's Minato Ward, for example, you can only rent on weekends or school holidays. Toshima Ward, in contrast, is rather flexible. And areas that have strong hotel lobbies mostly have been able to keep *minpaku* out.



## Building Success

Once you have your license, what comes next? How do you create a successful business? Some people worry that they might be seen as a pariah in the community. A lot of animosity was shown toward hosts in the years leading up to the *minpaku* law, and the memory is still fresh for many. But by creating alliances with neighbors and local small businesses, *minpaku* operators can become valued partners in the community.

The key, Northcott said, is to be transparent in what you are doing from Day 1. Especially in rural areas, if you get to know the officials and explain what you are doing, they are generally ready to help, as they see the benefits to the area. They understand that *minpaku* can inject significant revenue into the community.

This is related to a *minpaku* myth that Northcott dispelled during her presentation.

“People, when they start up their business, seem to think that the nightly rate is the only opportunity they have to make money, and discounting is the only marketing strategy they’ve got,” she explained. “But discounting is a bit of a blunt instrument. People who are new to the industry try to use it as a marketing tool, but that’s a race to the bottom. You’re going to get bad guests and you’re not going to have a successful business.”

The better choice is identifying the pain points of your ideal guest to create additional revenue streams. Northcott said she can earn 20–30 percent more over her nightly rate by addressing the needs of guests during their stay. This personal touch includes arranging packages for events such as micro-weddings, anniversaries, honeymoons, and birthdays. Helping create a memorable and special stay is a great way to increase revenue while maintaining a high-quality experience for guests.

And affiliate agreements with third-party service providers, such as restaurants and cafés, private chefs, cultural classes, tour companies, and ticket vendors are another great way to boost your profits while also providing benefit to the local business community.

This approach also allows you to provide guests with an authentic local experience. Many people who book *minpaku* accommodations want to know what it is like to live in another country. This is an area in which the more personal nature of *minpaku* excels compared with hotel offerings.

“A hotel is really an accommodation product; it’s a bed, it’s where you stay, and then all your experience is outside the house,” Northcott said. “A *minpaku* is a really a hospitality and experience product. I don’t offer cheap accommodation—that’s not my product. I’m very clear about this in all my marketing. I offer inbound tourists a local experience, and with that they get a whole bunch of information about what it’s like to live in another country, and all the community responsibilities that come along with it.”

Of course, this all takes time and hard work. Northcott noted that *minpaku* is a full-service hospital-

ity business, so if you’re looking for passive income, it may not be for you. Success requires:

- Having great communication systems and logistics
- Educating guests on community responsibility
- Handholding throughout the guest experience
- Having a 24/7 response system, with redundancies

## Beyond the Pandemic

While no one can predict when we will emerge of the ongoing states of emergency, and when Japan will reopen its borders to inbound travelers, Northcott is bullish on a strong recovery.

“Beyond 2021, revenge travel is going to be a thing, there’s going to be an exceptional amount of pent up-demand,” she said. “I know a lot of people in other countries who’ve got their credit card in hand and their fingers hovering over the keyboard. As soon as they can book a flight and the borders are open, they are coming. I don’t think demand is going to be a problem. The tourist marketing machine has already started.”



The Honmachi Cottage living space. Northcott rents the property for ¥11,000–18,500 per night, or ¥34,500 for special events.

If you’ve got an entrepreneurial spirit and are looking to invest in something that can be both financially and culturally rewarding, the road ahead looks bright for *minpaku*.

“It’s a modern evolution of the *minshuku* tradition,” Northcott reiterated in conclusion. “If you do it right, you have complete control over your profitability and the sustainability of your business.”

While Airbnb may be a name that most people recognize in connection with short-term rentals, Northcott sees them merely as one possible marketing channel, not the only one—and certainly not your identity. You get to build your own brand and you set the course.

“*Minpaku* allows you to create a unique local experience that lets you have a business of your own that can bring in additional monetization options.” ■



Learn more about  
Tokyo Family Stays:  
[tokyofamilystays.com](http://tokyofamilystays.com)

# Investing in Smart Agriculture

Japan startup Sagri is transforming family farming with AI



**Tim Romero**  
Head of Google  
Startups Japan

Host of the podcast  
*Disrupting Japan*



Listen to this episode  
of *Disrupting Japan*:  
[disruptingjapan.com](https://disruptingjapan.com)

**A**rtificial intelligence (AI) gets a lot of attention these days, but its application to farming is not often in the spotlight.

Recently, I had the opportunity to talk with Shunsuke Tsuboi, chief executive officer of Sagri Co., Ltd., which uses AI, machine learning, and mapping technologies to solve social problems.

On my podcast, *Disrupting Japan*, Tsuboi and I discussed the challenges that agricultural technology (agtech) startups in Japan face when it comes to funding, as well as the benefits of their technology.

## Taking Root

Sagri was founded in June 2018 and uses satellite imaging and data to analyze farmland. The technology scans areas of up to 10 hectares in size, making it particularly suited to Japan, where farms are generally small. The data can be accessed using a smartphone app, and the goal is to help farmers better understand the condition of their soil and identify the best time for harvesting.

The idea for the company took shape in a laboratory at Yokohama National University, where Tsuboi is a mechanical engineering graduate student. His lab is using space-based technology to examine soil, and he and his business partners have been able to apply some of this to their platform, which shares the name of the company.

## Applications

If you've walked around the Japanese countryside, you've probably seen small plots of abandoned farmland. Sometimes these even intermingle with residences in neighborhoods not far outside the capital.

Whether farmland is in use or abandoned makes a difference from a tax perspective, so the government manually checks the status of land each year. The AI behind Sagri's analysis can determine with 90-percent accuracy whether a field is abandoned, drastically reducing the amount of work required of government staff.

Apart from taxation, the government is also interested in identifying farmland that can be revitalized. Satellite data that provides soil analysis can make that process easier.

Tsuboi noted that a big reason for the abandonment is that the farmers are getting older and are unable to maintain the land. One benefit of the Sagri platform is that machines can receive the data analysis and automatically perform tasks such as applying fertilizer.

## Beyond Japan

Agtech is an area in which Japan has a great opportunity to be a world leader, and Sagri is putting its technology to work in India, where there are also many small farms. But getting the financing needed to keep operations going can be difficult. Sagri believes it has a solution.

"Many Indian farmers need loans, but they don't have the chance to get them," Tsuboi said. Because there are so many farmers, it is difficult for banks to spread enough money around. To have a better chance of funding, farmers want to show banks that they are a good investment, he explained. Banks cannot get that sort of information using present methods, but the satellite data analysis provided by Sagri can allow them to check the farmland's condition and potential yields.

Tsuboi sees Africa as the company's next market, noting potential in countries such as Kenya and Rwanda. Areas of Southeast Asia are also within Sagri's sights.

## Funding

There are not many agtech startups in Japan, but it seems that there should be. With lots of small farms, lots of creative people working on agtech at universities, and venture capitalists (VCs) with money to invest, why don't we see more?

Tsuboi feels one reason is that VCs and the government both see farmland as low-growth opportunities. And attracting money from abroad, such as from Silicon Valley VCs, is not easy because they are focused on large-scale industrial farming. The farms on which Sagri is focused in Japan and India are too small to attract their interest.

But Sagri has had some success inside Japan, and announced in June that they have secured ¥155 million (\$1.4 billion) in funding from a group led by Real Tech Holdings Co., Ltd., who was joined by Minato Capital Co., Ltd., Senshu Ikeda Capital Co., Ltd., and Hiroshima Venture Capital Co., Ltd. Also participating is Bonds Investment Group Co., Ltd., whose Hyogo Kobe Startup Fund, established in March, is making its first investment.

Sagri is a great example of a Japanese startup that can assist people at home and also have a much bigger impact—and earn a much bigger profit—abroad. Globally, the company can help millions of small family farms thrive, and they can bring great returns for investors in the process. ■



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# Digital Transformation of Committees

## Removing barriers and ensuring continuity through centralized tech

**W**hen the American Chamber of Commerce in Japan (ACCJ) kicked off the transformation of its website platform early last year, the process sparked a conversation among members of the Chubu chapter about what digital tools our committee leaders need to succeed in bringing value to members and address pain points.

Following ACCJ President Jenifer Rogers's directive to improve succession planning, the Chubu chapter reviewed the impediments that committees were facing. The takeaway was that the committee chair usually has all the documents, templates, and contact lists on their computer, and no one else has access.

As Chubu Programs Committee Chair Ray Proper explained, "I have years' worth of information about my committee activities on my own shared drive—for my current and past committees—that I think would be much more useful were it accessible to others as part of a formal arrangement."

### Sudden Shift

Often in the past, without warning a committee member may have had to move out of Japan for work. This made it difficult for the remaining members to continue with the committee's activities. Similarly, if the chair had

***Getting new committee members up to speed becomes easier when you can point them to a cloud drive and they can review all the materials and meeting minutes.***

a sudden medical event or accident, the committee would tread water until they could get back on track. This meant that the bus factor—the minimum number of people who can be hit by a bus before a project comes to a stop—effectively has been one.

Lastly, for committee leaders, an ongoing issue has been new member retention. Sometimes, a person joins a committee, attends a meeting, then never attends another. The feedback we have received from such members to date is that it's hard to get up to speed, because they don't know what has been discussed in previous meetings, are unsure how they can contribute, and don't know what tasks need to be carried out.

### Centralizing

To address these issues, the Chubu chapter began piloting the use of cloud storage for the Chubu Walkathon. This was then rolled out to the other committees.

Chubu Community Service Committee Chair Erin Sakakibara shared how the move made a difference this year: "Thanks to cloud storage, we were able to organize all our content and collaborate. It was particularly valuable in providing a base and continuity to build on in subsequent years of the Walkathon," she said.

"But to be honest," she added, "though technology is the tool, it also takes human management. You need someone who is organizing files and providing guidance for the team to get the full benefit of the technology. We couldn't have pulled off the Walkathon without the cloud capability or our captain, who kept us organized and honest in our tasks."

Having a cloud drive reduced the amount of management required on the part of the chair, as individual members could update and share documents on which they were working. This also eliminated the question of whether a document was the latest version—a crucial timesaver for an event with 220 files, scattered among more than 45 folders, being worked on by 20 people over the course of six months.

### Onboarding

Getting new committee members up to speed becomes easier when you can point them to a cloud drive and they can review all the materials and meeting minutes. This helps them quickly get an idea of the committee's activities, as well as how the group is organized and managed.

The Chubu chapter has also created LINE groups for each committee, allowing speedier communication while also making things more accessible to new members, increasing engagement by adding more touch points.

For successor planning, cloud storage moves the breadth of knowledge from the chair into a repository that all can reference. This can remove the barrier to entry for members and allow current chairs to step down with minimum disruption.

The Chubu chapter will continue to look into other technologies to address issues as well as assist leaders and members, so that the chamber can provide more value to everyone involved. ■



**Mark Hosang**  
ACCJ governor-Chubu



**Ray Proper**  
Chair, ACCJ-Chubu  
Programs Committee



**Erin Sakakibara**  
Chair, ACCJ-Chubu  
Community Service  
Committee



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# Beyond the Pandemic

## Digital health can guide the way for Japan's post-virus evolution

As the ACCJ is dedicated to ensuring a vibrant environment for global business in Japan, advocacy for improved health policy and initiatives is an important part of the chamber's mission. One reason that foreign companies choose to invest in Japan is the nation's high-quality manufacturing and services sectors, as well as its technological prowess and innovative workforce. Maintaining the health of the population—beyond the immediate challenges of Covid-19—is, therefore, critical to the future prosperity of the country and the viability of its business environment.

Recognizing this, the ACCJ has worked with the Institute for New Era Strategy (INES) to bring together key leaders in business, government, and academia to discuss the future shape of social security in Japan. The results can be found in the Healthcare Committee white paper *Post Covid-19 Recommendations to Realize a Social Security System for All Generations*.

### Stronger Foundation

Our evolution as a data-based society has allowed us to grasp the impact of Covid-19 in real time, and digital tools have enabled the active cooperation of civil society as the government works to mitigate the threat and limit its damage. While this is an encouraging sign that bodes well for the future of Japanese society, the state of Japan's infrastructure has been inadequate compared with other countries.

The ACCJ and INES provide ideas on how to build a stronger infrastructure through post-Covid-19 recommendations on how to realize a social security system for all generations, and to promote continued innovation and application of technology that can help Japan provide for the needs of its people in a way that is effective and fiscally sustainable.

The white paper discusses utilizing data technology, shifting financial resources to healthcare and retirement, and raising the health and financial literacy of society.

In terms of digital health and utilizing data technology, areas of focus include:

- Information usage rights
- Data collection
- Database integration
- Public-private collaboration
- Telehealth and virtual care

In the case of the last item, the Covid-19 pandemic has thrust this need to the forefront. As most people

have been forced to stay home for extended periods, quarantine, or limit visits to clinics and hospitals, healthcare services at a distance has been the only way for many patients and doctors to interact. Particularly those in high-risk categories due to preexisting conditions, and those living in rural areas, have relied on telehealth services to minimize the risk of infection during the pandemic.

### Stay the Course

One concern is that, once the coronavirus vaccine rollout is complete and a majority of the population has been inoculated, some digital initiatives that have been embraced might fall by the wayside as Japan fully returns to normal routines.

One recommendation from the joint ACCJ-INES team states: "It is essential to couple the support for telehealth with support for digital prescriptions, and to enable pharmacies to offer home delivery of important medications, all while expanding the overall

***With Japan's fiscal strains exacerbated by the coronavirus pandemic, now is the time for the government to tackle these challenges.***

role of digital technologies in delivering care. These measures will help support the aging population long after Covid-19, and enable new approaches to triaging, screening, and following up, customizing the patient experience, and improving the ability of doctors to monitor and communicate with their patients."

Doing this will require a change in mindset and policy. While many forms of digital data exist in Japan, the individual's consent is often not obtained at the time of collection, making it impossible to utilize the information. Even if the data is in the government's possession, it is still difficult for it to be leveraged due to privacy considerations.

But with Japan's fiscal strains exacerbated by the coronavirus, now is the time for the government to tackle these challenges. Strong political will and leadership are required to face reality, make the right choices, and share with the public a vision for a better future. And today's digital tools and the power of data are making this possible and opening a door to a healthier, sustainable tomorrow. ■



**C Bryan Jones**  
Publisher and  
editor-in-chief



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# Staying Focused on the Fundamentals

## The keys to successful investment in Japan



**Jesper Koll**  
Global ambassador  
Monex Group Inc.

**I**f you get the earnings right, you'll get the investment right." This was the advice given to me by one of the greatest investors of all time, Julian Robertson. He is the founder of the famous Tiger Fund, which, throughout the 1990s, battled with investment shark turned philanthropist George Soros for the top position as the world's biggest and best-performing hedge fund manager. To be a successful investor, cut out the noise and don't get distracted by smart-sounding stories or headline-grabbing advice. Stay focused on the fundamentals.

### Local Success

Applying this rule to Japan, the first questions we must answer are:

- How does Japan, Inc. make money?
- Where do its earnings come from?

Importantly, the answer is "not from Japan." For companies listed on the Japanese stock markets, about 64 percent of corporate profits are created from global sales and operations (i.e., exports or offshore production and sales). From a top-down macro perspective, a successful investment in the Japanese stock market is far more dependent on global economic fortunes than on what goes on at home, in Japan.

In fact, Japan's dependency on the world has gone up since the start of Abenomics in 2012. Ten years ago, about 50 percent of profits came from global markets. The rise from 50 to more than 60 percent is primarily due to Japanese banks and financial firms. Over the past decade, they have become more active overseas—particularly in Asia.

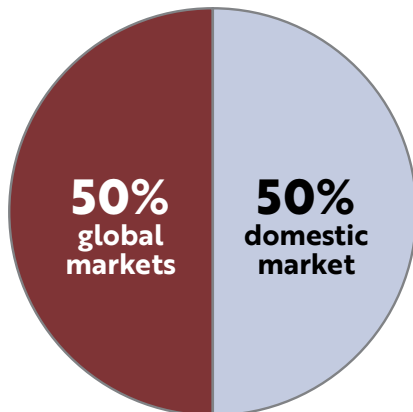
It is a little-known fact that Japanese banks have been the largest provider of credit in non-China Asia for three years running. At the same time, banks' domestic profit margins are being squeezed by the cap on bond yields forced by the central bank. If interest rates are not allowed to rise, banks cannot grow their profit margins. To get bullish on Japanese financials in general—and banks in particular—we need to see an end to the Bank of Japan's current policy of yield-curve control (i.e., allowing 10-year bond yields to rise).

### Currency Sensitivity and the Hedge Imperative

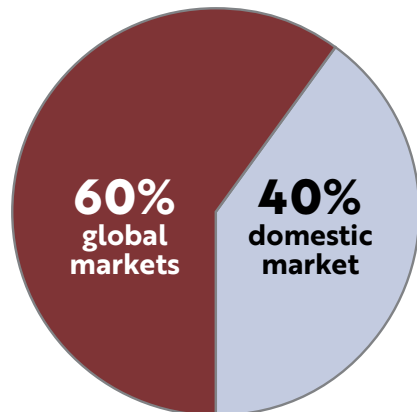
Further, Japan's major dependence on the ups and downs of the global economy makes Japanese profits highly sensitive to the currency. When the yen rises, overseas earnings translate into lower yen-based profits. When the yen drops, the yen profits get a nice windfall. Statistically, for every ¥10 of depreciation, Japanese corporate earnings get a boost of about eight percent

## Japan's Dependency on the World

Since the start of Abenomics in 2012, the percentage of profits from global markets has grown.



2012



2021





*In my view, hedging the currency is imperative for best performance if, like Buffet, you measure your returns in US dollars.*

(if the depreciation is sustained for six or more months). In other words, the weaker the yen, the better Japan's corporate profits; and the better Japan's corporate earnings, the higher the stock market.

For global investors who calculate their returns in US dollars, the combination of Japan's high dependence on global growth, and the inverse relationship between the currency and Japanese earnings, dictates one very clear piece of investment advice: always currency hedge your yen equity positions. Chances are high that yen-denominated Nikkei gains will translate into much lower US-dollar gains because, basically, the Nikkei only goes up during periods of yen depreciation and dollar strength.

Here we can learn from another master investor: Warren Buffet. Last fall, when he famously initiated his first significant investment in Japanese stocks in more than a decade, he did so on a fully currency-hedged basis. And it has paid off handsomely so far. The yen value of his position is up 20–25 percent, despite the yen being down five to six percent. Without the currency hedge, his performance would be one-quarter to one-fifth less than it is with the currency hedge. In my view, hedging the currency is imperative for best performance if, like Buffet, you measure your returns in US dollars.

### Leadership Matters

Of course, this is just the big-picture macro lesson for anyone considering an equity investment in Japan. From here, we'll have to enter the exciting world of stock-picking, of selecting companies that display high potential for generating rising profits and superior returns.

I am not allowed to go into details and offer advice, but I can leave you with one suggestion: focus on the leader, the CEO. In the end, Japanese corporate performance is dictated primarily by the quality, vision, and aggressiveness of the top-level executives. After decades of misery, Sony Corporation turned itself around when the charismatic Kazuo Hirai took over, and Hitachi Ltd. did so when superstar manager Hiroaki Nakanishi stepped in.

These are just two such success stories. While Japan may well despise and not tolerate the superstar CEO cult so essential to US corporate culture, the reality is that Japan's consistent top performers and turnarounds can be traced back to an individual star CEO and their leadership style. You won't find their names in bright lights, in the papers and magazines, or at Davos, but they do exist. Finding them is half the fun and a rewarding part of investing in Japan. ■



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# ATTRACTING GLOBAL INVESTMENT

IDEAS FOR MAKING JAPAN A TOP FINANCIAL CENTER





**T**wo recent papers produced by committees of the American Chamber of Commerce in Japan (ACCJ) have highlighted the considerable opportunities that would result from changes to regulations that currently hinder Japan's financial sector from attaining its full potential. And with the Japanese government committed to raising Tokyo's profile as one of the world's top financial centers, the committees are hopeful that regulatory authorities here might embrace some of the proposals.

The Investment Management Committee published a viewpoint entitled *Relax or Eliminate Unrelated and Onerous Regulatory Requirements for Marketing of Offshore Funds to Professional Investors Conducted by Global Investment Managers*, while the Financial Services Forum released a white paper headlined *Reimagining Japan as a Global Financial Center*, the latter proposing changes that would drive the nation's long-term economic growth.

impacted by the health of that balance sheet, Nichols pointed out.

"So, the reason the regulations are in force is that offshore funds have been classified as a security but do not hold the same dependency on the distributor's balance sheet as a normal security does, since the fund assets are held by an independent custodian," he explained, describing the situation as "an unintended consequence of regulations intended to protect investors."

To correct the situation would require a root-and-branch revision of the 2006 Financial Instruments and Exchange Act, which would be a major undertaking and would require an amendment approved by the national Diet. Instead, the ACCJ is proposing some administrative changes that the Financial Services Agency can enact and "that would get us to materially the same place," Nichols said.

Norihiko Tsukada, managing director and head of compliance at BlackRock Japan Co., Ltd. and vice-



**David Nichols**  
Executive advisor  
EY Strategy and  
Consulting Co., Ltd.

Chair  
ACCJ Investment  
Management  
Committee

## FAILURE TO SEIZE THIS OPPORTUNITY ... COULD HAVE LASTING NEGATIVE IMPLICATIONS—PARTICULARLY WITH TOKYO AND SINGAPORE COMPETING TO ATTRACT COMPANIES THAT MIGHT BE CONSIDERING LEAVING HONG KONG.

### License to Sell

Japan's financial regulations are designed to protect investors, both retail and institutional, which is a "worthwhile goal" according to David Nichols, executive advisor at EY Strategy and Consulting Co., Ltd. The type of investment is determined by the definition of the investment and the sales license held by the distributor.

"The licenses entail certain responsibilities—some fiduciary and some customer best-interest," said Nichols, who also chairs the Investment Management Committee.

"While distributors do not have a fiduciary duty to their clients, they are holding their customers' security purchases in firm accounts," he added. "As such, the state of the distributors' balance sheets can impact the client holdings. If the distributor goes bankrupt, clients may have difficulty accessing their investments." As a result, the Type 1 license required by a distributor has capital adequacy requirements to safeguard investors.

While offshore funds fall under the definition of securities that can only be sold by distributors with a Type 1 license, the fund assets are not part of a distributor's balance sheet and, therefore, are not

chair of the Investment Management Committee, identified "certain off-site monitoring items, including daily calculations of capital ratios" as one regulation that is unnecessarily obstructive, although he points out that regulations in Japan are broadly equivalent to those of other jurisdictions. In the United States, however, limitations are less of a concern, as the market there is sufficiently large to make it economically feasible to package investments in US onshore vehicles.

### Lost in Translation

Distributors in Japan also face administrative hurdles and language requirements that make it more complicated to set up and run an asset management business. That should be a concern since Tokyo has designs on a larger role in the global financial services market.

The committee has recommended that regulations surrounding the offsite monitoring of investment management companies (IMCs) should be relaxed, as certain reporting items are not relevant to the activities of global IMCs, along with the initial registration process for distributors of standard Type 1 Financial Instruments Business (FIB).



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Tokyo must make itself more attractive than other regional centers such as Singapore and Hong Kong.



**Aaron Lloyd**  
Director  
Sompo Japan  
DC Securities

Vice-chair  
ACCJ Investment  
Management  
Committee



**Derek Young**  
President & representative  
director for Japan  
FIL Investments  
(Japan) Limited

Vice-chair  
ACCJ Financial  
Services Forum

## WITH THE COSTS OF MAINTAINING AN INVESTMENT MANAGEMENT BUSINESS HIGH IN JAPAN, IT WOULD BE A BOON TO THE INDUSTRY IF OVERBURDENING REGULATORY REQUIREMENTS WERE REDUCED.

“Tailoring regulatory requirements to address relevant business risks will not impact client protection,” the paper emphasizes, adding that “such relaxation of regulatory requirements would improve the appeal of Japan to foreign investment managers interested in establishing a presence in Japan, and would be consistent with the [government of Japan’s] objectives to promote Tokyo as a global financial city.”

The solution, the committee suggests, would be the creation of a new type of FIB, that might be called a “solicitation-only” Type 1 FIB.

### Seize the Moment

Aaron Lloyd, director of Sompo Japan DC Securities Inc., said the regulations are not new, “but you could say that dissatisfaction has reached a tipping point, as many foreign investment management companies would like this regulation changed.”

Failure to seize this opportunity, he believes, may have lasting negative implications—particularly with Tokyo and Singapore competing to attract companies that might be considering leaving Hong Kong as a result of the Chinese government’s recent crackdowns in a city that, until now, has been the Asia-Pacific region’s preeminent financial center.

“Japan should introduce changes,” Lloyd told *The ACCJ Journal*. “The government should be making it easier for foreign asset managers to solicit their funds, not more difficult. With the costs of maintaining an investment management business high in Japan, it would be a boon to the industry if overburdening regulatory requirements were reduced.”

### Driving Disruptive Innovation

The Investment Management Committee’s aims have a good degree of crossover with those of the ACCJ Financial Services Forum, which is confident that Japan can position itself as one of the leading financial gateways for Asia, and prosper were the region to become the leader in global economic growth.

“Financial services firms ultimately help grow capital markets and the economy, which creates jobs and a higher standard of living. They also help solve the financial wellness challenges of institutional and retail investors’ clients in a way that creates confidence and [encourages] participation in capital markets,” said Derek Young, a Chartered Financial Analyst charterholder who is president and representative director for Japan at FIL Investments (Japan) Limited.

Relative to its size and the diversity of its economy, at present Japan’s finance industry “punches far below its weight,” according to Young, who also serves as vice-chair of the ACCJ Financial Services Forum and is a member of Fidelity International’s Global Operating Committee.

Introducing more competition in this sector also helps to drive disruptive innovation in the pursuit of expanding Japan’s capital markets and helping Japanese investors solve the challenges that they face, Young added.

“Japan is the third-wealthiest country in the world, and is a super-aging society,” he pointed out. “The need for assets to last for longer and to provide income makes Japan a prime target for financial services firms that want to help solve that challenge.”

## Roadmap

The Financial Services Forum has drawn up an extensive list of recommendations for the Japanese government that can be distilled into six main areas:

- Make it easier to live and work in Japan, as well as to enter and return
- Improve governance, transparency, and stewardship
- Address the need for more specialized professionals
- Broaden market participation for individual investors
- Address shortcomings in selected financial regulations
- Facilitate development of key financial infrastructure functions

In conclusion, the report states that, “Japan possesses the necessary attributes to achieve this goal: a highly educated and motivated population, a diverse and large economy and corporate base to support it, high levels of technological development and adoption, and a stable political environment underpinned by commitment to the rule of law.”

Critically, however, what has been missing to date is a coordinated commitment, across the government and corporate sectors, to address legacy structural shortcomings that are impeding the development of a financial center that leads rather than follows. On its current trajectory, Japan is likely to fall further behind nimbler centers.

“Many of the issues needing attention are challenging to address,” the report concludes. “Nevertheless, developing a more robust financial ecosystem in Japan demands that policymakers take up this challenge with a sense of urgency and determination. Doing so not only would establish Japanese leadership in global finance, but also make a vital contribution to Japan’s long-term economic growth.”

And Young is optimistic that change is in the air.

“One of the most encouraging facets of this white paper exercise was meeting with prominent Japanese government officials about the findings,” he said. “It’s clear that there is existing momentum to change the business environment in Japan, [and] to make it more friendly to foreign investors.

“Change is not easy—especially in a tradition-rich country such as Japan—but we met with very little resistance in a general sense and, instead, were greeted with a friendly acknowledgment that Japan is thinking about ways to improve its positioning as a global financial center.” ■

# Further Reading

Download the white paper to learn more about the FSF’s recommendations:

[accj.or.jp/financial-services-white-paper-access](http://accj.or.jp/financial-services-white-paper-access)



Financial Services Forum  
White Paper



## Reimagining Japan as a Global Financial Center

Create a globally leading financial center that will drive long-term economic growth



Viewpoint

在日米国商工会議所意見書

グローバル投資運用会社が行う特定投資家へのオフショア・ファンドの販売に係る関連性を欠く煩雑な規制要件の緩和または撤廃について

Relax or Eliminate Unrelated and Onerous Regulatory Requirements for Marketing of Offshore Funds to Professional Investors Conducted by Global Investment Managers

投資運用委員会  
Investment Management Committee  
2022年4月まで有効  
Valid through April 2022  
英語正文

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Download the Investment Management Committee’s viewpoint to learn more about Type 1 FIBs:

[accj.or.jp/s/210610-Type-1-FIB-v3.pdf](http://accj.or.jp/s/210610-Type-1-FIB-v3.pdf)

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# Covid-related Financial Relief

## What tax liabilities come with coronavirus help?

**A**s relief from economic and financial distress caused by the coronavirus pandemic, you may have received subsidies or grants from the national and/or their local government. You may be wondering if you must declare this assistance on your income tax return. Here is a summary of tax treatment and revenue recognition timing published by the National Tax Agency of Japan.

### Non-Taxable

- Payments received from the support fund set up in response to the new coronavirus (article 7 of the temporary special provisions of employment insurance)
- Funds received from the allowance set up to support leave taken in response to the new coronavirus (article 7 of the temporary special provisions of the employment insurance law)
- Special Fixed Amount Cash Payout (tentative name) of ¥100,000 per household member (article 4, paragraph 1 of the special measures concerning taxation regarding the coronavirus)
- Special Cash Payout for Families with Children in Year 2020 (article 4, paragraph 2 of the act regarding coronavirus-related special taxation measures)
- Emergency handouts to help support students (Article 9, Paragraph 1, Item 15 of the Income Tax Act)
- Temporary Special Cash Payout for Low Income, Single-Parent Households (Article 9, Paragraph 1, Item 17 of the Income Tax Act)
- Provider Relief Fund related to the coronavirus (Article 9, Paragraph 1, Item 17 of the Income Tax Act)
- Discount coupons provided as Support for Users of Company-Sponsored Babysitters (Article 9, Paragraph 1, Item 17 of the Income Tax Act)
- Subsidy under the Babysitter Support Project of Tokyo (Article 9, Paragraph 1, Item 17 of the Income Tax Act)

### Taxable

Treated as business revenue. Based on:

- Payment decisions
  - Covid-19 subsidies (for those who are self-employed and sole proprietors)
  - Tokyo Metropolis Infection Spread Prevention Support Fund
- Payment decision or expense incurment regarding:
  - Employment adjustment subsidies
  - Elementary school closure support
  - Rent support
  - Sustaining subsidies for small businesses
  - Business continuity subsidies for agriculture, forestry, and fishing enterprises
  - Subsidies for medical institutions and pharmacies helping to prevent coronavirus spread
- Expenses incurred in connection with:
  - Relief provided under the coronavirus-related supplementary aid to offset interest payments

*Here is a summary of tax treatment and revenue recognition timing.*

### Treated as Occasional Income

Occasional income (revenue–expenses, maximum ¥500,000 special deduction). Based on revenue recognition timing.

- Covid-19 subsidies (for employment income earners)
  - Payment decision
- Go To Travel Campaign
  - At end of travel or on use of coupon tickets
- Go To Eat Campaign
  - On use of meal tickets
- Go To Event Campaign
  - On use of event tickets

### Treated as Miscellaneous Income

Based on revenue recognition timing.

- Covid-19 subsidy (for miscellaneous income earners)
  - Payment decision ■

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**Takehiko Hara** is a director at

Grant Thornton Japan's Global Mobility Service, providing tax solutions to global mobile employees, global businesses, and high-net-worth individuals with overseas assets.



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INVESTING

By C Bryan Jones

# OUTSIDE OPTIONS

WAYS TO INVEST AS AN EXPAT IN JAPAN





**O**ver the course of their career, many professionals will live and work in multiple countries. And as expats, they will find financial opportunities and face challenges that those who stay put in their home country may not. Making and managing investments can be complex, but experts interviewed by *The ACCJ Journal* shared ways to maximize resources, grow wealth, and navigate potentially higher taxes, investment restrictions, and language issues.

### Alternatives to Consider

“The world of product opportunity for Asian alternatives has dramatically expanded over the past 10 years, and investors can now make lump-sum investments across a variety of single-purpose venture, hedge, and private-equity vehicles,” explained Edward Rogers, chief executive and chief investment officer at Rogers Investment Advisors.

There are a number of possible paths to follow for expat investors. “Many expats are investing in both onshore and offshore structures—in places such as the Cayman Islands and British Virgin Islands—that provide access to a full range of hedge-fund, private-equity, real-estate, and long-only options,” he said.

Argentum Wealth Management’s Martin Zotta, who shares the title of managing director and CEO with co-founder Lloyd Danon, said that many expats “tend to invest in a combination of monthly automated and ad-hoc lump-sum investments.” Monthly options, he noted, put excess savings from each paycheck to work, while lump sums are suitable for investing existing cash holdings and performance bonuses.

And Timothy Gregersen, head of cross-border transactions, investment sales for Japan at Cushman & Wakefield K.K. cited multiple options in real estate that can help expats build their portfolio.

### Onshore/Offshore

One of the biggest concerns when choosing to invest is the tax burden that may be incurred. “Historically, the single biggest investment was probably offshore wooden housing structures that provided dramatic Japanese tax relief, but this option has been closed out by the Japanese government,” said Rogers, who founded his firm, in part, out of a desire to implement the Yale Model of endowment for his personal family investments. His first focus was to provide retail access to Japanese—and then broadly Asian—alternative investments, with an entry point of \$100,000 per investment. Often, the required minimum would be \$1 million.



While offshore was once a top choice, it is getting harder and harder, he said, with the new approach to anti-money laundering (AML) and know-your-customer (KYC) processes making basic retail banking—for individuals as well as small and medium-sized enterprises—very difficult. “Banks make less and less money serving these clients, and are offering them commensurately fewer and fewer services, with the excuse that AML and KYC have created barriers to relationships,” he explained.

With offshore being less attractive, Rogers identified two onshore options that can bring significant tax benefits:

- Buying or leasing aircraft
- Angel *zeisei*

The latter is an incentivized Japanese investment tax system, mainly aimed at individuals, that allows investors to deduct the higher of ¥10 million or 20 percent of their income.

Taking advantage of newer financial institutions can also be beneficial.

“Online banking is most likely the single most important concept for expats on an individual basis,” Rogers explained. “And as small business owners, it is easier to understand and to do so quickly. Large, traditional brick-and-mortar banks charge absurd sums to execute electronic transfers.” These costs should be understood and compared versus online options, he said. “Online wins pretty much every time.”

### Property Profits

For those looking to invest in real estate, Cushman & Wakefield’s Gregersen said there are a few ways an expat can access real estate investments, depending

on their overall financial objectives and level of risk tolerance. “The easiest option, executionwise, would be to access real estate via listed real estate investment trusts, or REITs” he explained. “This can be accomplished with a relatively small amount to start, and can easily be added to or divested.”

Investment in direct assets, such as a condo unit or an apartment building, is an alternative path that Gregersen suggested. “This typically involves a larger ticket price, the use of leverage, and transaction costs. Real assets are lumpy—and generally less liquid than listed options—so they should be carefully considered.”

Another possibility that has recently taken shape via crowdfunding platforms is a hybrid of these two. “This could work for those who are looking for investments that aren’t correlated with the stock market and which don’t require as much capital as direct investments,” he said.

If one decides to go the direct investment route, a major obstacle for an expat will be securing financing, according to Gregersen. “Unless the expat has permanent residency, it can be very difficult to source financing at good terms,” he said. “It’s not impossible, but it will be quite challenging.”

He cited two matters that are likely to be more difficult for expats than for Japanese nationals:

- Transferring funds to close the deal
- Property, income, and withholding taxes

“Closing a real estate transaction involves transferring large sums of money, so it is important to confirm your bank’s policies and procedures in advance,” he said. “Further, if the expat intends to use funds from overseas, it is even more important to confirm with the bank to which the funds are being transferred



**Lloyd Danon**  
Managing director  
and CEO  
Argentum Wealth  
Management



**Martin Zotta**  
Managing director  
and CEO  
Argentum Wealth  
Management



**THERE ARE A FEW WAYS AN EXPAT CAN ACCESS REAL ESTATE INVESTMENTS, DEPENDING ON THEIR OVERALL FINANCIAL OBJECTIVES AND LEVEL OF RISK TOLERANCE.**



what policies and procedures they have with respect to international remittances. Funds can get stuck in transit, and figuring out where they are and why this has happened is not a fun experience.”

Property owners whose primary residence is no longer in Japan will face logistical challenges, he added. “They will need to appoint a tax administrator to handle the payment of annual property taxes and to file income tax documents, in the case of investment property. Further, where owners live overseas and rental income is to be remitted, the funds will be subject to withholding tax at the source. This is also true in the case of a sale.”

### Portability Is Vital

Some expats have settled in Japan and have made the country their permanent home. But for most, their time here will be limited, and the decision to pick up and move is outside their control. A promotion or shift in corporate priorities can lead to a sudden relocation.

“In general, expats are looking for portable, flexible solutions as regards access to capital and tax efficiency,” explained Argentum’s Zotta, noting that there is a wide range of international options available to expats, depending on their nationality and financial requirements. “Portability is vital, as most clients will not remain in Japan long term. A good solution for one client may not be suitable for another, so it is essential to clearly understand a client’s financial goals and objectives before presenting the most appropriate solution.”

Argentum specializes in international investment solutions and, for US nationals, US onshore solutions.

“We take a holistic approach to financial advice and our clients’ needs, and prepare recommendations to suit their individual situations,” explained Danon. “During a first meeting, we go through a general Q&A to understand, in detail, what will be the most appropriate choice. We have a broad range of solutions to meet the needs of all clients, and being locally licensed in Japan to offer advice gives us a comprehensive range of options.”

### Language Barrier

Japan is well known for its paperwork, and more often than not documents are only in Japanese. Even if an English translation is available, ultimately the Japanese version will need to be completed and filed. Doing so can be challenging even for expats who are fluent in Japanese, as the language of such transactions is complex.

“One key way for expats to deal with the language barrier is to work with a bilingual agent on the purchase, and a bilingual property manager on an ongoing basis,” said Gregersen.

Rogers gave the same advice, saying that investors should learn Japanese, but also noting that simply speaking and reading the language is not enough. “The reality is that investors should be prepared—and willing to pay for—high-quality translations of documents to make sure they know what they are investing in.”

### Long View

Danon noted that those who intend to live in Japan for the long term should take special precautions. “You should prepare for your parents’ and your own estate planning needs, as Japan has an unusual way of treating and taxing estates between heirs,” he explained. “Estate planning is something our clients have reached out to us a lot more about recently, given Covid-19 concerns and restrictions on movement. Unfortunately, many expats are underprepared—or are generally unaware—of how Japanese inheritance tax laws will affect them and their immediate families.”

Rogers was more blunt. When asked what advice he has for expats planning to retire in Japan, he answered with one word: don’t. “There is no way you want to deal with Japanese inheritance taxes if you don’t have to.”

But for those who do want to settle down in Japan, and wish to put their money to work, there are many investment opportunities to be had. Leveraging the expertise of the foreign community through legal, financial, and advisory services, however, is a key part of successfully investing as an expat. ■



**Edward Rogers**  
Chief executive officer  
Chief investment officer  
Rogers Investment  
Advisors



**Timothy Gregersen**  
Head of cross-border  
transactions, investment  
sales for Japan  
Cushman & Wakefield K.K.

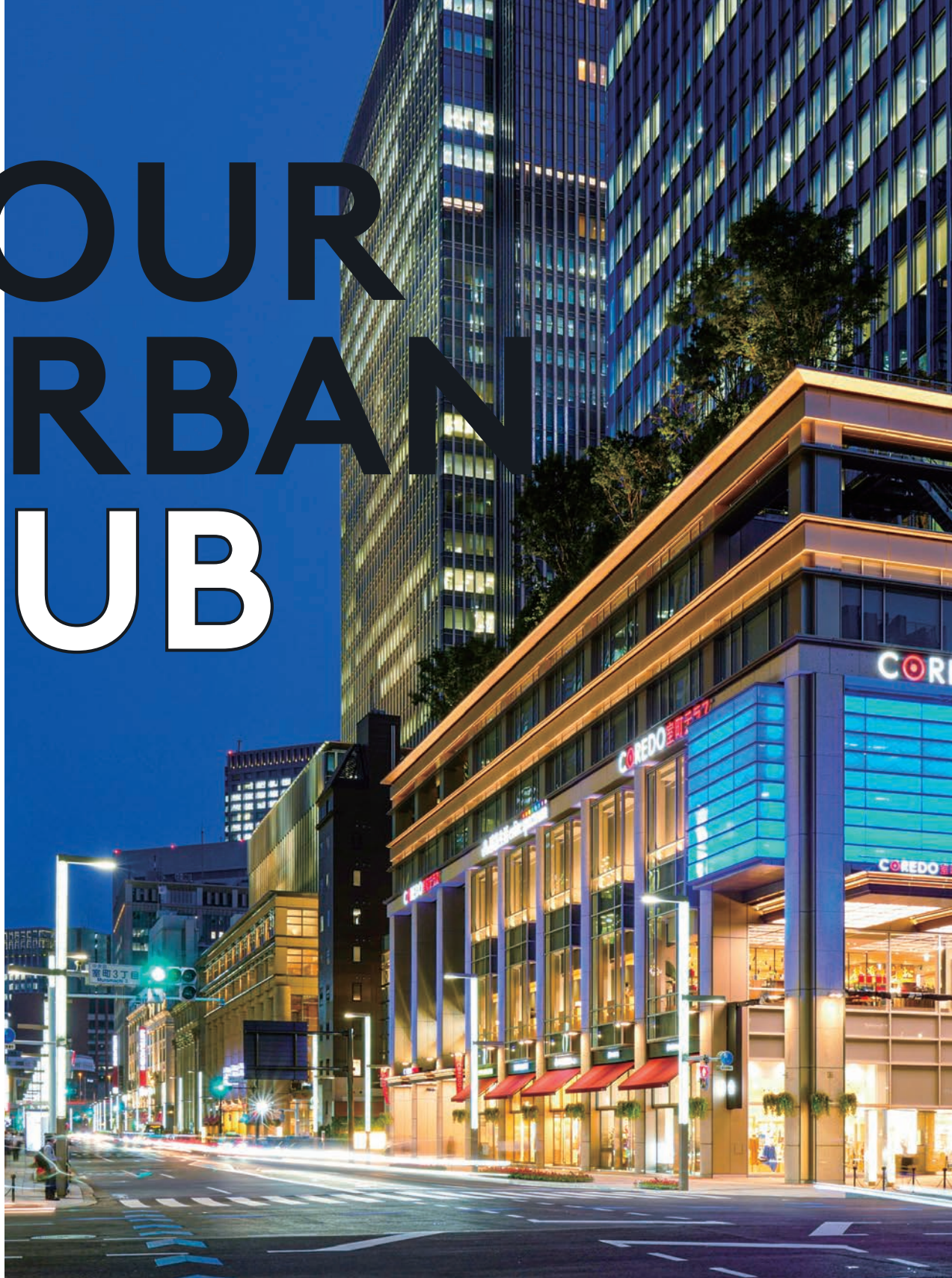


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# Of One Blood All Nations

## John Bingham: Ohio Congressman's Diplomatic Career in Meiji Japan (1873–1885)

I often pass by a wall on which hang portraits of the US Ambassadors to Japan in chronological order. I am drawn to it because I have known a few of them. By comparing the portraits, one can trace the evolution of photography and fashion through the centuries. As the calendar rolls back into the 19th century, the image quality declines until it becomes clear that the portrait is a grainy copy. One of the earliest and most recognizable portraits is of John Bingham, US minister to Japan from 1873 to 1885, the subject of Sam Kidder's latest book *Of One Blood All Nations*.

### Diplomatic Difference

There is ample scholarship around Meiji-period Japan and the United States, and Kidder's biography of Bingham contributes significantly to that body. But it also goes further. He makes a persuasive case that "John Bingham did more to shape America's initial diplomatic relationship with Japan than any other American."

A leading figure in post-Civil War Reconstruction, Bingham was an Ohio Congressman and one of the prosecutors in the Lincoln assassination case. He was author of the 14th Amendment to the Constitution, which provides equal protection under the law.

Without question, Bingham had an accomplished life before coming ashore in Yokohama. As Kidder's book details, Bingham's innate decency, sense of duty, and energy led him to build the framework of the two nations' diplomatic relationship while overcoming obstacles in nearly every direction.

The author shows the perplexing diplomatic and political knots that bound key issues surrounding the bilateral relationship, and how Bingham untied them. His hard-won success elevated the United States' relationship with Japan from among its ties to other nations.

Bingham inherited a poorly housed and staffed US mission, with far-flung and nearly frontier consulates and incoherent administration. By management talent and diplomatic skill, he left behind an effective mission that was well networked with Japanese officials, influential, and trusted. His personal integrity and example played a key role in the rise of US prestige in Japan.

### Context Matters

Diplomacy is sometimes more a prism than a window, and Bingham's experience in Congress helped him measure what he could do to advance the bilateral relationship against the United States' political realities and mood of the time.

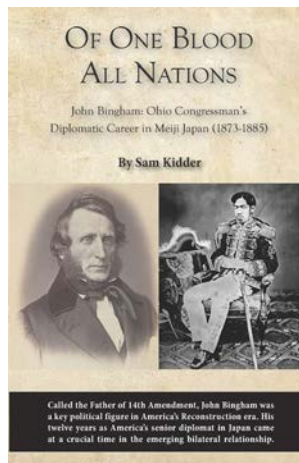
To this part of the biography, Kidder brings truly impressive work tracing Bingham's family, faith, and political connections to provide the context for, and limits of, Bingham's personal political power. Bingham drew on his contacts for trusted advice, to staff key positions with competence, and for personal support.

Distinct from biographies by others, *Of One Blood All Nations* displays the author's understanding of Bingham's faith as the compass of his behavior and decisions. This is insightful and important. Other historians sometimes default to religious caricatures or shorthand about "beliefs of that period." Kidder accepts Bingham as he was: an industrious but reserved man whose abundant intellect was yoked with an equal weight of modesty. Bingham's personal diligence, dislike of ostentation, and his integrity distinguished him

from other foreign diplomats of the time.

This diplomatic biography is an entertaining read. Bingham contends with many of the same issues—and character types—encountered in modern diplomacy and expatriate life: managing, or suffering as a result of, lags in communication with the capital; judging between when an immediate decision is required and when to wait; and bridging misperceptions as the only person with a foot in each world.

Bingham is not an unknown historical figure but, until now, rarely has his period in Japan been explored. As the book's conclusion explains, Bingham's papers and family were scattered, which makes Kidder's work even more impressive. Faced with these challenges, another writer might have filled in the blanks with speculation. But Kidder set himself the more difficult task of understanding the subject in context. He does not embellish Bingham's portrait, but restores it so that its long-lost detail and color emerge. ■



**Keith Kirkham**  
former senior  
commercial officer

Embassy of the  
United States, Tokyo



**Sam Kidder**  
former ACCJ  
executive director  
(2006–14)



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A large graphic for the ACCJ Healthcare x Digital pitch event. It features a background of blue hexagons containing various healthcare and technology icons such as a microscope, pills, a heart, a DNA helix, a hand holding a tablet, a Wi-Fi symbol, a syringe, a heart with a pulse line, a person with a plus sign, a first aid kit, and an ambulance. In the center is a circular logo with a red cross and the text 'HEALTHCARE DIGITAL'. The text 'Have a great idea?' is prominently displayed in the lower right, followed by details about the pitch event and the ACCJ logo.

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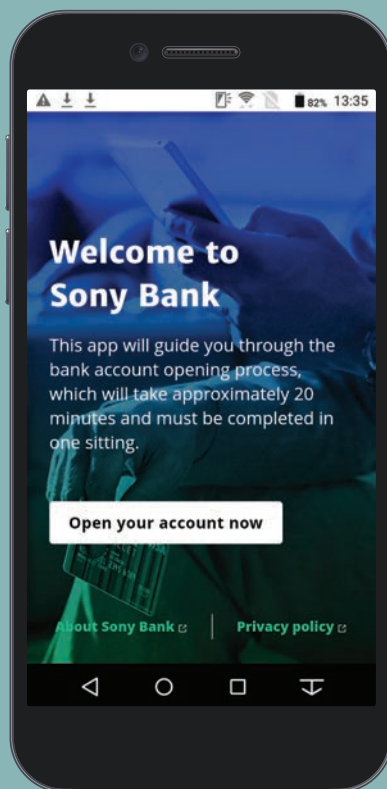
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