

Japan's Cool Revolution

A nation focuses on its **iconic pop culture** to spur creativity and export growth.



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Rebranding a Nation

Japan focuses on a strategy that emphasizes the export potential and tourism appeal of its creative output.

BEFORE MORITA and Honda came Sharaku and Utamaro. Akio Morita and Soichiro Honda were imaginative business leaders who helped raise Japan to industrial prominence in the 20th century—Morita coaxing the engineers of Sony Corp. to invent the Walkman and other awe-inspiring devices, Honda leading a revolution in the motorcycle industry even before the company built cars. But it was Japan's Ukiyo-e artists, among them Sharaku Toshusai and Utamaro Kitagawa, who enchanted Westerners in the previous century with woodblock prints of rural life, as well as scenes from Japan's "floating world" of actors and courtesans.

Now Japan is returning to its preindustrial roots to help revive its struggling economy and reassert its position as a major player in the world. Under the banner "Cool Japan," the nation is focused on a strategy that will emphasize both the export potential and tourism appeal of its creative output: manga and anime, words that refer to animated comic books on film and video that have popularized characters like Astro Boy; fashion (think Issey Miyake); food; architecture; pop music;

consumer electronics and video games; cute products such as Hello Kitty and Pokémon; and, in general, anything that elicits the response "That's cool" from the world. The government's goal is to rebrand itself and generate between \$104 billion and \$143 billion (¥8 trillion and ¥11 trillion) from creative industries by 2020.

The concept first appeared in a 2002 *Foreign Policy* magazine article by writer Douglas McGray entitled "Japan's Gross National Cool," which pointed out that, despite the economic doldrums of the Lost Decade, Japan's cultural prestige was lofty. In a survey that the BBC conducted in 2009, Japan ranked fourth among all nations for positive public image, while the U.S. ranked only 10th. As the Japanese business and political communities recognized the economic potential of the nation's softer side, the term Cool Japan became inspirational.

Reinvention 2.0

Last year Japan's government officially concluded that McGray had a point. Grappling with two decades of sluggish growth after the country's economic bubble burst in 1990 and surging chal-



allenges from the likes of South Korea and China to the country's core industries, the cabinet adopted a "New Growth Strategy" in June 2010 that put a premium on developing and promoting creative industries. Today, that strategy is starting to pick up momentum and Cool Japan has become a catchphrase throughout business and government circles. So has the notion of rebranding Japan, especially since the country's reputation for solid planning,

Coveted Japanese exports (clockwise from top): pleated Issey Miyake dress; Astro Boy comic hero; hand-rolled temaki sushi

find new ways to promote Japan," says the council's chairman, Yoshiharu Fukuhara, honorary chairman of beauty-care giant Shiseido. Even before the March disaster, "Japan was becoming invisible," he laments. "We need to emphasize the Japan story."

Domestic Think Tank

Fukuhara's council—comprising 20 private-sector leaders including two Westerners, plus eight politicians—is backed up by 55 bureaucrats in the powerful Ministry of Economy, Trade, and Industry's (METI) year-old Creative Industries Division led by director Tetsuya Watanabe. This unit, born of last year's New Growth Strategy, created the Cool Japan Advisory Council. "Our goal is to find new sources of growth for the economy beyond the traditional industries—automobiles and electronics—that are still the major pillars of employment. The earthquake and its aftereffects made us realize that diversifying our strategy is key."

Watanabe and his crew have already retained a support group of three notable Japanese branding specialists to serve as creative directors. Their job is to come up with events, materials, phrases, and other methodologies to push Japan's putative new image. One web-based platform they're now in the process of creating is *mazer*, an amalgam of the Japanese pronunciation of the English "mother" and the Japanese verb *mazeru*, to mix. This site will encourage anyone in the world to propose initiatives, vote on them, and then condense them into ideas to be bid on by any company that's interested. "We'll open this platform in November for everyone," says Naoki Ito, one of the creative directors.

safety, efficiency, and world-class technology took a huge hit both domestically and internationally with the disastrous tsunami, earthquake, and resulting nuclear power crisis of March 11.

The Great East Japan earthquake added impetus to this trend. According to the Cool Japan Advisory Council, multiple measures are being proposed to promote creative activity, build management and industries that turn creative ability into value, attract international talent, and promote Japanese culture and tourism globally. "We need to



Past and present (from top): papier-mâché Otafuku mask; scene from a master Kunisada woodblock from the Edo period; the new no-emissions Nissan LEAF



“Basically we see creativity as a process, and METI is pushing transparency,” he says. “Mazer is a way to generate ideas.” The Cabinet Office will use various means to promote *mazer*, such as Facebook, Twitter, and international gatherings like Davos and APEC, he says.

At the same time, government and businesses have launched such events as street fairs in New York City selling everything from antiques and food to snacks and robots; the opening of Japanese fashion outlets on the famed Orchard Road in Singapore department stores, as well as Japanese food exhibitions; a crafts, fashion, and design show in Paris; and a “Visit Japan” tourism campaign in Delhi.

Back to the Future

The new brand Japan is trying to create for itself does not focus on signature industries—automobiles, machine tools, and consumer electronics—that now face stiff competition from China, South Korea, and elsewhere. Instead, it homes in on fresh and healthful food, traditional crafts and textiles, and arts such as kabuki and Noh theater. There’s value

in going back and emphasizing Japan’s cultural roots, explains Fukuhara. “We realize we can find new meaning in the Momoyama and Edo cultures from earlier centuries.”

To be sure, the issue of branding is a bit vague. According to Shinichi Tanaka, president of public relations firm Fleishman-Hillard in Tokyo, a nation’s reputation and value system determine a brand’s status. He is now helping Fukushima—one of the Japanese prefectures hardest-hit by events in March—improve its image. “The prefecture can contribute its experience to the world,” Tanaka says. That means creating government-designated zones to promote renewable energy, and improving nuclear power safety. “Many countries need nuclear safety know-how,” he says.

Serving as a pro bono consultant to the prefecture, Tanaka is helping to organize a rebranding conference at Fukushima University in mid-November and hopes to attract Prime Minister Yoshihiko Noda and several foreign ambassadors as guests. “We want them to listen and relay our message at the upcoming APEC meeting,” Tanaka says. “Rebranding Japan is how we can contribute to the world.”

The private sector is also taking steps to change perceptions about the country by leveraging core strengths that fall under the Cool Japan rubric, including green energy. Last June, billionaire entrepreneur Masayoshi Son, founder of Softbank and a major investor in Yahoo, announced plans to acquire at least 1.3 million acres of unused farmland to build 10 solar farms, each with about 20 megawatts of capacity, that could triple Japan’s generation of renewable energy by 2020. Not to be left behind, Japanese car makers are introducing an array of low- to no-emission vehicles that should save energy, including all-electric alternatives like the Nissan LEAF, introduced last December with partner Renault. Nissan has already sold 15,000 LEAF cars worldwide and the car maker hopes sales will reach 1.5 million by 2016.

Other Japanese companies are introducing a bevy of cool new products and services. TOTO Ltd. has created a faucet that incorporates a miniature hydropower plant, using the water current to rotate a turbine and produce small amounts of electricity. Peach Aviation, a new airline created early this year by All Nippon Airways, will reflect hip sophistication. Its fleet of Airbus A320s will be colored white, pink, and fuchsia, and cabin crews will wear business-casual dress. A large part of Peach’s mission early on will be to fly in tourists from the major cities of China, Taiwan, and South Korea.

A Japan newly branded as a revered treasure house of traditional design and environmental protection could emerge within five years. This, its strategists calculate, will make it cooler than ever. —Robert Neff



Bonding With Customers

ThreeBond's sealants and adhesives are found in an array of products—from minivans to tablet PCs.



Kunitoshi Ueda,
President
ThreeBond

A SA COLLEGE student with a passion for cars, Kunitoshi Ueda naturally chose a part-time job at a gas station. One of the station's bestselling products was an emergency puncture-repair kit that sprayed latex directly into tires. Ueda was impressed. Not only did he become a faithful user, but he also applied for a job at ThreeBond, the company that made the kit. That was 1972; Ueda is now president of the Tokyo-based manufacturer of specialty adhesives and sealants.

There's a similar serendipity to the origins of ThreeBond itself. The sight of oil and water stains left behind by passing cars inspired the founder, Osamu Ukumori, to develop the company's first product, a sealant, or "liquid gasket," in 1955. The company now produces 1,600 varieties of adhesives and sealants, many of which are used in car power trains and transmissions.

It's not surprising that products for car makers account for 33% of ThreeBond's \$770 million (¥64 billion) in worldwide sales. It is the company's biggest market sector, followed by the automotive aftermarket, infrastructure, and electronics. Customers include Japanese, U.S., European, and Korean motor manufacturers. ThreeBond is also finding success in emerging markets. Sales in India doubled between 2007 and 2010, despite the global recession. Ueda is so upbeat about the Indian market that a second Indian factory, due to open in early 2012, is being built near Delhi.

How has ThreeBond built its brand? "It's thanks to the strength of our sales staff whom we call 'sales engineers,'" says Ueda. "They're knowledgeable enough to respond to feedback and propose new products tailored to individual customer needs."

ThreeBond derives 29% of sales from the automotive aftermarket. That includes products like the glossy body and window coatings and anti-corrosion agents that dealers apply

to cars sent in for tune-ups. The bulk of the aftermarket business is currently in Japan, but Ueda plans to grow the segment in other countries. "Our products are not in the public eye, but they're found in things that people around the world use every day," he says.

Smartphones and tablet PCs are good examples. ThreeBond supplies sophisticated electro-conductive adhesives that not only bind together the devices' different panels and substrates, but also, by replacing wires, make them lighter, thinner, and more attractive. It's an important, and challenging,

To keep serving its customers amid such rapid technological change, ThreeBond is investing millions of dollars in R&D.

market. "Cars have a full model change every six years. For display devices, the product cycle might be six months," Ueda says. "We need to develop adhesives proportionately fast."

To ensure it can keep serving its customers amid such rapid technological change, ThreeBond is investing \$48 million (¥3.7 billion) in a new R&D center near Tokyo. Ueda sees environment and renewable energy as key to future growth, so research will initially focus on applications for electric vehicle batteries and solar cells. "We want to help improve the performance of new technologies for the whole world," he says.

What else does the future hold for ThreeBond? Greater globalization. With factories and offices in 21 countries, ThreeBond currently generates 50% of its sales outside of Japan, but this proportion is expected to increase with the rise in demand from emerging markets. Says Ueda: "We are determined to contribute to the world." ●

A Beautiful World

Kao is leveraging its advanced technology to expand into both mature and fast-growing markets globally.

WHEN KAO CORP., Japan's leading beauty-care and household products company, launched a version of its category-leading *Attack Neo* liquid laundry detergent in China in August 2010, sales soon outstripped the company's projections.

What was the secret of the product's runaway success?

Careful tailoring to meet local consumer needs, declares Kao president and CEO Motoki Ozaki. "China suffers from a shortage of water," he explains. "People there want a detergent that washes effectively and also rinses out fast to save water. By combining these two qualities, our detergent makes a practical contribution to help solve a serious national problem."

The values encapsulated by *Attack Neo*—a commitment to improving people's everyday lives, insight into consumer needs, and a hefty dose of innovation—have typified Kao since its founding back in 1887. In these days of climate change and other environmental challenges, Kao recognizes the importance of the need for continuous "eco-innovation." Toward this end, Ozaki unveiled Kao's new \$160 million Eco-Technology Research Center (ETRC) in Wakayama, Japan in June this year. "Eco-innovation technology is only going to become more important in the future," he stresses.

Kao's Wakayama research lab includes a museum, designed in part to raise awareness among the general public about the contribution they can make to reduce water use and CO₂ emissions. "Many Kao products involve the use of water or hot water," Ozaki explains. "As the manufacturer, we can reduce emissions and water use at the point of procurement and manufacture, but it's up to the consumer to achieve reductions at the point of use."

Cleanliness in Emerging Markets

Ozaki is now applying the same energy he brought to bur-nishing Kao's environmental credentials to globalizing its operations. Of the company's \$14.3 billion (¥1.19 trillion) in sales in fiscal 2010, approximately one quarter was generated outside Japan. By aggressively plowing the profits Kao generates from its Japanese home market into building bridgeheads overseas, Ozaki is hoping to double the foreign share of sales to 50% by 2020.

He divides the overseas markets he's targeting into two distinct categories: growth markets and mature markets. The former, characterized by exceptionally large populations and high economic growth, include China, Indonesia, and soon Vietnam. While Kao previously targeted only the top of the economic pyramid in such countries, Ozaki has decided on a major strategic shift. "It's the middle class that's growing fastest," he says. "That's where the big-volume markets with the greatest growth potential are to be found, so that's what we want to aim for."

Attack Neo's popularity in China is one example of Kao successfully tapping into the needs of this burgeoning middle class. Now Ozaki is keen to repeat the trick with *Merries*, Kao's brand of baby diapers, and has commissioned a new factory in China's Anhui province that's due to come onstream in late 2012. He has every reason to be confident: *Merries* are already a hit as an import brand, and the Chinese set great store by breathability in diapers (one of *Merries'* strengths).

Even as Kao launches new products, Ozaki is also taking pains to communicate Kao's corporate identity to the

KAO



A London store of Molton Brown, one of Kao's prestige beauty brands



Motoki Ozaki,
President and CEO
Kao Corp.

emerging market consumer. “We need to be very clear about what we stand for: Kao enriches consumers’ lives in terms of cleanliness, beauty, and health,” Ozaki says. “Establishing these associations of trustworthiness and safety is very important.”

Beauty in Mature Markets

In mature markets, meanwhile, it is not cleanliness but beauty care—a business that accounts for more than 45% of Kao’s total sales—that Ozaki is looking to for growth. He is confident that two of the company’s traditional strengths—a vast store of technological

know-how in skin and beauty care, and the ability to detect consumer needs as they change and evolve—will help Kao grow its business.

Case in point: Kao’s John Frieda *Precision Foam Colour*, a recent hit in mature markets, which was launched in Britain and the Netherlands in 2010, and in the U.S. in 2011. “The non-drip foam covers every strand of hair perfectly. You can dye your hair simply, but with salon quality,” says Ozaki, noting that this ease of use—the result of Kao’s advanced technology—has made the product a hit with beauty-conscious consumers all around the world, with sales growing fast.

As Kao goes global, it increasingly finds itself going head-to-head with the consumer goods giants. To make sure the firm is able to compete with the world’s best, Ozaki plans to integrate the management of Kao’s three standalone beauty businesses in Europe and the U.S. by January 2012. The new integrated system, already applied in Asia, will not only make it possible for Kao to invest heavily in promotion for new product launches—crucial in big markets like the U.S.—but will also enable the sharing of R&D, supply chains, marketing know-how, and other services, which will produce major efficiency gains and lead to better performance.

“We need to be very clear about what we stand for: Kao enriches consumers’ lives in terms of cleanliness, beauty, and health.”

—Kao President CEO Motoki Ozaki

To run the increasingly global enterprise, Ozaki is working on building up a cohort of globally minded executives. Since 2009, Kao’s Global Leader Development Program has been bringing together potential candidates for top executive positions from around the world for seminars on strategic thinking, beauty trends, and business skills. Most important of all, according to Ozaki, are the in-depth discussions on business scenarios, like how to launch a new detergent in a growth market. “After this off-the-job training, which involves exchanging ideas with people from different cultures, they go back to their own region and lead on-the-job training where they’re implementing those lessons in real life,” he enthuses. “It’s the repeated combination of the two that develops real leaders.”

Ozaki himself is thriving in the leadership role. Kao’s net profits rose by more than 15% in fiscal 2010 to \$562 million (¥46.7 billion) and are forecast to rise another 13% this year. The overall direction is crystal clear: an ever greater focus on overseas markets. “Our plan is to use the R&D and manufacturing expertise we developed in Japan as the foundation for growth overseas,” he concludes. “We’re looking beyond our domestic market to actively expand in markets all around the world. It’s as simple as that.” ●



Kao’s John Frieda hair product became a hit when released in Britain, Europe, and the U.S. recently.

HISAYOSHI OSAWA: KAO

Seeing Is Believing



A salty desert, formerly the Aral Sea, located between Kazakhstan and Uzbekistan.

A new 3-D technology promises to help the world manage water resources.

IN THE EARLY 1960s, Soviet engineers began diverting water from the rivers feeding the Aral Sea, located between Kazakhstan and Uzbekistan. Their goal: to build a strong cotton industry based on irrigation. Instead, 40 years later, the world's fourth-largest freshwater lake has been reduced to a salty desert, destroying both the cotton and fishing industries in the process.

For Kotaro Takemura, president of the Tokyo-based Foundation for Riverfront Improvement and Restoration, this environmental disaster has one redeeming feature: its shocking visibility. Similar problems are currently brewing in other nations busy over-exploiting their groundwater resources, but there's a difference: The damage is underground and, as a result, invisible. "It's human nature," Takemura says. "People don't feel responsible for problems they can't see."

That irresponsibility will become a thing of the past if Takemura, the leader of Team Water Japan, gets his way. His consortium—which includes Tokyo University, Hitachi Ltd., Geosphere Environmental Technology Corp., Japan Water Forum, the National Institute of Advanced Industrial Science and Technology, and the Japan Aerospace Exploration Agency—has developed the world's first technology to make groundwater "visible."

Takemura believes that being able to "see" groundwater will inspire communities to manage their subsurface water resources in a more sustainable fashion. While surface water (rivers

and lakes) represent just 3% of the earth's accessible drinking water, groundwater represents a whopping 97%. It will become increasingly important as the human population increases and climate change leads to more extreme weather events. "Failing to manage groundwater properly basically means not managing water resources properly," Takemura says.

Three Dimensions Plus Time

Helping Japan and other nations devise a more integrated approach to water resource management motivated Team Water Japan to develop its "Four-Dimensional Water Cycle Management System." The system works like this: Data on topography and geologic formations are fed into computers to create a 3-D model of a specific area. The area is then broken up into cubes. Further data on the porosity of the ground rock in each subdivision are input, as well as average annual rainfall. What emerges is a 3-D model aggregating all the different cubes into a map showing the flow of both surface and subsurface water.

The system produces visualizations in three phases over time: the original water flow before the impact of civilization in Phase I; the present day in Phase II; and a global warming-impacted future in Phase III. The biggest difference between nature in its pristine state and the world we live in now is the impact of urbanization. "Where the earth's surface has been built over, most rainwater flows straight into rivers and

out to sea. Very little seeps into the earth to replenish the groundwater,” says Takemura.

That means Phase III—modeling the future—is most crucial when it comes to water management. By changing variables like temperature, sea levels, or rainfall, Team Water Japan can project how a region’s surface and subsurface water resources are likely to hold up in the face of global warming. This should give policymakers the chance to forestall environmental catastrophe.

A Proving Ground

With abundant water resources and a temperate climate, Japan seems an unlikely birthplace for such a technology. But the country has its own unique challenges. Its water infrastructure is aging and needs to be replaced. And while tariffs that users pay local utilities for water should cover the costs of the overhaul, many of the biggest users—factories, shopping centers, and hospitals—drill wells on their own land and pump the water they need, bypassing local utilities and paying little in the way of water tariffs.

“Under Japanese law, groundwater does not belong to the public,” says Takemura. “It’s the landowners’ to do with as they please.” This legal quirk has three negative consequences: Local utilities don’t have the money to pay for infrastructure upgrades; an unfair share of the financial burden falls on ordinary, non-business consumers; and the country’s groundwater resources are being exploited in an unsystematic way, with no regard for the longer term.

Global warming makes Japan’s need to manage its water resources in an integrated manner all the more pressing. Assuming projections of the Intergovernmental Panel on Climate Change (IPCC) are on the mark, rising temperatures will deprive Japan of winter snowfall—a change that will massively disrupt agriculture. “Snow acts as a natural dam, storing water until nature needs it in spring,” Takemura says. “Without snow, Japan’s rice paddies will be deprived of water, threaten-

ing our whole farming culture.”

Takemura concedes that Team Water Japan’s system is so new that its precise role in helping craft a long-term response to Japan’s water problems remains undefined. In general terms, raising public consciousness is the first step toward a long-term solution, but the consortium is already putting the technology to work in locations like Hadano, a town near Tokyo with several prone-to-dry-up rivers, abundant groundwater, and a long tradition of well drilling. The project’s underground visualizations are expected to contribute to environmental and water resource management.

One timely application of the technology is the system’s ability to predict the path of waterborne pollution in subsurface channels. While pollution from factory wastewater or fertilizers is far more common, Takemura hopes to help model how the radiation leaking from the Fukushima Daiichi Nuclear Power Plant, crippled by the March 11 tsunami, will spread as it seeps down into groundwater flows.

Technology for the World

The Riverfront foundation plans to start off by applying its system in Japan to showcase its capabilities to the wider world. Takemura sees a role for the technology in emerging markets—for example, assisting multilateral financial institutions like the World Bank and the Asian Development Bank advise nations on where to concentrate development, addressing pollution problems, and helping groundwater-dependent countries distinguish between aquifers that replenish themselves quickly and those that take decades to recover.

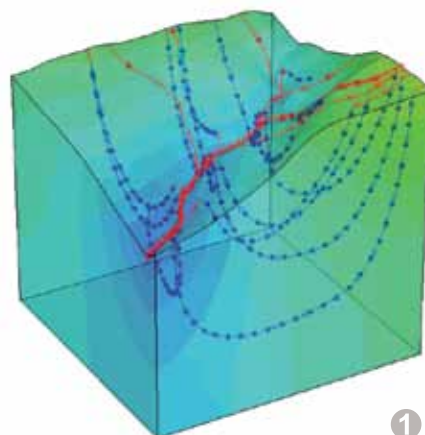
As it seeks to expand its scope of operations, Riverfront is on the lookout for investors and partners who can help put its Water Cycle Management technology to work around the world. “Water’s a global problem and we are all stakeholders,” concludes Takemura. “We need to change how we think about groundwater as we devise strategies to cope with climate change.” ●

Gaining Transparency

Technology developed by a Japanese consortium makes groundwater visible in 3-D models. It lets communities project the effects of global warming.

① This cube shows the flow of surface water (shown in red) and groundwater (shown in blue).

② Phase I visualization of surface and subsurface water flows in the Tokyo region before the impact of large-scale urbanization.



A Bridge to Dynamic Asia

As close to Dalian and Shanghai as to Tokyo, and just 120 miles from Busan, Korea, Fukuoka Prefecture—which sits at the top of Kyushu, the most southerly of Japan's four main islands—has long identified itself as part of Asia. Around half the prefecture's 5 million people live either in Fukuoka, the prefectural capital and a tourism and trade hub, or Kitakyushu, a one-time center of heavy industry that's now a green technology pioneer. The region is a major player in everything from autos and semiconductors to agriculture and fisheries. It is a center of innovation where companies like tire maker Bridgestone, and plumbing products manufacturer TOTO, were founded.

In this section, *Fortune* profiles key members of Fukuoka's government and business sectors. For an overview of the prefecture, we spoke to **Governor Hiroshi Ogawa**, who took office in April this year. He gives insights on how the region is positioning itself to take advantage of Asia's booming marketplace.



Fukuoka Prefecture
Governor Hiroshi Ogawa

Q What makes Fukuoka Prefecture special?

A Fukuoka Prefecture has many links within the region. Asia's economy is vibrant right now. Japan can prosper by sharing in that growth. Fukuoka is particularly well positioned to take advantage of the trend.

Where does green technology fit into the picture?

We suffered badly from industrial pollution, but everyone worked hard to overcome it. That experience gave Fukuoka unique environment-related know-how. We don't just have products and services, but practical system solutions.

Can you give us an example?

The Fukuoka Research Center for Recycling Systems explores ways of turning waste into products with value. So far it's developed 19—such as a fertilizer made from the drying agents used in packaged food. Exporting such systems to our Asian neighbors means we can contribute to the region's development, while helping to solve its environmental problems.

Is a framework in place for making that happen?

Yes. We have environmental cooperation agreements with Bangkok, Hanoi, and the Chinese province of Jiangsu. We're also helping to develop the necessary human resources by arranging on-site visits

HISAO SHI OGAWA

A Festival of Healing

The *Dontaku* festival (right) helped lift the nation's spirits.

After the March 11 earthquake, no one in Japan was in the mood to party. Many of the country's traditional festivals were canceled. The Fukuoka city fathers agonized about whether to hold their own *Dontaku* festival in May. But *Dontaku* is not just any festival; it's one of the biggest and oldest in Japan. Ultimately, it went ahead.



An aerial view of Fukuoka City.

and on-the-job training for Asian technicians and managers.

You have a strategy to “globalize the local mindset”?

Fukuoka has the potential to become a leading regional hub. To achieve that goal we need people who are globally minded. The prefecture has programs tailored to different age groups. There’s the Asian-Pacific Children’s Convention in Fukuoka, when 200 primary school children from the region come for home stays with local kids. We send junior high and high school students to summer camps in the U.S. and Britain, and support students at universities abroad. We want to develop people who are comfortable on the world stage.

FUKUOKA CHAMBER OF COMMERCE AND INDUSTRY

What about foreign students in Fukuoka?

Fukuoka has the third-highest number of international students after Tokyo and Osaka. They’re nearly all from Asia. We provide a range of support such as help job-hunting through the Fukuoka International Student Support Center. We’re trying to get more of our international graduates to stay on by encouraging local companies to employ more of them.

Isn’t Fukuoka also popular with Asian tourists?

Roughly 9 million people visit Japan each year; of those, 1 million come to Kyushu, most via Fukuoka. Some 90% of the tourists here are from Asia, hence our “Asia

Gateway” nickname. We’re working to improve the convenience of our airport and seaport to become even more of a tourist hub, so visitors can branch out from here to attractions like Mount Aso and the hot springs in the south.

Did the earthquake affect tourism?

Immediately after the quake, our visitor numbers plunged. They’re gradually recovering. I’ve been to China and Korea with other governors to get the message out that radiation levels here are normal. When the first Chinese tour group after the earthquake flew into Fukuoka at the end of April, I went to greet them. I asked them to tell their friends it was safe here.

What are your personal goals as governor?

For Japan to thrive as a country, Japanese individuals need to be proactive, and different regions need to leverage their strengths. I joined the Ministry of International Trade and Industry in 1973 and ended my career as public relations secretary to four prime ministers. I want to combine my central government experience and connections with the knowledge and experience of people here to help Fukuoka Prefecture develop and prosper. ●

Fukuoka Prefecture in the north of Kyushu is conveniently located near major cities in Asia. In total, 23 major cities in the region can be reached by direct flight.



“Dontaku was held in 1946, when the city was a bombed-out wasteland. Then, as now, it signified revival,” says Kaoru Misumi of the Fukuoka Chamber of Commerce and Industry, one of the organizing bodies. The festival adopted *Ganbaro Nippon* (“Go Japan”) as its slogan, and troupes from the affected area were invited to perform.

Did this year’s *Dontaku* help to reinvigorate a dispirited nation? The numbers suggest so. Over May 3–4, an estimated 2.3 million visitors came to watch 432 groups perform on 32 outdoor stages. “Festivals have huge psychological impact,” says Misumi. “No one criticized us for holding *Dontaku*. Other cities stopped canceling their festivals, too.”

The Good Life

As a tourist destination and economic hub, Fukuoka anticipates a big future in Asia.

LIKE THE REST of Japan, the city of Fukuoka suffered in the wake of the March 11 earthquake, tsunami, and radiation leak. Usually a popular destination for Asian tourists, Fukuoka saw a 35% drop in overseas visitors in April this year, and cruise ships from China stopped calling for five months. The reaction was overdone, says Mayor Soichiro Takashima: "Fukuoka is as far from the earthquake zone as Busan in Korea. There's never been a tsunami in Fukuoka as far back as records go."

Fortunately, things have started to pick up. Since June, foreign visitor numbers have recovered to close to last year's levels, and the cruise ships have also returned. In 2012, a new class of 310-meter liners will start docking in the city, each carrying 3,800 Chinese tourists.

To make sure visitors feel welcome, the mayor is launching a variety of new initiatives. Open-top double-decker buses will ply the leafy streets next year, while he hopes to make free Wi-Fi available in subway stations and key tourist spots. "Because of our location near Korea and China, Fukuoka has always been a hub, but we shouldn't take that for granted," Takashima says. "We need to be more aware of our identity as a tourist destination, so we can make the city even more appealing."

Fukuoka designates the period from mid-September to mid-October as Asia Month. Starting with a festival featuring traditional Asian performance arts and food, the event includes an Asian film festival and the awarding of the Fukuoka Asian Culture prize to honor people who have made "outstanding contributions to academia, art, or culture" in Asia.

But Fukuoka's links to the region are as much about

"Fukuoka has a role to play as the axis of the world shifts eastward."

—Mayor Soichiro Takashima

business as tourism. "Tokyo, Osaka, and Nagoya are all on the Pacific and face America. We're on the Sea of Japan, facing Asia, close to cities like Shanghai, Dalian, and Busan. That's where the population and the economic growth are," says Takashima. "Fukuoka has a role to play as the axis of the world shifts eastward."

As an example, he cites the roll-on, roll-off freight ships that go between Fukuoka and Shanghai. They're much faster and cheaper than services from rival ports in Japan and perfect for Japanese firms that have offshored part of their production to China. Fukuoka's deepwater port, train freight yards, expressway, and airport are all close by, making it the ideal import-export hub.

This same compactness also makes the city attractive to conventioners. "We're Japan's sixth city population-wise but second only to Tokyo when it comes to hosting international conventions," Takashima enthuses. "It's five minutes from the airport to downtown. We have convention centers of every size, plus hotels, restaurants, and great nightlife."

In a report titled "The State of Asian Cities 2010/2011," UN-Habitat describes Fukuoka as "compact, dynamic, and livable," citing it as a model for new cities in fast-urbanizing Asia. "We were praised for balancing development and the environment, modernity, and tradition," says Takashima.

Now he wants to take that a step further, making Fukuoka "a universal city," in his words. "I'm not just talking about the physical aspects of being a 'barrier-free' city," he says. "I'm talking about a mentality that's open and accepting and welcoming to everybody." ●



Fukuoka
Mayor Soichiro
Takashima

Gearing Up for Growth

Japan's leading taxi company, Daiichi Kotsu, is branching into related fields—from real estate and leisure to medical tourism.

BY RIGHTS, a Japanese taxi business shouldn't be easy to expand. Red tape abounds. Stringent regulations specify where firms can operate and how many taxis they can run. None of this, however, has held back Daiichi Kotsu Sangyo. From a local concern with five cabs in Fukuoka in 1960, it has become Japan's leading taxi company, with a 7,000-cab fleet and sales of \$891 million (¥74.1 billion) in fiscal year 2010.

What's behind such dramatic growth? Ryoichiro Tanaka, president and CEO of the Daiichi Kotsu Sangyo group, lists three elements. First, mergers and acquisitions: In a highly regulated field, buying other firms is the only way to expand into new geographic areas, and to date Daiichi Kotsu has bought 180 taxi companies. Second, boosting utilization rates—Daiichi's is a whopping 97%. And third, building customer loyalty.

"In Tokyo, you're unlikely to ever take the same cab twice," Tanaka says vis-à-vis the loyalty issue. "On the other hand, in provincial cities, only 30% of rides come from customers hailing a passing cab, while 70% come from phone reservations or people getting a cab at a taxi stand. Customers consciously choose which taxi company to use."

Daiichi Kotsu makes sure people select its taxis by offering unbeatable service. The firm was a pioneer in building customer databases and installing car navigation. It's also careful to offer the personal touch, whether sending out specially qualified drivers to help aged and infirm passengers or distributing traditional seasonal presents.

"We stay ahead through multiple small improvements that benefit the customer," says Tanaka. "Our philosophy is to be No. 1 in the community by being part of the community."

The taxi business accounts for 60% of Daiichi Kotsu's group sales, followed by real estate, with 30%. The latter grew naturally out of the former: As the firm bought other taxi companies and merged their operations into its own,



Ryoichiro Tanaka,
President and CEO
Daiichi Kotsu Sangyo

says Tanaka, it accumulated a stock of underused parking lots on prime land ripe for redevelopment. Starting out by erecting apartment blocks for 40 households in the mid-1960s, its most recent venture is a 28-story high-rise in Fukuoka with room for 530 families.

The company's rapid expansion is being driven by mergers and acquisitions, boosting utilization rates, and customer loyalty.

As Japan's population ages and shrinks, Tanaka has also started looking overseas for growth. Given that Fukuoka, site of the head office, is actually closer to Chinese cities like Shanghai than it is to Tokyo, it made sense to target the large and increasingly prosperous population of China. With help from its local partner, Dalian Xinghai Coex Group Co. Ltd., a state-run company with interests in everything from conferences and weddings to golf and travel, Daiichi has started flying high-net-worth Chinese individuals to Japan for tailored, top-of-the-line medical tourism and golf tourism. "The Chinese are flying to Scotland and Canada for golf. They should come here. Japan is much closer and has 2,500 courses," Tanaka says.

Tanaka wants to keep building on all this success. His goal is to push the company's nationwide share of its core taxi business—now around 2%—to around the 10% mark, while continuing to expand its portfolio of related businesses.

Literally translated, *Daiichi Kotsu Sangyo* means "No. 1 transport company." It's a name that seems to perfectly capture the ethos of the firm and its highly competitive chief executive. ●

Clean and Green

Soap maker Shabondama is looking for partners to expand into new markets overseas.

A PRINT OF A two-meter-long tuna hangs in the corridor outside the office of Hayato Morita, president and CEO of Shabondama Soap Co. Ltd. Morita caught the 80-kilogram beauty in 2009, but the picture is more than a personal souvenir: It speaks of his company's commitment to the environment in which the fish lived.

With its philosophy of "promoting health and clean water" always in the front of its mind, Shabondama (the word means "soap bubble" in Japanese) produces exclusively additive-free (no fragrance, coloring, antioxidant, or synthetic surfactant) natural soap. Simmered in vats for a week from a handful of simple ingredients such as palm oil, olive oil, caustic soda, and salt, natural soap is good for sensitive skin and does no harm to plants, fish, or microorganisms, unlike the synthetic, chemical-laden detergents and soaps most of us use every day for domestic tasks like washing clothes and dishes, and for personal hygiene.

Shabondama, founded in 1910, was a synthetic soap maker for a long time. That all changed in the mid-1970s, triggered by a request from the national railway company. "They complained that our synthetic detergent caused their rolling stock to rust faster," says Morita. "So they asked us to develop a pure, additive-free detergent."

It was a technical challenge, but the size of the order justified the undertaking. Just before delivering the finished product to the client, Morita's father, who headed the firm at the time, took a sample home and used it as his bath soap and for his laundry. He was delighted to find that the rashes on his neck, wrists, and waist he had gotten from his chafing clothes for decades disappeared within a week. When he reverted to synthetic soap, the rashes came back the same day.

The experience turned the elder Morita into a passionate believer in the merits of natural soap. He resolved to abandon synthetics entirely and switch to making natural soap. But he was ahead of his time. Back then, synthetic was



Sustainable solutions: fire-extinguishing foam (above); popular additive-free soap cleansing products



regarded as superior to natural, and the environment was of little concern to anyone. The result? In the month after the production changeover in 1974, Shabondama's soap sales plunged more than 99%. Worse still, the red ink continued flowing for 17 years.

The turning point came in 1991, and not a moment too soon. Unable to pay for a conventional ad campaign, the elder Morita published *A Natural Soap Reader*, a book explaining the merits of natural soap. The book—now in its 30th printing—touched a nerve. "The zeitgeist had changed. Environmentalism had moved from the fringes to the mainstream," says Morita. "My father was invited to lecture all around Japan. Sales really picked up."

The Shabondama tradition of educating consumers continues to this day. In 2010, Hayato Morita released a book of his own, *The Science of Additive-Free*. He now travels the country giving speeches, and more than 10,000 people a year tour the Kyushu factory. "Word of mouth is our best sales tool," he says.

Serious About Health

Morita divides "typical Shabondama users" into three core groups: people with skin problems, atopic dermatitis, or sensitive skin; mothers with babies; and people who are



serious about natural, healthy living. Many of them belong to the Shabondama Friends' Club, whose 20,000 members receive a bimonthly newsletter as well as special discounts on any purchases.

What about the ordinary public? "Outside the core base, our target is anyone who wants good-quality soap that feels good to use," says Morita expansively. In surveys, most women claim to have "sensitive skin," something that places them

Hayato Morita,
President and CEO
Shabondama Soap
Co. Ltd.



HISAYOSHI OSAWA

squarely in Shabondama's sights. Morita also points out that although many cosmetics are marketed as "natural," soap lags the trend, meaning there's plenty of room to catch up.

The company recently teamed with local distributors to expand into China, Russia, and Korea. "We want to grow the business, but we don't have the resources to go it alone overseas," explains Morita, who is keen to establish beachheads in more Southeast Asian countries and in the United States. The firm is actively exhibiting at industry conventions in its quest to find new distributors.

Putting Out Fires

Another area where Shabondama's push into overseas markets appears poised for success is the fire-extinguishing foam business. Surprised? You shouldn't be. The foam used to put out fires is nothing more than soap bubbles. For Shabondama, it was the most logical of product extensions.

Soap enhances water's fire-quenishing abilities. By breaking surface tension, it reduces the amount of water needed to quench burning objects. It helps water permeate deeper into things like walls and wooden posts, where the fire may be smoldering. And it sticks to surfaces, shutting off the oxygen fires need.

Using soap-based foam thus enables firefighters to put out fires with significantly less water. That, of course, means less collateral damage, as people's possessions—or those of their downstairs neighbors—don't end up waterlogged and ruined.

Shabondama began researching fire-extinguishing agents in 2001 after being approached by the fire department of Kitakyushu, a large city nearby. There were historical reasons behind Kitakyushu's selection of a natural soap manufacturer. As a pollution hot spot in Japan's high-growth period, Kitakyushu had seen the error of its ways and recast itself as a leader in environmental technology and lifestyles. Having discovered that existing products were not just low in biodegradability but actually toxic, the city was determined to equip its fire trucks with a biodegradable foam agent with minimal impact on animal and plant life.

Shabondama delivered its eco-friendly fire-extinguishing foam to fight building fires in 2007. The obvious next step, given the firm's commitment to the environment, was to adapt the agent for wildfires. These are occurring frequently these days, and Shabondama is sending samples to fire departments and firefighting equipment makers around the world. It hopes to win approval from U.S. authorities within the next two years.

As Shabondama moves into new countries and new products, Morita's goal is to expand sales from the current \$72 million (¥6 billion) to \$120 million (¥10 billion) by 2020. "That's our target, but we're not interested in chasing the number for its own sake," Morita says. "We want people to understand what's good about natural soap and make informed choices. In the 21st century, no one can ignore the environment anymore." ●

Creating Visionary Leaders

GLOBIS is building the new generation of global entrepreneurs with its full-time MBA program.



Yoshito Hori,
Dean of GLOBIS
University

WHAT CAN ASPIRING students of business learn from Japan? Not much, the conventional wisdom would have you believe. This is, after all, a country whose name is synonymous with economic stagnation, and whose corporations are famously reluctant to promote non-Japanese employees to senior positions.

Yoshito Hori, dean of Tokyo's Graduate School of Management, GLOBIS University, has no time for such sloppy stereotypes. "Japan has a lot to offer in terms of technology, innovation, creativity, business models, and organizational behavior," he declares. "It's a perception issue. The world's forgotten how strong Japan is."

For Hori, his country is at a tipping point. The shrinking domestic market, coupled with the March earthquake, is pushing Japanese firms to globalize aggressively. What's different now is their recognition that hiring and promoting global talent is just as crucial as having strong brands or products. "Japanese companies are looking for great leaders regardless of nationality or language," Hori confirms.

Nurturing global leaders is what GLOBIS's full-time English-language MBA program, due to kick off in September 2012, is all about. The school has offered a part-time English MBA since 2009 to students from a total of 22 countries, but Hori decided that next year—the school's 20th anniversary—was the right moment to start a full-fledged MBA program, a key milestone en route to his target of making GLOBIS Asia's top business school by 2022.

How can GLOBIS stand out from the crowd? By being different than the competition. Most business schools are attached to universities, with faculties composed of lifelong academics. GLOBIS, by contrast, is a stand-alone entity whose teachers all have real-world business experience. "We've no historic brand name behind us," Hori explains

proudly. "We've succeeded solely by providing a good education in terms of quality, satisfaction, and practicality."

The school's track record backs him up. Since its launch with a single course taught in a rented classroom in 1992, GLOBIS has grown to be Japan's biggest business school by student numbers, and was also ranked No. 1 by *Nikkei Career* magazine in 2009 and 2010. "Other schools just talk about entrepreneurship. GLOBIS embodies it," Hori quips.

Hori stresses that GLOBIS nourishes more than just the intellect. The staff encourage students to develop the sense of personal mission and willingness to "think different" that true innovators need. Graduates are setting up their own ventures and being hired to manage entrepreneurial companies. Female alumni are breaking through the glass ceiling at some very conservative firms. Chinese alumni are helping Japanese companies make inroads into the Chinese market.

Hori's plan is to focus initially on recruiting MBA full-timers from Asia, where interest in Japan is high. "Japanese corporate models have a strong influence in countries like China, Taiwan, and Korea. Chinese companies are currently in a globalization phase, so they're keen to learn from Japan's experience," he explains.

As part of Hori's push to globalize Japan, he organized a conference in Tokyo on Nov. 3. The theme was Japan's "rebirth" from the devastating earthquake. Venture capital legend Alan Patricof was there, along with leaders from Japan's business and political worlds. Says Hori: "It was an opportunity for people to inspire each other with new ideas about Japan's future." And it's yet another example of GLOBIS fulfilling its mission of "developing visionary leaders who can create and innovate societies." ●