Japan reinvents itself as Abenomics enters new stage

The Japanese Prime Minister’s much heralded and debated economic paradigm Abenomics has provided Japan with solid ground to reorient itself for a more globalized world. Now its final implementation is underway.

Prime Minister Shinzo Abe’s economic plan that helped get him elected in 2012 is designed to flush Japan out of two decades of deflation. Dubbed “Abenomics”, the three-pronged plan or “arrows” involves increased government spending, bold monetary stimulus, and structural reforms to lift the long-term growth rate.

Japanese companies are also reorienting themselves for a more globalized world. “Six years ago, we focused on the domestic front. There’s a lot of dynamism and innovation in Japan. We want to bring that to the global market,” says Irene Hirano Inouye, President of the U.S.-Japan Council.

Abenomics’ first arrow was an assault on the currency. The Bank of Japan launched a huge bond-buying program and increased government spending to the tune of $100 billion, adding to the country’s already massive debt load, but the moves helped to rally markets and send the yen plummeting against the dollar making Japanese exports cheaper and more attractive.

Recent data suggests that spending levels of consumers and corporations remains sluggish, which is impacting growth, but the Prime Minister remains optimistic.

“Tomorrow will definitely be better than today,” Mr. Abe recently stated on Japanese television. “Abe-nomics is definitely entering a new stage. Japan will become a society in which all can participate actively.”

The economy is showing signs of improvement. Unemployment is at 3.4%, down slightly from last year’s rate of 3.7%. Unlike in the U.S. where lower unemployment rates are due to workers dropping out, participation rates are higher in Japan, particularly among women and the elderly, two demographics that the prime minister has specifically targeted to join the workforce. Worker wages are also up for the first time in nearly two decades, thanks to pressure from Mr. Abe to pass along corporate profits.

The third prong in Abenomics is focused on a growth strategy, which consists of systemic reforms to the economy. “The private sector companies must be the main actors in implementing the third arrow, which involves a proactive management style,” says Kunio Ishihara, Chairman of the Japan-U.S. Business Council.

While critics suggest that Abenomics has been short of results, the private industry is enthusiastically backing the plan. “We believe this economic stimulus program is definitely our biggest opportunity to move forward,” says Madoka Kitamura, President of TOTO, Japan’s leading toilet manufacturer, which has pledged to take innovation and design to the next level.

IT giant NEC echoes the sentiment. “Japan is changing because of Abenomics,” says Chairman, Kaoru Yano. “The government clearly understands the need for drastic reform of the regulatory environment as part of the solution.”

In September three new “arrows” of Abenomics were unveiled: strong economy, support for families and social security. With six bows now in his quiver, the prime minister aims to increase the size of Japan’s economy to JPY 600 trillion ($5 trillion), from around JPY 490 trillion over the coming years – a tall order, but one Mr. Abe is confident he can achieve.
Japan Inc. firmly behind the Trans-Pacific Partnership

With the landmark Trans-Pacific Partnership (TPP) all but final, Japan’s multinational corporations are revving up for a new era in trade and commerce.

The TPP pact aims to liberalize trade among 12 Pacific Rim nations, representing 40% of the world’s economic output and nearly one-third of its trade. And after five years of tough talks, an agreement between negotiators was finally reached on October 5, which has been described as the first important step in its eventual implementation. The next step will be the ratification of the treaty in each member state.

When ratified it will cut red tape, strip away barriers and tariffs, and raise the labor and environmental standards among the participating countries, while maintaining the protection of intellectual property rights. Proponents argue that the pact will create jobs, drive sustainable growth and promote inclusive development and innovation across the Asia-Pacific region.

“The TPP will impact a wide range of industries rather than a few specific ones. In addition to eliminating tariffs, we also need to eliminate the full trade barriers and set up common rules for commerce, all while protecting intellectual property,” says Akira Amari, Minister for Economic Revitalization and the man in charge of ratification of the TPP in Japan, which officially joined negotiations in 2013.

“In other words: goods, people, capital, and information need to flow freely in the Asia-Pacific region. However, throughout the 12 member countries of the TPP, we need a stable climate for investment with a clear framework to carry out these investments with common rules,” he adds.

The Japanese government recently agreed to lift 95% of tariffs on industrial, farm and other products imported from TPP nations once the trade agreement comes into effect, while TPP member states will remove 87% of duties on such products exported from Japan.

This will mean increased competition in the domestic market for Japanese companies – a particular worry for farmers. But on the other hand, the TPP will open a much broader base of potential customers for the country’s exporters, especially in the U.S.

“All companies will be expanding their business transactions and that’s very positive,” says Masahiro Okafuji, President and CEO of ITOCHU. “If we can create a global competitive environment, that will mean a big boost for the Asia-Pacific region, and indeed the world, not just Japan.”

The combining of two of the largest economies in the world – the U.S. ranked first, Japan third – could result in unparalleled economic gains and will enhance relationships in all areas, from education and innovation to trade and on to tourism.

And indeed being two of the globe’s most powerful countries, the U.S. and Japan have played a vital role in shaping the negotiations between the 12 TPP members.

“There is a parallel consultation and negotiation going on between the U.S. and Japan,” says Akira Amari, Minister for Economic Revitalization. “With the landmark Trans-Pacific Partnership (TPP) all but final, Japan’s multinational corporations are revving up for a new era in trade and commerce.”

Technology and sustainability define construction industry

In a successful bid to meet higher green standards and boost a dormant sector, Japan’s housing industry is leading the way in sustainable construction practices.

After almost two decades of continuing deflation, which has negatively impacted land value, the construction sector is picking up again under the auspices of Abenomics.

The stimulus policies implemented by Prime Minister Shinzo Abe, which included the reconstruction of the tsunami-hit Tohoku region, have in fact created new jobs and bolstered the economy. Stock prices have gone up 50% since Mr. Abe took office in 2012. “Japan has a large stock market and the volume of the real estate market is the second largest in the world,” says Seiichiro Yamauchi, President and CEO of the Tosei Corporation.

Focusing on after-sales services and sustainability, companies like Sekisui House, Japan’s leading homebuilder, are innovating in a crucial sector of the Japanese economy while efficiently dealing with pressing issues.

“We believe that the residential sector can provide solutions to issues like global warming and a large aging society” says Chairman and CEO Isami Wada. “We provide homes for the elderly, and services along with these homes. We also have made the Environmental Future Plan.”

Industry leaders in housing have had to reconsider the core of their business which has in fact shifted significantly over the last years, moving from construction to renovation. Demolishing
of environmentally responsible technology, we have a program that emphasizes energy savings, barrier-free features and high durability.

By enhancing these ancillary sectors, the construction industry has been able to grow despite the decreasing number of new houses being built. Furthermore, a favorable exchange rate has facilitated business abroad for Japanese companies whose virtuous practices are now being adopted in America, China and other countries.

"In terms of developing green technology, we have a program of environmentally responsible engineering which has been made into a checklist for the developers to evaluate how their new designs are better and greener," says Mr. Yamashita.

SankyoTateyama utilizes cutting-edge technologies in response to diverse needs: residential construction materials that emphasize energy savings, barrier-free features and high durability.

"In that sense, we can create a global economic sphere where people, goods and money would circulate very freely. That will be useful for every single country in the region as well as the Asia-Pacific region as a whole and for the planet."

Minister Akira Amari

between Japan and the U.S. In this bilateral negotiation, problems are discussed and are trying to be resolved and then the results of that negotiation are expanded to cover the 12 countries," explains Kunio Ishihara, Chairman of the Japan-U.S. Business Council.

"This is a very important time in U.S.-Japan relations," states Irene Hirano Inouye, President of the U.S.-Japan Council. The TPP, she adds, will provide even greater impetus for a more active partnership.

"Many investors in the United States are beginning to look at Japan now, which they haven’t done for 10 years or more because of the stagnation. It’s exciting to see the potential for American investment in Japan as well as Japanese investment in the United States.”

Minister Amari reiterates the TPP’s importance in a new era of Japan-U.S. relations: “The important point here is that Japan and the United States are teaming up together,” he says. “This is based on our shared values of freedom, democracy and the rule of law. This will be the bedrock of the TPP along with the market-oriented economics.”

Abenomics has helped to revitalize Japan’s export industry. But the long period of deflation that has dogged the country for the last 20 years has made Japanese businesses timid, and the TPP could expose Japan’s weaker and more inefficient sectors to vulnerabilities, but it will also serve to jolt them out of their complacency.

“I’m encouraging Japanese businessmen to go beyond their comfort zone, take risks, don’t be afraid of failure,” says Yoshiaki Fujimori, President and CEO of the LIXIL Group. “Self-confidence and optimism are the core attribute for any CEO, especially in Japan.”

"Innovation is key," argues Takeshi Niinami, President and CEO of Suntory. "We’ll be creative, in this zone we can trade and transfer our know-how, our patents, and everything freely. We’ll innovate and find ways to differentiate ourselves from our competitors.”

Minister Amari acknowledges that the prescription to help Japan restore its economy will involve more than just opening up to new markets. He is pushing for fundamental changes that will revolutionize productivity, a formidable challenge for a country that has one of the world’s lowest birth rates and an aging population.

“We are implementing policies to reform our universities and national research institutes and to reinvolve private companies in research and development and human resources. Market economies do not typically have much government involvement. In our current scenario however, the government needs to work with the private sector to establish a positive business environment,” says the minister.

Assessing the impact of the TPP in the long term, Mr. Ishihara believes it could be further expanded, eventually leading to “a free trade area covering the whole world”. “In that sense, we can create a global economic sphere where people, goods and money would circulate very freely. That will be useful for every single country in the region as well as the Asia-Pacific region as a whole and for the planet.”

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Innovative industrial giants find their place in a changing world

Japan's pioneering manufacturers look to take center stage as they adapt to a globalized world, and are optimistic about the future thanks to Prime Minister Shinzo Abe's reform measures.

Turning around an ailing national economy has been compared to turning around an ocean liner at sea in that great patience and skilful maneuvering are required for both. It's been two years since Prime Minister Shinzo Abe obtained a mandate for his bold but risky Abenomics policy for helping Japan recover from the toxic effects of the global recession and devastating deflation. Is it too early to draw conclusions about the effectiveness of the package of measures known as Abenomics? Possibly, but some of the country's senior business executives have been weighing in on the subject. It is easy enough to look at the results and see that some of Mr. Abe's arrows fell short of their target, no matter if their aim was true. But the world changed while the world's third largest economy reshuffled, and boardrooms and bourses in foreign countries are watching to see how Tokyo-listed industrial giants will regain a place of prominence in the marketplaces of a more globalized world.

In 2014 Japan's export volume rate grew for the first time in four years to 0.6%, driven by a strong demand for general machinery, up 2.9% from the previous year. As Japanese companies expand abroad, so to have their profits from overseas operations, which reached around $117 billion in 2014, representing around 16.4% of total exports.

One major change was in China, where demand for Japanese exports plunged 23% in the first half of 2015, significantly impacting export growth, which subsequently slowed to a crawl in September. That blow from Japan's largest trade partner encouraged the country's high-profile conglomerates to look beyond traditional Asian markets. As a result of their efforts to diversify, and helped along by a 30% depreciation of the yen, year-on-year revenues from the export sector were up by 47% over the first six months of 2015.

US-bound exports posted a 15% increase for the first quarter of the current year but Japan Inc. was already running a $50 billion trade surplus with its Pacific Rim partner. Meanwhile, the Asian giant's big three carmakers, Toyota, Honda and Nissan, are all building new assembly plants in the US, where they claim to have saved a million jobs by weathering out the global recession.

Growth has long been the Achilles heel for Japan Inc. Second quarter GDP was up by a year-on-year 0.8%. Japanese companies had racked up profits and accumulated cash until the global economic crisis ran its course, and with it, their wait-and-see attitude towards making strategic decisions. Outward mergers and acquisitions were at a nine-year high early in 2015, with Japanese interests acquiring $37 billion worth of overseas equity between January and May.

Century Tokyo Leasing Corp. is a major player in the leasing and installment finance sector that has grown its revenue by a remarkable 25% over the past three years, roughly the time frame in which Abenomics reforms began to take effect. Accordingly, it is not to be wondered that Century Tokyo's president and CEO, Mr. Shunichi Asada, has good things to say about the government's plan for reorienting the economy.

“I think there are three different ways in which Abenomics’ impact is felt. One is through its positive effects on the economy, which are finally becoming apparent at street level. Another is that political stability has been achieved under the current administration. Also, Japan under Abe has a good relationship with the US, and there are factors like jobs and oil prices that have positive impact on Japan’s businesses. What is good for the overall economy is also good for our company.”

As CTL expands its international operations with the aim of becoming a comprehensive financial services provider, local partners are the key to success, Mr. Asada states. “We feel that working with partners has advantages for both sides. And when it comes to overseas in particular, we are not terribly knowledgeable about local credits, so having an overseas partner gives us a chance to get the information that we need. So they work on the credit aspect with us and help us expand the business overseas. We feel it is crucial to have a partner.

“We are professionals in the field of finance. So it works both ways, we gain and we give. As for overseas markets, other companies overseas need Japan’s business expertise. We have expert knowledge about Japanese business so we can share this. It is a classic win-win situation.”

Innovation begins at home

With characteristic clairvoyance, Japan Inc. is in the midst of a reorientation that will allow it to continue to be a trendsetter in global economic trade in various sectors, through innovation in areas such as environmentally friendly and state-of-the-art technologies.

For a case study in innovation, there is NCK, which has come up with a paint known as Adgreencoat with enhanced heat dissipating properties. Its proprietary mixture proved to be revolutionary in covering the roofs of buildings to reduce the need for energy-consuming air conditioning. “We are confident no one can imitate the technology, not just in its superb functionality, but also its environmental impact, aesthetic appearance and cost benefits,” says the NCK president, Yasuhiro Manaka.

After the paint was certified as appropriate for Islamic communities, NCK licensees started producing it in Malaysia with a view of taking it to other countries where excessive solar heat is an issue. Adgreencoat is also certified by Japanese authorities as free of the VOC (volatile organic compound) solvents being phased out of the market.

The LIXIL Group is another company innovating to go global. Last year it announced that it will start operations as four core businesses: Water Technology, Housing Technology, Building Technology and Kitchen Technology.

“This is an exciting move for me personally and for our 80,000 employees,” said President and CEO, Yoshiaki Fujimori. “In 2011, LIXIL embarked on an ambitious journey to transform itself from a deeply domestic Japanese company to a truly global corporation. Under this new structure, we accelerate our globalization by organizing related businesses under their respective management structures to better focus on customer needs.
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and to make more targeted investments in technology and innovation.”

Toyobo emerged as one of Japan’s leading textile manufacturers after its founding in 1882, and has since branched out into specialized technology-intensive products that now include films, polymers, and synthetic fibers. But by the 1970s, the squeeze was being felt on all sides, says the company’s president, Seiji Narahara.

“Our sales were affected when other Asian countries upgraded their technology and quality controls. We were also hurt by the strong yen. However, we had these new businesses with these new technologies and we branched out to adapt.” The solution came in the form of a diversified range of products, with a high added-value component such as protective films for LCD TV polarizers.

Unlike some other firms, opportunities for game-changing innovation are not too frequent at TOTO, which since 1917 has produced flush toilets, sinks, plumbing fixtures and other bathroom elements one does not usually associate with high-tech forward leaps. Yet one such breakthrough did occur in the 1980s when TOTO introduced the “Washlets” shower toilet, now to be found in 65% of Japanese households. Few people outside the industry know of the firm’s pioneering work in the manufacture of air bearings, electrostatic chucks, bonding capillaries and other high-precision ceramics for the semiconductor industry.

TOTO’s president, Madoka Kitamura, tells it like he sees it. “Private industry supports Abenomics. We now have an administration that is actually going to remain in office and decide on its mid-term and long-term objectives. We have a chance for stability with this administration.”

The success of the third arrow of Abenomics greatly depends on private industry. Kiyoshi Otsubo, President & CEO of Rengo, one of Japan’s leading packaging companies, explains how his company is supporting Mr. Abe’s growth strategy.

“In Rengo, as a private company, what we did was: firstly, we invested to support the growth of the Japanese economy. Secondly, we provided incentives to stimulate employees’ spending so as to promote consumption. So investment and consumption encouragement is how we supported the new growth strategy of Abenomics.”

ITOCHU is one of Japan’s long-established sogo shosha, usually rendered in English as “trading house,” but president and CEO Masahiro Okafuji is perhaps more enlightening when he notes, “Sogo shosha have a vital role: to bring what’s new from the world to Japan, or what’s good in Japan to the world. We are always in the background, helping businesses from behind the scenes.”

The company is extremely positive in its assessment of Abenomics. “The fact is that things are getting better and it is starting to be felt by citizens,” observes Mr. Okafuji. “After 20 years in the dark ages, it will require time and energy. But now that the yen has fallen dramatically, the Japanese economy will improve.”

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In capitalist Japan, profits are not the only motivation

With an almost pedantic obsession with quality and efficiency to strict environmental standards and an uncompromising commitment to giving back to society, Japan is leveraging centuries-old virtues that are at the core of its culture to expand internationally.

The recent Toshiba accounting scandal has seriously damaged the global reputation of one of Japan’s most renowned companies. But the sense of outrage and bewilderment is far greater in Japan, where for the majority of corporations, betraying the customers and shareholders who sustain a business is just short of unthinkable – not just in terms of the paradigms of responsible corporate governance, but in the unwritten codes of individual honor on which they are based.

contrary to what many suppose, Japanese companies are not just driven by profit. The private sector has a more than bottom-line interest in adhering to principles of high quality, high efficiency, attention to detail, responsible business practices, attention to the environment and the idea of giving back to society.

Take Toyobo, one of around 470 companies that Shibusawa Eiichi, the father of Japanese capitalism, helped to set up and supervise. Apart from introducing Western business practices to Japan, Mr. Shibusawa, whose life was guided by Confucian principles of harmony and justice, insisted that good ethics make for good business. “That’s one thing we have never lost sight of,” says the current president, Seiji Narahara. “It is still in our DNA and still our basic vision and policy. Today we continue our goal to help and serve society and as a result maybe earn some money and be profitable.”

Century Tokyo Leasing Corporation is another company that is guided by Mr. Shibusawa’s philosophy. “We are constantly keeping Eiichi Shibusawa in our minds,” says President and CEO Shunichi Asada. “His thinking – that the business and ethics must always come together – has formed the basis of our corporation. We have felt such a combination is very important.”

A philosophy that has served businessman Toshifumi Suzuki well revolves around embracing change. He believes in succeeding in business by accepting change when it comes along and leveraging it until it becomes an opportunity. This philosophy has helped him to build Seven & i Holdings into the world’s fifth largest retail group, with operations in over 100 countries.

The group’s name recalls Seven Eleven, the US-based chain of convenience stores, supermarkets, financial service providers and other corporate clusters specializing in “comprehensive consumer lifestyles.” Mr. Suzuki worked for the company’s Japanese affiliate at the start of his career. In 2005, he acquired control of the US retailer in a stock swap.

“The most important thing for us is to be able to adapt to change,” says Mr. Suzuki. “There are so many things we can anticipate about, what is going to happen one year from now, but rather than trying to forecast and deal with them in advance, the

2015 record year for mergers and acquisitions

Even with the yen at its weakest point since 2007, Japan Inc. is aggressive with its international expansion with over $70 billion in overseas acquisitions already announced for this year, a 15 year record.

With an estimated $2 trillion in cash holdings available at year-end 2014, Japanese companies have been on a spending spree, buying up overseas assets at an accelerated pace this year. According to Goldman Sachs, Japanese firms spent $32.5 billion on overseas acquisitions in the first three months of 2015, a 76% increase on Q1 2014. “Japanese M&A (mergers and acquisitions) activity has recently begun accelerating, and we believe this could mark the beginning of a sustainable trend,” Goldman said.

Some of the high profile overseas deals this year include: Japan Post’s $5.1 billion acquisition of Australia’s Toll Holdings, Nissan’s surprising purchase of the Financial Times for $1.3 billion, and ITOCHU’s $5 billion stake in China’s largest conglomerate Citic.

The acquisition of overseas assets is all part of Japan Inc.’s strategy to go global. “We should be aggressive in making acquisitions, going overseas for growth because Japan is limited in the sense of growth,” says Yoshiaki Fujimori, President and CEO of the LIXIL Group.

“Indeed, LIXIL is focused on going global for growth. That abundant resource that the government gives us, whether it’s capital investment over here in Japan, or to encourage going global with M&As, provides a platform from which we have to be aggressive.”

Another company focused on going global is Suntory, which acquired US distiller Jim Beam for $16 billion last year. Asked about reports that Suntory plans to transfer its core operations to the United States,
Internationalization starts with the acquisition of a Thailand-based maker of aluminum extrusions. At the same time, they plan to expand our market. "You see, the former owners had a motive and machinery manufacturing sectors who are eager to enter the ASEAN market. So what we're planning is to transfer high levels of technology to Thai Metals so that when those companies come over, they can procure what they need within the region. That's how we plan to expand our market," explains Mr. Otsubo.

A weaker yen has encouraged other Japanese companies to scour the far horizons for possible deals, partnerships, alliances, mergers and acquisitions, largely as way of recycling currently overabundant earnings into productive (as opposed to merely profitable) engines of corporate growth.

"In our vision, the company's internationalization starts with the ASEAN countries which may seem strange," admits Mr. Yamashita. "You see, the former owners had a number of customers in the automotive and machinery manufacturing sectors who are eager to enter the ASEAN market. So what we're planning is to transfer high levels of technology to Thai Metals so that when those companies come over, they can procure what they need within the region. That's how we plan to expand our market," explains Mr. Otsubo.

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Hence, these are all opportunities of one sort or another." With a presence in over 150 countries, LIXIL Group is aware of the need to diversify and open new markets. But the president and CEO, Mr Yoshiaki Fujimori, is above all, a firm believer that the inclusion of women in the corporate sphere is a vital necessity.

"Women's intelligence and perspectives have to be harnessed, he says, in order for Japan to grow as an economy. "That, I think, gives us an engine for growth, an engine for innovation, an engine for more energy for the entire country. Women have been extremely underutilized, their power taken for granted," he adds.

"From the economic revitalization perspective, Prime Minister Abe is encouraging women to work, pushing for greater diversity. I think this is an area where the private sector has to make two or three times the effort because I truly believe women will play a fundamental role in a revitalized Japan," Mr. Fujimori contends.

TOTO believes the fight against global warming begins on the home front. "In regards to our global environmental vision, TOTO is dedicated to helping to combat global warming. We have been adopting innovative manufacturing methods and supply chain innovations, while expanding our existing efforts to reduce CO2 emissions through water conservation and energy saving. The entire TOTO Global Group is deeply committed to making people's lives better, protecting the planet, and keeping our water pure," says company president Madoka Kitamura.

A cruet of Kikkoman soy sauce is a common item on supermarket shelves and dinner tables in over 100 countries, especially in America. For over 300 years, the condiment has been produced and brought to market by 19 generations of the Mogi family. "Every one of them has learned by heart the 16 guiding principles of the family business and number 15 on the list is "give back to society as much as you can," says Yuzaburo Mogi, the company's Honorary CEO and Chairman of the Board.

Since 1993, the Kikkoman Foods Foundation has been active in Walworth, the Wisconsin town chosen as the base for its U.S. operations. Sponsored activities include awarding college scholarships, underwriting new diagnostic equipment for local hospitals, or community organizations like the Girl Scouts. Mr. Mogi says, "We are trying to be good corporate citizens, we not only want to do business but contribute to society as much as possible."
A series of concomitant factors are turning Tokyo’s real estate market into a prime destination for foreign investors. The quantitative easing introduced by Shinzo Abe’s economic reform deliberately marked the yen down thus putting investors from abroad in a very favorable position.

According to IP Global, a property that would have cost $380,700 in July 2012, cost $241,500 in July 2015. According to the Japanese Land Ministry prices of residential properties in Tokyo gained 2.1% in 2015 compared to a gain of 1.9% the previous year. Land prices during Japan’s property bubble in the late 80s were 60% more than what they are now in Tokyo.

Further incentives came in the form of deregulation and the relaxing of planning laws in Japan’s metropolitan areas as well as the opening of Japan’s real estate investment trust to foreign investors. Seiichiro Yamaguchi, President & CEO of the Tosei Corporation, one of Japan’s leading real estate developers. “Abenomics has resulted in the lowering of the Japanese Government Bond’s interest rate, which now stands at 0.3%,” he notes. “Moreover, if you invest in real estate in Tokyo, you can get a 5% cap rate, which is the second highest in the world after Sydney.”

Mr. Yamaguchi believes Tokyo’s real estate sector has enormous untapped potential. “We are swimming in a blue ocean,” he says, “the ocean of limitless opportunities by focusing on the investment in small-to mid-sized assets (those less than JPY 1 billion). The market is still quite large and big companies have hardly competed in this field. There are few competitors. That is why we have named our strategy the “blue ocean strategy”, through which we have become the number one investor in this area.”

In 2014 foreign investment in Japanese properties amounted to a record JPY 981.8 billion according to the Tokyo-based Urban Research Institute Corp. Tokyo in particular continues to attract investment and here is why: the city is currently undergoing an infrastructural renaissance in view of the 2020 Olympic Games which will be held in the Japanese capital. “We are now working on a growth strategy, looking toward to the continued tourism boom in the lead up to the Olympics” says Isami Wada, Chairman and CEO of Sekisui House.

As the construction industry veers towards renovation, the under-supply of housing is increasing the value of Tokyo’s properties. “A Chinese investor paid the highest price for two newly built Tokyo houses in more than a decade as residential property values in the Japanese capital accelerate,” reported Bloomberg on October 8. The unnamed investor reportedly bought two adjoining houses in Akasaka, one of Tokyo’s commercial districts. The two properties cost about 690 million yen ($5.8 million) and 680 million yen respectively.

Rents in Tokyo’s central wards have risen significantly, this has in turn translated into higher gross yields for prime location apartments. Land prices too are rising, a clear sign that the demand for properties is increasing, especially in the central areas of the Japanese capital. Furthermore, compared to other major cities, the affordability ratio of Tokyo fares rather well. In Q3 2014 the ratio for Tokyo-Yokohama was 4.9 against the 6.1 for New York-New Jersey, the 8.5 for London, 9.8 of Sydney and an astronomical 17 for Hong Kong.