

# A new Japan: globally oriented

As Japan hosts the 42<sup>nd</sup> G7 Summit on 26-27 May, the country will be eager to show the international community how – following the impetus of Prime Minister Shinzo Abe's so called 'Abenomics' – it is finally embracing globalization and becoming more open than ever before. It is a mindset supported by a new wave of outward-looking Japanese companies striving to seize opportunities abroad and develop the brand of this new Japan through their products and services.

Since Prime Minister Shinzo Abe came to power in 2012, launching his eponymous economic strategy 'Abenomics', the country has submitted itself to a modern makeover — and not a moment too soon, say the country's top bankers and businessmen. In fact, weighed down by two decades of deflation, Japanese industry leaders have happily embraced this internationalization push. Indeed many argue it was long overdue.

Prime Minister Abe's plan has been radical but effective: spend money (\$100 billion), increase stimulus and improve business friendliness. But this shift has been as much a change in global mentality for the Japanese as a shift in globally oriented economic policies.

A massive bond-buying program by the Bank of Japan saw the yen plummet and domestic debt levels soar. But lo and behold, Japanese exports have since boomed, unemployment dramatically decreased and wages have gone up for the first time in two decades, while a new wave of outward-looking Japanese

companies have seized the opportunity and begun to expand abroad. As the country prepares to host the 42<sup>nd</sup> G7 Summit in May, gathering an elite group of the globe's biggest economies at one of the world's most important geopolitical events, participants and global observers should prepare themselves to revise their views. The message will be clear: this is a new, more open, more international-minded Japan ready to come of age and finally grab globalization with two arms.

Hirokazu Onoe, President of GLORY, a global leader in the manufacturing of money handling machines and systems, explains how this new outlook has washed over Japan's private sector.

"Abenomics was an attempt of Prime Minister Abe to take Japan out of the economic crisis. I believe the strategy really matched the needs of the business community and provided various opportunities for Japanese businesses." Mr. Onoe also duly points out that in 2014 many Japanese corporations posted their best financial results ever.

"Abenomics has improved the circulation of the domestic business market as well, and the effect of the weakening yen has increased Japanese exports."

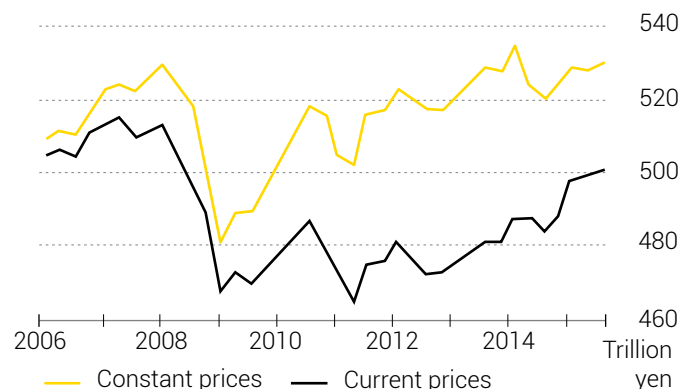
Nobuyoshi Fujisawa, President and CEO of J Trust Group, a financial services provider with activity throughout Southeast Asia, says that thanks to the government's economic strategy the group's stock prices have shot through the roof and created the conditions for the company to go global. "It created a very rapid rise in stock prices and a significant weakening of the yen. These two things happened in a very short period. Within two years, stock values doubled and the yen weakened to two-thirds of what it was. This had a huge impact on Japan," he says.

"The growth of our stock prices has been significant. We were able to achieve an equity finance of 100 billion yen (\$845 million), which is something absolutely unthinkable for a company of our scale. Thanks to this, we were able to get our hands on funds that allowed us to prepare for further global operations. It was all a direct benefit of Abenomics."

## Finance - The driving force behind Abenomics

Companies like Mitsubishi UFJ Financial Group (MUFG) have introduced U.S.-style management structures and hired international directors. Nobuyuki Hirano, the President and Group CEO, says Japan's financial industries are a mirror

## Evolution of the Japanese economy



Source: Thomson Reuters Datastream, Jan 2016



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that reflect the national economy. "In that sense, in the past two and a half years since the inauguration of Prime Minister Abe, we have felt the significantly positive impact of the implementation of Abenomics and witnessed a quite visible change in the private sector."

Mr. Hirano says that over the past two decades, business leaders were conservative in the face of the deflationary environment. They reshaped their balance sheets by streamlining excessive manpower, production facilities and debt levels. In short, they moved from a growth-oriented stance to a defensive posture. Due to the recent dramatic changes in the financial markets, their mindset has been radically changed.

"They started making investments overseas. In the earlier stage, they were still not quite confident in the real recovery of the Japanese domestic market. But it was clear for them that if they did nothing, the industry would simply decline and its competitiveness would gradually lose meaning. They would not have the opportunity of growing in the future so they started investing overseas," Mr. Hirano says, adding that his bank has strongly supported these ventures.

"Then Japanese households changed their mindset too. They were sitting on almost zero interest-



"Corporate governance has been strengthened and return on equity has benefited from Abenomics' growth strategies, both of which are stimulating the private sector. This has been good for the financial institutions."

Yasuhiro Sato, President and CEO,  
Mizuho Financial Group



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Nobuyoshi Fujisawa,  
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### The third arrow

All well and good, says Masayuki Oku, Chairman of Sumitomo Mitsui Financial Group, but is it sustainable? He says that all depends on how the Prime Minister shoots the third arrow from his quiver — his growth strategy. "Business has become very active and corporate performance has registered record breaking profits. Wages have increased and we have near perfect employment. A full exit from the deflation that has plagued us for the past 20 years is nearly at hand. But the question is if it is sustainable. This makes the growth strategy a very important arrow," he says.

Bank of Tokyo's Nobuyuki Hirano agrees. He says without the third arrow, and the economic, industrial, social and labor market reforms that accompany it, Abenomics will not achieve its initial aims. Internationalization, after all, is a two-way street. As Japanese companies move to increase their holdings and activity abroad, the country must also prepare to open its own doors wider. This is even more critical given President Obama's recent decision to fast track the Trans-Pacific Partnership, comprised of 12 Pacific Rim countries. "I am quite sure these reforms will add big momentum to the Japanese economy. The deregulation of different industries, including the healthcare, agriculture and energy sectors, will mean a strong revitalization of the Japanese economy," says Mr. Hirano.

bearing savings deposits. During the days of deflation, this was the best performing financial instrument. So rather than investing into emerging market currencies, project finance or equity, households were satisfied with simply sitting on the liquid-adjustable accounts. But now, people have begun to understand that deflation is over and they have started looking at a more diverse scope of financial products. I strongly believe that if we continue to make the current efforts and push the current policies forward, the Japanese economy will regain its strength."

Yasuhiro Sato, President and CEO of Mizuho Financial Group, Japan's third-biggest bank by market value, agrees that Abenomics has helped Japan leave the deflationary mindset behind. "Because of the stock increase, confidence in the future has grown so we are more active. We are spending more on future growth. That's a big change that must be credited to Abenomics. Of course, it is a good thing for the banking industry because as long as the client has faith in the future, they will use their money, they will take action and the economy will grow. Corporate governance has been strengthened and return on equity has benefited from Abenomics' growth strategies, both of which are stimulating the private sector. This has been good for the financial institutions and loans have been increasing quite a bit," he comments.

Takashi Goto, President and CEO of Seibu Holdings, a leading real estate group and name behind the international Prince Hotel chain, believes the growth strategy will take time to fully implement. "Japan has made drastic changes to recover from what we lost in the last 20 years. I have a high opinion of what Abenomics has achieved and will yet achieve. I believe Japan is in the middle of a paradigm shift, that's what I tell my employees all the time," he says.

Mr. Goto believes that a renewed focus on tourism in particular will help this shift along. "The major goal of all this has been to leave the last 20 years behind us, and to strengthen our will to open up to the international community, not only in the private sector, but in the public arena as well."

With Abenomics having translated into relaxed visa requirements for Asians, a move which has increased annual tourists by nearly five million people, those attending the G7 Summit in Mie Prefecture this May will join the ranks of swelling visitor numbers. In the spirit of Abenomics, Mie Governor Eikei Suzuki is hoping the event will draw the world's attention to his prefecture. "We would like to communicate more globally and I am actively working to enhance the visibility of Mie prefecture." Without a doubt, his efforts are in unison with this new, global Japan as a whole.

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# Japan in the midst of a historic tourism boom

Owing to a weak yen and an ease on visa restrictions, Japan is currently breaking visitor arrivals records every month – a trend that looks set to continue in the build up to the Tokyo 2020 Olympics

By the time the Olympic Games arrive in Japan in 2020, the Japanese government already expects to have sprinted way over the finish line in its race to achieve its ambitious target of 20 million tourists.

Indeed tourism in Japan is currently in the midst of a historic boom. The number of foreign arrivals last year reached 19.73 million compared with just two thirds of that number in 2014, and is nearly four times the 5.21 million who visited in 2003 when the government's "Visit Japan" campaign began. The Ministry of Tourism also announced in January that these visitors spent an estimated 3.48 trillion yen (\$30 billion) in 2015, making a giant 71.5% leap from the 2.03 trillion yen recorded in 2014, itself the previous high.

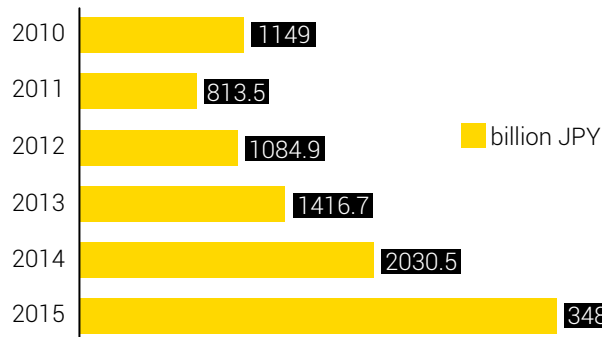
This trend in tourism growth has rocketed ever since 2012, notable for being the time around when Prime Minister Shinzo Abe and his Abenomics strategy came to office. Yes, Abenomics – many say – is the prevailing reason for this phenomenal spike in tourism. But just how is it that an economic policy can be responsible for attracting droves of tourists from all around the world, you may ask?

For starters, Abenomics' quantitative easing scheme has dramatically weakened the yen. In turn, this has made Japan markedly less expensive for international visitors, and hence goes a long way to explaining why a growing number of people are choosing to vacation in the country now, especially considering Japan's reputation for being slightly on the expensive side.

There are a number of other government initiatives too that have helped pump life into the tourism industry, says Takashi Goto, CEO and President of transport, hotel and real estate conglomerate Seibu Holdings. "Since the beginning of the Abe administration, there has been drastic easing regarding visas to Asian visitors, including China. The airline sector as well has been speeding up and implementing policies such as increasing the flights going through Haneda International Airport."

The chief of Seibu Holdings – which like many of the companies involved in Japan's tourism sector is undergoing unprecedented expansion – adds that he believes tourism has been the sector to have benefited most from Abenomics. "I feel that the most successful policies are tourism policies. At the moment, Japan

## Total spending by foreigners visiting Japan



Source: Japan's Tourism agency, SG Cross Asset Research/Economics

is set up to become a tourism-oriented nation, and the whole country is aiming to achieve this goal."

He continues: "[Japan's] paradigm shift consists of several factors, the first being the speedy advance of an aging society, the second is the increase in inbound tourism, which is something never seen before. In this environment, Seibu Group needs to tackle innovation in a speedy manner."

For Seibu Group, such innovation means new projects like senior support programs in their hotel segment to accommodate simultaneously for Japan's ageing population and domestic tourism, which like international arrivals is also on an upward curve. Other Japanese companies likewise eager to take advantage of the rapidly inflating tourism market are taking innovation to a whole different level.


Take H.I.S. for instance, Japan's largest listed tourism operator. Concerned about the steadily rising costs of hotel accommodation in the country, last year the company opened the world's first fully functional hotel to be operated by robots. "In order to combat the problem (of rising costs) we developed a robot hotel, keeping prices down while also providing the best services," explains Hideo Sawada, Chairman of H.I.S.

The Henn na – or aptly named The Weird Hotel in English – is indeed "manned" almost completely by robots, from check-in facial recognition to nifty machines that carry luggage, saving not only the company huge amounts on labor overheads but also offering customers massive savings too. Rooms at The Henn na, for example, start at \$80, a bargain for Japan, where a stay in one of the nicer hotels can easily cost twice or three times that much.


According to Mr. Sawada, considering the great allure that Japan offers tourists, such as its distinct culture, cuisine and natural beauty, the Asian nation has always had the potential to become a destination to rival the giants of world tourism, but "hasn't been very good at communicating that to the world."


Under the Abe administration, however, this is gradually beginning to change. While Abenomics and other government policies are being put in place to see the tourism industry thrive, high profile international events like the Olympics in 2020, and the G7 meeting later this year are giving the country the perfect platform to portray an image of a new Japan – one that is more open than ever before.

As Japan actively reorients its economy to adopt a more globalized outlook, tourism, says Mr. Goto, is key. "It's very important for us to communicate that Japan is open to the world, and the tourism sector is a fantastic way of doing this."



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# Tradition and innovation behind the economic revolution of Mie Prefecture, host of the 2016 G7 Summit

Mie Prefecture – an area of Japan that symbolizes the country's ancient culture and traditions – has been chosen to host the G7 Summit, with the event set to create a direct economic impact of more than 50 billion yen

Eight Japanese cities including Hiroshima, Kobe, Nagoya, Sendai, Niigata, Karuizawa and Hamamatsu, bid to host next year's G7 Summit, but after months of careful consideration, Japanese Prime Minister Shinzo Abe announced that the Ise-Shima region in Mie Prefecture would host the 42nd edition of the meeting, which will be held on May 26-27, 2016.

Prime Minister Abe has a long and special history with the area and with the Shima Kanko Hotel, which he visited as a child. Famous for pearl farms and female sea divers (known as Ama) who catch abalone and other varieties of shellfish, Mie Prefecture is punctuated by Jingu, the Grand Shrine of Ise – a 2,000-year-old shrine dedicated to *Kami* (a Shinto deity) of the Imperial family that Japanese Prime Ministers visit every year after the New Year's holiday.

"I hope world leaders will feel the rich culture and tradition and beautiful nature," said Prime Minister Abe when he made the announcement that Mie Prefecture and Ise-Shima were chosen to host the Summit.

The Prime Minister was also likely influenced in his decision to choose Ise-Shima by the fact that it boasts excellent security. Closing down the two bridges on the island of Kashikojima means that the G7 venue will be completely isolated from the main island, but it is nonetheless well communicated with the rest of the world through Chubu International Airport.

Yet in addition to cultural and logistical advantages, Eikei Suzuki, the Governor of Mie Prefecture, also believes that Ise-Shima is a prime host for the Summit because it is located in an exemplary Japanese prefecture. In addition to having the lowest unemployment rate in Japan, Mie Prefecture has had lowest number of bankrupted enterprises over the past 20 years and the highest GDP, according to Mr. Suzuki. "Abenomics has had a very favorable impact here," he says. "We have excellent traditions, technology; and we would like to represent such excellence to the world."

Governor Suzuki, who became Japan's youngest Governor when elected in 2011, says that according to some analysts the direct economic impact of the G7 Summit in the country will be around 51 billion yen (\$425 million), resulting

largely from infrastructure projects. However, the indirect impact – including tourism consumption in the next five years – has also been estimated to hover closer to 175 billion yen.

Expanding the tourism industry is key to achieving sustainable economic growth in the prefecture, which has already seen its international profile significantly boosted by collaboration with Trip Advisor and other internet-related services. "We would like to communicate more globally and in addition to Tokyo, Osaka, and Kyoto, we would like to put Mie Prefecture on the map," says Mr. Suzuki, who aims to attract more MICE (meeting, incentive travel, convention and exhibition/event) tourism following the successful hosting of the G7.

With more than 70 golf courses, the prefecture is already well positioned to attract global tourism, although luxurious greens are not the only thing it plans to build its economy around. A hub for industry and innovation, the Mie Prefecture is expected to achieve the highest economic growth rate by 2025, according to the mid-term economic forecast released by the Japan Center for Economic Research, and already produces more manufactured goods per capita than any other region of Japan. "That means that the productivity of Mie prefecture is number one in Japan," adds Mr. Suzuki.

Some of Japan's biggest companies, Honda, Toyota and Toshiba all have manufacturing plants in the prefecture, which in recent years has expanded into more advanced industries, including the manufacturing of semiconductors and liquid crystal displays. In the Hokusei and Iga regions, a cluster of pharmaceutical, cosmetics and medical equipment manufacturers drive Mie's growing medicine and health sectors, which also include R&D efforts in areas such as functional foods and DNA sequencing.

While Mie Prefecture has been very active and strong in electronics, automobiles and petrochemicals, the Governor says that the next priority segment for growth is the aerospace industry. "We have signed an MOU with Washington State regarding the aerospace industry, as well as with the Val-d'Oise department, which is one of the centers of aerospace industry in France." Mitsubishi Heavy Industries announced in June last year that it would establish an "industrial cluster" in Matsusaka City to manufacture parts for commercial aircrafts, including the Mitsubishi Regional Jet and airplanes manufactured by Boeing.

The governor has very proactively established partnerships with foreign partners in the aerospace, electronics, IT, automotive and petrochemicals industries, and has also established a unique incentive program under which foreign companies that invest more than 500 million yen can get a 20% subsidy on their investment.



"I think that the five important elements that decide investments are: economic growth, traffic and infrastructure, concentration of global industries, excellent human resources, and SMEs with excellent technology; Mie Prefecture has all five of these."

Eikei Suzuki,  
Governor of Mie Prefecture,

In order to stimulate prolonged investment from smaller companies, he has also borrowed the airline mileage system model so that companies can accrue investment points over time, and benefit from the same 20% subsidy once they have hit the 500 million yen investment mark.

Aside from investment incentives, Mr. Suzuki believes that Mie has the five most important elements for investors: "economic growth, traffic and infrastructure, concentration of global industries, excellent human resources and SMEs with excellent technology." Investors should also consider its strategic location, just one and a half hours from Osaka and two and half hours from Tokyo.

"I always use the same expression for the brand of Mie prefecture: 'Tradition and innovation'," the Governor concludes. "The tradition is Jingu and the Ama; and on the other hand innovation regarding companies that utilize high technology. Both, tradition and innovation coexist and I think that is one of the strengths of Mie prefecture."





# THE SACRED HEART OF JAPAN WELCOMES THE G7 SUMMIT

Mie Prefecture, located in central Japan, has been chosen by Prime Minister Shinzo Abe to host the 2016 G7 Summit of world leaders. The ancestral heartland of Japan, Mie Prefecture was chosen so that world leaders may "feel firsthand the beautiful nature, rich tradition and spiritual essence of Japan."





# Changing domestic landscape spurs Japan Inc.'s global shift

Firms that have rejuvenated their business models for a more globalized world are set to greatly increase overseas profits

A sound business philosophy, a growth-oriented shift, a long-term strategy – however you see it, the global marketplace can be any or all of these things, but in Japan it is something more: it's an imperative. Japanese skills in manufacturing, electronics and precision engineering are not to be underestimated, but many analysts feel they are no longer enough in themselves to ensure that its flagship firms remain competitive in world markets where consumer demand is surging along with major investment flows heading to infrastructure and improved living standards.

"Industrial reorganization and co-existence through compartmentalization with an eye on global markets centering on Asia are essential for Japan to reawaken in the 21<sup>st</sup> century," comments Masanori Murakami, Vice-Chancellor of Kyoto's Ritsumeikan University, who is concerned by the

fact that the engines that power the Japanese economy, domestic turnover and private consumption, have been losing their thrust.

Hard-core demography is the big problem. Japan's population is aging fast and declining. For two decades, a prohibitively strong yen cost exporters many overseas customers. Outsourcing manufacturing and services and hiring skilled foreign workers are not as common as in other countries, and although almost every Japanese executive speaks some English, not all have the high level of competency required to close major deals. Talented executives who are biz wizzes on their home turf too often fail to understand the dynamics of external markets configured in ways they are not familiar with. The core issue for Japanese companies is establishing a long-term presence in foreign markets

and finding out what your potential customers expect from you.

The yen has depreciated by 55% since Prime Minister Shinzo Abe introduced his 'Abenomics' package of economic reforms. But even the most favorable currency alignment will take you only so far, and nobody is more aware of those limits than Toshikazu Koike, President and CEO of Brother Industries.

"Japan definitely has great strengths such as the kind and generous spirit of its people. I believe that spirit to be one of the strongest in the world, but as for looking outward and being an open country in terms of mindset, regulations and policies, I think we are lagging far behind," Mr. Koike says.

Although he does not exempt himself from that assessment, it is belied by the fact that the company he heads derives 80% of its revenue from foreign sales, having come a long way from its origins in 1908, when the founder used to go door-to-door selling sewing machines to Japanese housewives.

"In a way, we went overseas because it was necessary for survival. I went to the United States 34 years ago to develop the market for printers, faxes, multifunction products and labeling systems and we were quite successful. Our overseas business grew while sales in the Japanese market stayed level. Having had success in the North America market, we also became successful in the rest of the world," he adds.

Keeping ahead of the cost curve made it expedient to transfer manufacturing facilities to China after Japan became too expensive. When the same thing happened in China, Brother uprooted once again and went to Vietnam, and four years ago opened its first plant in the Philippines. The result: since 2009 net sales have climbed from 597 billion yen (\$5 billion) to 800 billion yen estimated for 2015.

People tend to think of merger and acquisition as a strategic tool for large cap companies, but with Mr. Koike at the helm, Brother has been aggressively pursuing product line diversification, with moves like its recent acquisition of the UK industrial printing and coding specialist, Domino Printing Sciences.

"Office products account for two-thirds of our turnover, but unfortunately their growth rate is starting to slow," Brother's president says. "People have stopped using printers and paper and rely more on smartphones or tablets.

**"The major goal has been to leave the last 20 years behind, and strengthen our will to open up Japan to the international community"**

Takashi Goto, President & CEO of Seibu Group

## GLORY SECURES GLOBAL CASH SAFETY BY CUTTING-EDGE TECHNOLOGY

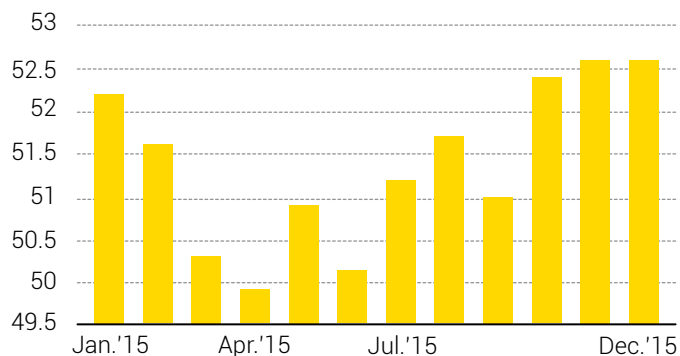


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## The Nikkei Japan Manufacturing Purchasing Managers Index 2015



Source: Markit Economics

But we expect to maintain growth through a combination of new business opportunities, new products, a diversified portfolio, and developing the business in emerging markets.”

**American inspiration**

Being known as “the Japanese version of IKEA” is not a terribly accurate description of how the Nitori retail home furnishings giant sees itself, but the company’s President, Mr. Akio Nitori, prefers to take it as a compliment. “The biggest difference is that Ikea produces and sells the same products in all its stores worldwide, whereas we sell products specific to the area to meet the needs of that particular culture. For China, we take account of what they need and what will be useful to them.”

Actually, Mr. Nitori says he was inspired more by the United States, where he was impressed by the huge warehouse-like retail spaces, spacious homes enhanced with coordinated furnishings, and the mixture of flair and functionality in the design of everyday items. “Ever since I visited the US, my goal has been to enrich everyday life of the Japanese people. I made up my mind to develop and provide affordable and full-featured products for them.”

Nitori’s range of products consist of roughly equal parts furniture and assorted household goods. They are distributed through 401 stores around the world, including three new ones in southern California doing business under the AkiHome brand.

The company aims to continue its expansion in Europe, Asia and the U.S., with a long-term goal to have 3,000 stores worldwide.

“For Asia, since it was even more behind than Japan, it is not so difficult to expand operations there. But you might ask why we operate in the US, where they are more advanced. We are really there to learn by operating there in a five-to 10-year vision, rather than to have short-term profits,” adds Mr. Nitori.

Constantly striving to learn from the U.S., the company has a program where it sends about 900 employees to America every year to develop best practices. “The reason I am doing this is because I feel that we still need to learn from the US and that we are still 10 to 20 years behind them. We are striving to close the gap,” he says.

While exporters may rejoice that the yen has been allowed to sink, Nitori is an example of a business feeling the Abenomics pinch, since most raw materials and 90% of its finished products are imported – mainly from factories in Vietnam and Indonesia. On the other hand, Nitori stands to benefit if and when the Trans-Pacific Partnership (TPP) accord between the United States and the other regional economic powerhouses is fully implemented, allowing the unhindered flow of goods across their borders.

“I believe the TPP is a positive thing. It is very important to remove custom tax barriers between countries, not only bilaterally – for example, just between the US and Japan – but for all the countries, so that they are all on an equal footing to do trade.” says Mr. Nitori. “I believe that protection against trade has never helped any country. In Japan, the barriers are still very strong but I hope they will be torn down sooner rather than later.”

**I, Robot**

Indeed while the yen is down since Abenomics kicked in, whether that is bad news or good news depends on who you talk to. One of the firms that has benefitted most from the depreciation is GLORY, which specializes in all things money – that is, systems and technology for handling, counting, safeguarding, transporting and authenticating currency.

“By the end of March this year, many corporations in Japan had achieved the best financial results ever,” says GLORY’s Chairman, Mr. Hirokazu Onoe. “Abenomics has enabled Japanese businesses to boost investment in facilities and equipment, and that has led to an increase in demand that the manufacturing sector in particular has benefitted from. So, all told, Abenomics has had a very positive impact on us.”

In this case, the decision to go global was prompted by a saturated local market. Japan is already one of the most advanced countries on the planet when it comes to systems used by banks and other financial institutions for money handling so GLORY’s potential for domestic growth is limited in its country of origin.

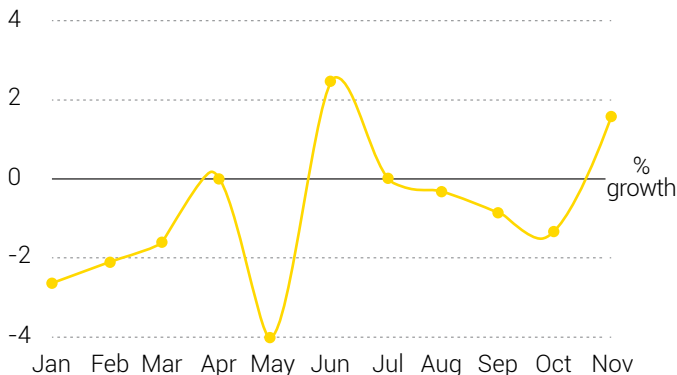
“We expect to maintain growth through a combination of new business opportunities, new products, a diversified portfolio, and developing the business in emerging markets”

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Akio Nitori,  
President of Nitori

Japan Manufacturing Production 2015



Source: tradingeconomics.com, Ministry of Economy, Trade & Industry

[www.brother.com](http://www.brother.com)

## TECHNOLOGY FOR THE GLOBAL WORLD

Since its creation in 1908, the Brother Group has been responding to changing times, offering unique communications products and services to customers. Today, the Brother Group is a global business producing communications and printing equipment, including printers and All-in-Ones, at manufacturing and sales facilities in more than 40 countries and regions.

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That was not so in 1950, when the government asked GLORY to come up with a coin-wrapping system, followed by prototype devices involving coin lockers, change makers, vending machines and other everyday applications. Although the primary focus is still currency, the company has since branched out on parallel research tracks involving facial recognition software, mechatronics and other security safeguards. "This heritage of continually creating new products is something that is in our DNA and will continue to be in it," Mr. Onoe avows.

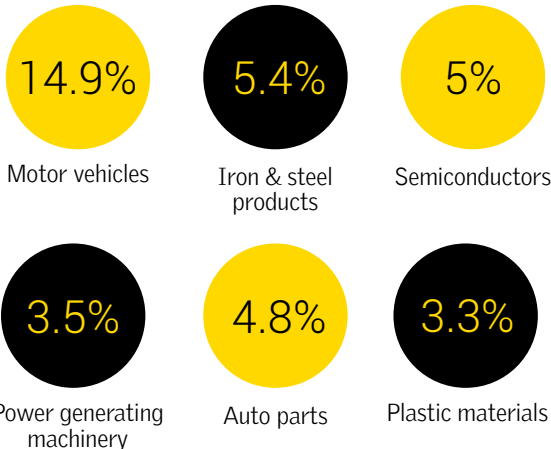
And then there are the robots. Though GLORY was not involved in their design or core technology, these quasi-human machines have been incorporated into its assembly lines under an accord with the developer, Kawada Industries. The machines "learn" how to perform cyclical multitask functions by adapting their predetermined programming to new input coming from human or digital operators. "The point of the trials here is to show that human and robot workers can co-exist in the workplace," says Mr. Onoe.

"We are going to face a future decline in human capital here in Japan, and we believe this is a great solution because with robots you can achieve higher accuracy," he explains. "They come with a camera, while with humans there are bound to be mistakes. With robots we can also achieve multi-functionality so that in the daytime robots and humans work side by side, but only robots work through the night."

**"I think Abeconomics' greatest contribution is that it changed the prevailing mindset. It helped us all to shake off the deflation mentality."**

Yatsuhiko Sato,  
President and CEO, Mizuho  
Service Group

Japan's top export commodities



Source: CIA World Factbook (2014 est.)

**After the storm comes the opportunity**

For all its blowback and unintended consequences, Abenomics deserves full credit for having restored trust and confidence to investors and stability to the markets. That is what has allowed the specialists at the Mizuho Financial Group to step forward with the skillset and determination to become one of the world's most trusted financial services groups with a global presence and a broad customer base and to contribute to the prosperity of Japan and the wider region.

For Mizuho's President and CEO, Yatsuhiko Sato, there are no two ways about it. "I think Abenomics' greatest contribution is that it changed the prevailing mindset. It helped us all to shake off the deflation mentality." Now Mizuho and similar minded institutions are prepared to help find productive destinations for the money Japanese firms squirreled away for safekeeping during the "lost decade" of asset bubbles and bad loans, when corporate investment plunged by 27% and heavily indebted small and medium enterprises (SME) went under.

**"Industrial reorganization and co-existence through compartmentalization with an eye on global markets centering on Asia are essential for Japan to reawaken in the 21st century"**

Masanori Murakami,  
Vice-Chancellor of Kyoto's  
Ritsumeikan University

It is not only Japan's bigger industrial companies that are reorienting towards world markets. With dwindling profits at home due to falling demand, Japan's SMEs have to think global also – and in that regard, Mizuho is playing a crucial supportive role for these firms.

"Our most important role is to introduce overseas business opportunities to Japanese SMEs. We have more than 40 overseas offices in Asian areas. We can offer clients transaction between Japanese SMEs and Asian SMEs. We have a special, private department that sees to this kind of matching. For the SMEs,

we offer excellent financial services needed to get them involved and partnering in overseas activities."

Unlike other Japanese banks like Mitsubishi and Sumitomo that have informal or overt links to the big industrial giants, Mizuho has no ties that would affect its ability to act as an honest broker and deal facilitator. "Our risk management people are the best. Our underperforming assets are less than 1%," Mr. Sato says and notes that Mizuho has a specific task force called the Industrial Research Division covering more than 20 different sectors.

"Only Mizuho can have a tremendous amount of information about the strategy of each industry as we are not belonging to some specific Zaibatsu group. We are – in a way – a neutral financial institution, different from Mitsubishi or Sumitomo. That's the reason why only Mizuho has this Industrial Research Division."

The changing domestic landscape has necessitated Japanese companies, both big and small, to look outwards and try to establish a stronger presence in world markets. And with financial services firms like Mizuho behind them, the removal of trade barriers under the TPP and government policy facilitating their internationalization, Japanese companies rejuvenating their business models to go global are set to greatly increase overseas profits.



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