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JAPAN BUSINESS REPORT

TOURISM REVIVAL

WELCOMING THE WORLD BACK IN

Tourism, a vital cog in Japan's economy, was hit hard but as borders open up, new initiatives are being rolled out to boost visitor numbers beyond pre-pandemic levels, writes **Anna Cummins**

In 2022, Japan's famous cherry blossoms were again forecast to be early with the flowers in Tokyo blooming three days earlier than usual.

The sakura trees have flowered increasingly early in recent decades, a shift that scientists attribute to climate change. These fragile blossoms have long been an important symbol of life, death and rebirth in Japanese culture, making their early arrival amid a global health emergency and heightening environmental discord particularly poignant.

Tourism has been steadily growing in recent years to become a vital pillar of Japan's economy, thanks to the country's rich culture and increasing popularity among tourists from East Asia – particularly from mainland China, Taiwan and South Korea.

The Japanese government had set aspirational targets to double annual overseas tourism from 19.7 million visitors in 2015 to 40 million in 2020, focusing on directing visitors to less-populous regions to harness the regenerative power of the tourist dollar.

In 2019, 31.9 million foreign visitors entered Japan, setting a record for the seventh consecutive year. Overseas tourists spent a record US\$43.6 billion in 2019, a rise of 6.5 per cent from 2018.

However, entry restrictions due to the pandemic saw the number of foreign visitors to Japan dropping to 245,900 in 2021, the lowest since 1964 when comparable data became available. This was mainly due to the country enforcing foreign entry bans amid the ongoing coronavirus pandemic.

On April 10, Japan raised its daily limit on arrivals from overseas to around 10,000, up from the current 7,000 for

Japanese nationals, foreign residents and new non-tourist arrivals, including foreign students. Foreign tourists are still barred from entry since late November 2021 to limit the inflow of the highly transmissible Omicron variant.

Now, as Japan moves towards opening up for tourists, a significant part of the country's long-term economic recovery hinges on rapidly bringing visitor numbers back to pre-pandemic levels.

For the Kyoto City Tourism Association, attracting visitors is typically not a tough job: the city overflows with 17 Unesco World Heritage Sites, exquisite restaurants and iconic temples. However, the city had been struggling with issues related to overtourism during the past decade.

The chaos caused by the virus has thrown the importance of the tourist dollar into sharp relief. Between 2016 and 2019, tourist spending in Kyoto exceeded 1 trillion yen (HK\$61 billion) annually, and there is a concerted push from the city to regain these levels in the form of the Kyoto Tourism Promotion Plan 2025, which lays out a road map for sustainable and harmonious tourism growth through to 2030.

Impressive hotels are lining up to welcome domestic and overseas visitors to Kyoto. In 2021, Hotel Tou Nishinotoin Kyoto by Witceed, and Fauchon Hotel Kyoto – Fauchon Hospitality's first property outside France – opened their doors. Shangri-La Kyoto is on track to open in 2024.

When Hotel The Mitsui Kyoto opened in November 2020, it became the first luxury hotel in the city centre with a natural hot spring. The newly built hotel, which fuses elements of traditional and contemporary



The early arrival of the cherry blossom season to Japan struck an optimistic chord as the country slowly reopens to foreign travellers. Photo: AP Photo

Japanese culture, was designed by an award-winning team including Hong Kong's acclaimed André Fu, who created the serene interiors for the 161 guest rooms and suites, and lobby.

Hotel The Mitsui Kyoto's general manager, Manabu Kusui, explained that the city's storied history is reflected in the hotel's design.

"The restored 300-year-old Kajimiya Gate, which has a long-standing connection to the

Mitsui family, is the entrance which welcomes guests today and plays an important role in the storytelling of our hotel and its history," said Kusui. "We are also thankful that the design is globally appreciated through André Fu's remarkable work, and accordingly, the hotel has been recognised all over the world."

Kyoto may be a poster child for Japanese tourism, but the country is keen to encourage visitors to look farther afield to

enjoy the essence of authentic Japan.

Ahead of the postponed Tokyo 2020 Olympic and Paralympic Games that finally took place in 2021, the Japan National Tourism Organisation (JNTO) launched its Insider Guide to Japan, a campaign highlighting the country's lesser-known traditions and natural wonders.

The new guide splits experiences into seven areas – including nature, outdoors, tradition and art – to appeal to a broad range of interests.

Art lovers, for example, will be inspired by descriptions of the 41-acre (16.5-hectare) creatively landscaped garden at the Adachi Museum of Art, voted the best Japanese garden in the world, or may be tempted to book a stay at James Turrell's House of Light in Niigata, which is a work of art, guest house and meditation retreat rolled into one.

Those with a passion for food and drink can plan an overnight trip into the green tea heartlands of Shizuoka Prefecture, enjoy a tour of Japan's wine country by taxi, or explore the beautiful tradition of ama divers along Japan's coasts.

Anyone keen to get out of the metropolitan areas may want to unwind with a day of *shinrin-yoku* ("forest bathing") in Agematsu. And those with a taste for the finer things should consider staying aboard one of Japan's fleet of luxury trains, complete with private living quarters, bathtubs and artisanal cuisine, which cruise through the country's most scenic areas.

Following the launch of Insider Guide in April 2021, Seino Satoshi, president of the JNTO, spoke of his hope that the country bounces back.

"Over the past five years, Japan has become one of the world's leading travel destinations, with annual visitors growing to over 30 million before the pandemic," Satoshi said. "There are abundant tourism opportunities in provincial areas that are not yet known to the world."

"Throughout this campaign, we will showcase many undiscovered charms of Japan, reflecting and responding to future tourism trends."

Japan is an archipelago of some 6,852 islands stretching 3,000km, and there is undoubtedly plenty of adventure to be had exploring them.

Breathtaking scenery and wildlife, rich cultural heritage and a reputation for being remarkably safe also make Japan a great place for off-the-beaten track excursions.

And, in the wake of heightened global interest in hygiene, the country's reputation for being exceptionally clean has come into its own. One survey conducted by the Development Bank of Japan and Japan Travel Bureau Foundation in 2020 found that Japan was the most desirable future destination for visitors from 12 countries and regions globally.

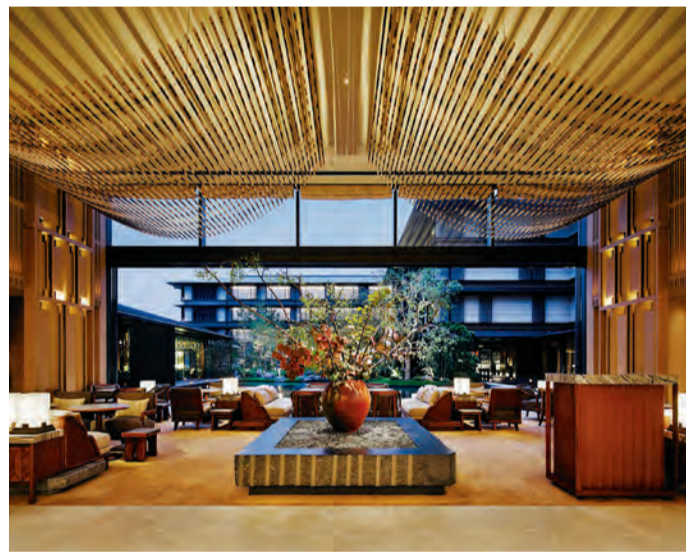
Indeed, Japan has a history of resilience. The first time the nation held the Olympic Games, in 1964, it was seen as a turning point for a country that had just emerged from the devastating consequences of World War II.

After Japan powered through to host the 2020 Olympic and Paralympic Games, many observers referenced the nation's collective *konjo* – roughly translated as "grit" or "fighting spirit" – in its dogged determination to make the best of a difficult situation.

Economically bruised but far from beaten, Japan is waiting to welcome back the world.



Japan's celebrated cuisine is a significant tourist draw. Photo: JNTO



The Mitsui Kyoto hotel, awaiting foreign guests. Photo: Handout

CHANGING VALUES

Lower yen is a mixed blessing, with foreign and domestic opportunities

Lisa Cam

On April 19, the Japanese yen fell to 128.80 against the US dollar, its lowest level since 2002. The currency has lost 12 per cent against the dollar since January.

A weaker yen has long been lauded as a positive for Japan's economy, enabling blue-chip exporters such as car manufacturers, but that narrative is increasingly in question.

This time, the yen's recent plunge provokes the impact of rising commodity prices, hitting some business and household finances much harder than ever before.

The significant difference this time is the effect of the country's energy policy.

With most of its nuclear power plants offline since the Fukushima disaster of 2011, Japan has imported about 90 per cent of its primary energy requirements from overseas, with nearly all fossil fuels shipped from long distances. The surge in global energy prices, already in effect before the Russian invasion of Ukraine, has hurt the economy and revealed the cracks in Japan's energy strategy.

Now the weaker currency, coupled with surging crude and other commodity costs, has become even more damaging for smaller, domestic manufacturers.

Taking comparative rates of inflation into account, the yen has halved in value against the dollar since 1995, taking it back

to levels not seen since the early 1970s. However, a 2022 dollar is not the same as a 1992 dollar in terms of buying power.

Consumer prices in the US have almost doubled in the 30-year period, whereas Japanese consumer prices have remained more steady. In the short term, yen weakness leads to higher energy prices, but at the same time it incentivises change.

As fossil fuel prices rise, the more competitive the alternatives become.

The two obvious contenders are nuclear power and renewable energy such as sunlight, wind, rain, tides, waves and geothermal heat.

Before the disaster of 2011, nuclear energy had accounted for almost 30 per cent of Japan's

total electricity production. There were plans to increase this to 40 per cent by 2017 and 50 per cent by 2030. In a 180-degree turn from its 2012 pledge to abandon nuclear power by 2030 after the Fukushima incident, two reactors restarted in August and October 2015, with a further eight having restarted since. Sixteen reactors are currently in the process of restart approval.

Another unintended benefit for the lower yen is that it will no longer have the designation as a safe haven currency, which sounds like a positive factor but has, in fact, led to undesired consequences.

In 2011, the yen-to-dollar exchange rate spiked to around 78 to the US dollar, even though the Japanese economy had just been crippled by the Fukushima

earthquake. This added to the strain that exporters were facing with a disrupted logistics chain and decreased competitiveness in the global market.

Hongkongers are returning to the Japanese property market, taking advantage of a weakening yen.

"Inquiries for Japanese homes from Hongkongers have

surged by up to 40 per cent this month," said Anvy Cheung, chief executive of Sakura Global, a company that specialises in Japanese property. "In the past two years, most of them just stayed on the sidelines, adopting a wait-and-see approach [due to the pandemic]."

Most homebuyers are looking for property in Japan for

investment or for a second home, with typical budgets ranging from HK\$1.5 million (US\$192,000) to HK\$2 million, she added.

Prime Minister Fumio Kishida's administration, meanwhile, continues to defend the Bank of Japan's ultra-easy policy as a necessary support to a still-fragile economic recovery.



The Japanese yen has fallen to its lowest value against the US dollar since 2002. Photo: iStock/Getty

OPHTECS EYES SIMPLIFICATION OF CONTACT LENS CARE WITH INNOVATIVE PRODUCTS

Consumers turn to contact lenses for their ready availability, variety of low-cost options, ease of use and the quality-of-life improvement they bring. However, improper handling may negate the benefits and pose health risks such as bacterial keratitis and corneal ulcers. Focusing on eye health and safety, Japanese firm OphTECS developed top-class contact lens care (CLC) products to simplify wear and care for users. OphTECS is the company behind some of the most innovative CLC products – such as the pioneering povidone iodine disinfecting systems it developed in 2001.

It operates a state-of-the-art research and development facility to continuously raise the standards of eye care. Working hand in hand with ophthalmologists and end users, the company gains valuable insights that it incorporates into product development. “When OphTECS was established in 1981, the goal was to provide the best CLC solutions for the Japanese market. Our corporate culture was to quickly adapt and develop unique products to meet market needs,” says CEO and president Joe Yoneda. OphTECS is the only contact lens care solution maker to use povidone iodine for

its products. Maximising the wide antibacterial spectrum and safety profile of povidone iodine, OphTECS developed cleadew, a high-end povidone-iodine-based advanced disinfecting system for contact lenses. Users of speciality contact lens and eye professionals choose cleadew for its strong disinfection efficacy against bacteria, fungi and viruses. With functional and cosmetic contact lens use on the rise in Asia, OphTECS aims to expand the reach of its products in the region. The company is eyeing mainland China, South Korea and Taiwan, and is working with distributors to learn about market specifics.



Joe Yoneda, CEO and president

“In the future, we want to further broaden our reach to offer products for speciality contact lenses. We also want to go to more Southeast Asian countries, identify their needs and understand how we can address them,” Yoneda says.

SHINX WILL EXPAND IN ASEAN TO REPLICATE GAME-CHANGING SUCCESS

As factory automation sweeps manufacturing industries worldwide, Japan's pioneer in non-ferrous metal cutting and milling is prepared to take the reins in Southeast Asia with high-precision aluminium and stainless steel parts that could eventually revolutionise the semiconductor, automotive and electrical industries with their cost-cutting potential. Quality and accuracy have been the hallmarks of Shinx since its founding in 1997, when material wholesalers' services were limited to stocking and cutting. “Our milling service changed the entire manufacturing market in Japan because its lowered machining cost led to an overall decline in clients' overhead production cost. This was a big change for Japanese manufacturing industries,” says Kei Ishizaka, president of Shinx since June 2020. Unmatched when it comes to flatness accuracy, Shinx can produce the full range of non-ferrous plates – from 5mm square to 1.5 by 3 metres

– at a rate of 15,000 pieces daily. Focused on quality control and highly precise temperature control as dictated by Japanese Industrial Standards and ISO specifications, the company guarantees the flatness, parallelism, tolerance and squareness of its products, with zero defects and damage-proof packaging. Through dedicated Plus Alpha services, it resolves clients' production constraints in real time and can produce prototypes for next-day delivery. “We aim to replicate these achievements in Southeast Asia,” Ishizaka says. “We would like to empower Asean with our step-by-step techniques, not only to make a profit, but more importantly to help the market with our techniques. This is our philosophy.” Shinx plans to open a factory in the region within five years mainly to help resolve quality issues amid rising labour costs. It is keen on first-tier



Kei Ishizaka, president

manufacturers of semiconductor components in Vietnam, Singapore, Malaysia, the Philippines, South Korea and Taiwan, with a goal to increase overseas sales to 25 per cent by 2025. “We have accumulated the customers, sales and know-how in Japan over the past 25 years,” Ishizaka says. “From now on, our eyes are on the Asean countries.”

ASSET MANAGEMENT ONE CREATES SUSTAINABLE FUTURE WITH POWER OF INVESTMENT

The dream of a greener planet is getting a push from Asia's largest asset management company. With more than US\$500 billion in assets under management, Asset Management One (AM-One) is pioneering the use of environmental, social and governance (ESG) standards as criteria in certain areas of its investing chain. This commitment is reflected in its highly successful efforts, which include its impact investing in Japan. “The environment we live in is a precondition for all future economic progress. As a company that holds the assets of many people, we can do something to help the world,” says Minoru Komatsu, head of Asset

Management One's corporate sustainability office. A merger between DIAM, Mizuho Asset Management, Shinko Asset Management and the asset management arm of Mizuho Trust & Banking, AM-One offers a broad range of investment services to institutional and individual investors worldwide. The company is one of the founders of the Net Zero Asset Managers (NZAM) initiative and is the only Asian member of NZAM's advisory group responsible for steering the organisation toward achieving net zero greenhouse gas emissions before 2050. AM-One's investments comply with Article 9 of the Sustainable Finance

Disclosure Regulation, a standard test for the adherence of funds to sustainable objectives in the Japanese equity field. Meanwhile, the company's ESG investing utilises its own materiality map, a measure of investee companies' application of ESG concepts guided by the double criteria of sustainable and financial materiality. As a leading Japanese asset management company in the ESG field, AM-One welcomes like-minded organisations and government bodies in making a global impact on sustainability. “Words are not enough, so we have to take action,” Komatsu says. “In our simple and honest way, we're taking a



Minoru Komatsu, head of corporate sustainability office

straightforward approach to sustainability transformation.” This article is for informational purposes and does not constitute an offer or solicitation of any investment service in any jurisdiction.

FUTABA INDUSTRIAL RAMPS UP INTERNATIONAL GROWTH STRATEGY

In the past six years – under the stewardship of president Hiroyoshi Yoshiki – automotive parts manufacturer FUTABA Industrial underwent a process of internal consolidation and restructuring to emerge as a stronger organisation. Towards the shift to electric vehicles, in addition to focusing more on research and development (R&D) and delivering high-value-added products at competitive prices, FUTABA has improved and reformed its organisational structure to address social issues such as sustainable development goals and carbon neutrality. “We have become much more customer-oriented while continuing to leverage our technology leadership in stamping, pipe bending and welding,” Yoshiki says. “In this highly competitive environment, we're also set apart by our technology to work with ultra-high-tensile materials with high strength.” FUTABA primarily serves leading automotive parts manufacturers in



Hiroyoshi Yoshiki, president

Japan and abroad through a global supply system that spans production facilities in North America, Europe, Southeast Asia and China. Combining the latest technologies and innovative concepts, FUTABA has built a solid name for supplying sophisticated exhaust system solutions, including automotive mufflers, which meet engine power and environmental performance requirements.

Allocating more resources for its R&D efforts, FUTABA is planning to apply the prospective capabilities in the field of exhaust system solutions to the expansion of new business areas for body-related products, from concept development to assembly and production of medium-sized parts, and to evolve and expand the structural development capabilities and manufacturing technologies for body-related products. FUTABA takes the period of change in the automotive industry as an opportunity to become a company that can grow sustainably. “I want to focus our efforts on digitalisation and innovation of our monozukuri (manufacturing). We are trying to speed up development by promoting digital transformation using digitalisation and artificial intelligence, to win orders for body parts for battery electric vehicles by identifying and proposing changes in body structure and performance requirements,” Yoshiki says.

SATAKE MARKS 100 YEARS AS PARTNER OF CHOICE IN ENVIRONMENTAL TESTING AND MIXING EQUIPMENT

Behind the world's advancing technologies are the companies that innovate and create them. Renowned for its premium mixing devices, refrigeration and air conditioning testing equipment, environmental testing equipment and other customised solutions, Satake Chemical Equipment champions the worldwide technology development market. In 2020, the Japanese company celebrated a century of developing various machinery for a wide range of applications. Last year, the company changed its name to SATAKE MultiMix Corp denoting its multipurpose, multi-function mixing capabilities. Holding the No 1 market share position in the mixer industry in Japan and air conditioning and automotive testing laboratories in China, SATAKE has propelled its success through its respect for technology development. Today, the company possesses the world's highest

level of analysis and verification capabilities from repeating simulation technology for reactors and mixers. SATAKE spearheaded the first technology in the world that utilises vertical reciprocating mixing rather than conventional rotating mixing, allowing animal cells to be cultured gently. While these mixers are used as standard testing equipment by advanced Japanese research laboratories and venture companies, SATAKE plans to market them to biopharmaceutical, regenerative medicine and venture companies worldwide. With sustainable development goals in mind, SATAKE envisions its next 100

years of progress to focus on technology research and development. It promotes open innovation, developing equipment in close contact with clients. “The aim is to continue developing technology and supplying products,” says Nishioka Mitsutoshi, president. “We want to continue contributing to global innovation, supporting the environment and advancing human civilisation.” Having also a large market share for wind tunnels used in car environment simulations in China, the company sees a growing interest for these products. To keep up with demand, SATAKE has manufacturing and sales offices in

mainland China, Taiwan and South Korea, a service base in Thailand, and a new manufacturing and sales company in Malaysia. Set to exhibit at the INTERPEX trade fair in the United States, SATAKE seeks partnerships in Asia, Europe and North America, especially for specialised trading companies in the bioreactor and classifier fields.



Nishioka Mitsutoshi, president

HYSIA BUILDS SYNERGIES AMID BORDERLESS PUBLIC HEALTH THREATS

Growing resilience against global pandemics requires a borderless approach to infectious disease control, sanitation and quality management. HYSIA, Japan's expert in infectious control consulting and hygiene services, is pioneering an Asia-wide network of dedicated professional companies in its field. “Our industry tends to be domestic not just in Japan but even in America or Europe,” says Taro Kanazawa, managing director. “Because the world is much more connected than five years ago, we must be more proactive and open-minded in fighting borderless threats such as infectious diseases and product contamination.” HYSIA has built up a network of industry experts in Japan, Singapore, Taiwan and Australia, where it provides comprehensive hygiene management solutions, from consulting, training and audits to specialised disinfection, microbial cleaning and pest management services.



Taro Kanazawa, managing director

Its international team of experts shares the best practices from different countries and makes sure that clients meet the global standard in creating a hygienic environment. “We cover the 360 degrees of the quality management process,” Kanazawa says. “We emphasise on-site activities – from research and analysis to training and team building – in order to identify the critical control points and provide tools to

manage them.” Such comprehensive services have proven valuable in the pharmaceutical and medical devices, semiconductors, food and beverage, hospitality, and consumer goods industries. Considering the severity of Covid-19, HYSIA has created a free-to-access online training programme that gives companies and individuals the right knowledge about fighting viruses. HYSIA is expanding its service network across Southeast Asia, India and Australia. Aiming to build synergies in addressing borderless issues such as public health, environmental health and food safety, it welcomes investors and partnerships with research institutes, manufacturers and distributors of disinfection and environmental testing devices, and training service providers towards shoring up local resilience to global threats. “We want to be the leading environmental health solutions provider in Asia and are always looking for strategic partners who resonate with our vision,” Kanazawa says.

ORYZA PLANTS PROGRESS IN NUTRACEUTICALS, COSMECEUTICALS AND BEYOND

There is truth in the belief that nature is a great physician. This saying aligns with the philosophy of Oryza Oil & Fat Chemical, a Japanese company dedicated to providing the world with natural products that are scientifically proven to enhance health and beauty. Oryza utilises the power of modern-day technology to fully leverage the nutritional benefits of plants and animals, creating top-quality ingredients for functional food, cosmetics, medical products and more. From humble beginnings as a rice bran oil business in 1939, Oryza has developed into a thriving international B2B company. The company offers more than 300 extracts, oils and concentrates from rice, fruits and flowers, and has increased its focus on cultivating exclusive ingredients from plants natively grown in Japan, such as cherry blossoms. “We promote sustainability and eco-friendliness, so we're constantly looking into plant-based products,” says



Hiromichi Murai, president and CEO

Hiromichi Murai, president and CEO. “We have a screening system of two thousand assays to detect the benefits and bioavailability of various plants. We rely heavily on science, so we make sure that the health and cosmetic claims of all our products are evidence-based.” Three products take the spotlight among the company's extensive line-up. Derived from rice, Oryza Ceramide contains a high percentage of ceramide, a fatty acid which keeps moisture locked

within the skin. While Oryza manufactures ceramide for topical applications, it is the first company in the world that offers this fatty acid in edible powder and liquid forms. Oryza Tocotrienol, also known as super vitamin E, is 40 to 60 times more potent as an antioxidant than regular vitamin E. It contains anti-ageing, immunity-boosting and cholesterol-decreasing properties in cosmetic and food standard options. Lastly, Gamma Oryzanol, which also comes in food and cosmetic forms, imparts a host of health-promoting benefits, including stress relief, anti-menopausal effects, inflammation reduction and good digestion. Eager to expand into South Asia and China, Oryza is open for co-development partnerships with universities, research institutes and companies within those regions, along with potential Japanese partners.

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