

How Japan Will Surprise the World Next

PROFITABLE Regional Revitalization

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Former Minister in Charge of Regional Revitalization

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An increasingly popular question: what is regional revitalization?

**Former Minister of Regional Revitalization
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Regional Revitalization, a Global Endeavor

I was pleasantly surprised by how well-received my speech was on regional revitalization when I was invited to the Boston Consulting Group's executive meeting in May of 2017. Some attendees were so impressed with developments in rural Japan that they voiced interests in investment plans. My stories of regional revitalization were taken up with extreme curiosity in France and Argentina as well when I spoke with my counterpart ministers. Clearly, the claim that regional revitalization is a globally common theme and endeavor is in no way an exaggeration.

There are caveats to this excitement, however. Even within Japan where regional revitalization has been designated as a national pillar of economic growth, there seem to be some fundamental misunderstandings on what the undertaking entails. With this in mind, it is my sincere hope that through sharing stimulating dialogue with renowned experts and examples of regional revitalization in various parts of Japan, this book can close in on the true essence of what regional revitalization is and serve as a reference in whatever capacity it can. Perhaps it can offer motivation for action and guide those already on their own paths to improve their districts.

Defining Regional Revitalization

In my capacity as Minister of Regional Revitalization, I worked under the belief that attaining regional revitalization is synonymous with raising the average income of a given area. Based on the groundwork that economist Yasuyuki Iida laid in his works titled "Learning from Mistakes in Regional Resurrection," I saw there was a clear need to establish one universal definition for the concept. Until my tenure as Minister, Japanese people operated under a variety of assumptions on what regional revitalization was, including halting population decline, reversing the overconcentration of talent and resources on Tokyo, creating jobs in regional areas, and making rural parts of the country physically appealing. The result? Confusion, a lack of synchronized policymaking, and ultimately, unsatisfactory economic effects.

As Carl von Clausewitz articulated in *On War*, one common objective must be designated when attempting to achieve something great as a group. Government officials, forced to meet multiple demands, tend to fold numerous issues, ideals, and goals into one policy, often losing sight of their primary intentions. I would know – I used to be one myself. As Minister, however, this would be unacceptable.

In principle, raising the average income is to make a profit. Local districts can host large firework events or create mascots for their towns, but without any actual profits, all efforts are in vain. Without increased incomes, there is no promise of sustainable growth for the region. Now more than ever, there is a serious need for local districts to contemplate and strategize on how to draw in revenue, keep money from flowing outside, and sustain profits. Profitable regions naturally draw in more people, resources, and capital. This is the essence of regional revitalization.

Next, what I've pleaded to numerous regions' leaders, is for them to fully embrace the spirit of self-help. 2018 marks the 150th anniversary of the Meiji Restoration that began an era of industrialization and modernization to Japan. Little known to the Japanese people today, their ancestors living during those revolutionary times encountered an existential crisis in their daily lives; many did not even know how to feed themselves in a new era where their society's values and long cherished philosophies had taken a 180-degree turn. It was in this climate that an academic named Masanao Nakamura submitted a request to the Meiji government to study abroad in England to learn how their small island nation was able to conquer the seven seas. Without any success at the tail end of his two-year journey, a local politician there handed Nakamura the book "Self-Help" by Samuel Smiles. "This may be what you've been looking for," he was told. The Japanese scholar is said to have jumped with glee upon reading it, declaring that it enshrined the strength of the English. He immediately began its translation into Japanese, making the work a best seller with four times more circulation than in England. With one million copies sold, it is said that there was one in every household, and together with Yukichi Fukuzawa's "An Encouragement of Learning," it is no exaggeration that the two works formed the foundations of the societal psyche. The work heavily influenced numerous people who built Japan into what it is today. I was moved when I saw an original copy belonging to Sakichi Toyoda, founding father of what it is now Toyota Motor Corporation, treasured in a glass case in their Commemorative Museum of Industry and Technology.

The teachings from "Self-Help" are quite simple in nature – do not rely on others; your own genuine efforts are the only path to success. This lesson is highly applicable in the field of regional revitalization and is just as pertinent to society now as it was 150 years ago. No matter the definition of the term, it is not possible to achieve any tangible results without the independent will and effort to improve your own region. Depending on the state will not lead to anything in this endeavor. Even if outcomes are initially baby steps, one's own abilities that lead to profits are the only way to achieve sustained regional growth. In my school of thought, our basic policy stance as national policymakers is to offer assistance in the form of information, training, and finance to those regions making genuine efforts through self-help.

The Man Who Embodied the Spirit of Self-Help: Sazo Idemitsu

I would like to take the opportunity to introduce an example of modern Japanese self-help. The movie *Fueled: A Man Called Pirate*, based on an award-winning novel that illustrates Sazo Idemitsu's life and his fabled

business tactics, gained popularity in late 2016. I must admit I had a particular curiosity in it since his company, Idemitsu Kosan Co., Ltd. finds its roots in my hometown of Moji in Kitakyushu, Fukuoka Prefecture. A crude plot summary: in order to skirt inane regulations at the time which restricted petroleum sales, Idemitsu has the outrageous idea to begin buying and selling it in open waters. Through multiple episodes of clashing with regulations, political forces, and Japanese tradition itself, his unconventional spirit of self-help culminated in an international legal fiasco known as the *Nissho Maru Incident* where he circumvented British control of the oil and purchased it directly from Iran. My favorite part of the movie was a scene depicting his office full of employees mourning what they had thought was the end of their company on August 17th, 1945, two days after the end of World War II. “Stop carping,” Idemitsu barked. “Start rebuilding if you have time to complain.” I couldn’t help but be moved by the brawn and initiative he showed after suffering such a physical and psychological defeat from the most destructive war humankind has ever experienced. This, I thought, exemplifies the spirit of self-help.

In working towards “raising average incomes” as the definition of regional revitalization, I believe within the finer nuances of the concept that regional revitalization is also an exercise in bringing back the spirit of self-help to the Japanese people.

RESAS: A Practical Tool for Regional Revitalization Efforts

With that said, many who wish to make profits for their region through the spirit of self-help will not have a clue in how to go about starting. This is natural.

The first step I would like to recommend for people in Japan is taking advantage of **RESAS: the Regional Economy Society Analyzing System**. This powerful tool acts as a hub for numerous sets of data from both the public and private sectors, all bundled into a visible and convenient platform that anybody with an internet connection can utilize. Policymaking has been traditionally based on instinct, experience, and personal credence – implementing RESAS allows us to take an important step towards much needed **evidence-based policymaking (EBPM)**.

Through RESAS, a user can effortlessly see with great detail what industries are successful (or not) in their hometown or the flow of people moving in and out of their region. Using this data, people can begin contemplating how to generate revenue and study economic activities in their vicinities to begin planning innovative businesses that their area lacks. Cases will of course vary, and different regions have different strengths and weaknesses, but we’re already beginning to see success stories.

Japan is in a state where its citizens have no choice but to give their best efforts. Keeping this in mind, I began my one-year tenure as Minister of Regional Revitalization with a visit to the town of Ama in Shimane Prefecture. In order to truly make a difference, I knew that I had to see and learn from what movements were taking place on the ground, thus beginning my journey to 303 locations in 144 municipalities across 46 prefectures.

In Ama, I found what I believe to be a clue to understanding the true essence of regional revitalization. The 2400-person town is more of a village situated 60 kilometers away from the mainland. Although blessed with abundant marine products, the oysters and squid taken from the island had to be shipped on a four-hour ferry to neighboring Tottori Prefecture to be sold in markets. Shipping costs were not cheap, the freshness of the seafood was compromised, and if the ferries were cancelled due to a storm (which are not uncommon there), the entire catch was

wasted. As one can imagine, the fishers' incomes were not that high. In a time of a declining and aging population that coincided with then Prime Minister Junichiro Koizumi's structural reform plans that reduced tax revenue allocations to local governments, the island was in peril.

Enter Michio Yamauchi in 2002, a former executive staff member of NTT, a major Japanese telecommunications company. After being prodded to run in the mayoral election, Mr. Yamauchi and his city employees began desperately contemplating what could save the island. Their solution was to purchase the Cells Alive System, or CAS, to better preserve their marine products.

CAS is a new magnetic device that attaches to flash freezers to greatly improve their abilities. Driven by his desire to help declining regional parts of Japan, ABI Corporation President Norio Owada spent 20 years developing this technology that prevents microstructural damages caused by ice crystal formation that occurs during conventional freezing of seafood. This allows for long-term storage that does not compromise the fresh taste of food products. Seeing its potential, Mr. Yamauchi knew that this was the answer. There was one problem – the city lacked the funds for the initial investment. He stepped forward and cut half of his pay, leading to the top ranks of the city staff forfeiting 30% of their own salaries, which prompted city councilors to follow suit. The movement was able to squeeze 200 million JPY (1.8 million USD) into the CAS budget, which stirred local residents' movements to advocating for the cause as well. The central government had no choice but to assist in the undertaking after the cause picked up that much traction.



Preparations for implementing CAS freezing began in 2004, and in March of 2005, the "Hometown Ama CAS Freezing Center" opened. The total construction cost came to over 500 million JPY, and everyone feared a pyrrhic victory. "If this failed, we were all domed," commented the mayor.

Their main trial was finding and maintaining appropriate distribution channels, which proved to be difficult. CAS products were unprecedented, and the market value was a mystery. Ultimately, the stakeholders resolutely agreed on prices on their own with the underlying principle that fishers, the local economy, and consumers must all benefit equally from sales, but with prices 30% higher than competing frozen goods, finding buyers was

initially arduous. Supermarkets, hotels, and department stores rejected CAS products without hesitation. One Japanese pub chain finally agreed to try out the revamped Ama seafood with the perspective that if the quality was high enough, they were willing to give it a try. Word of mouth that the chain had incredible fish spread like wildfire. From there, Ama began putting strength into online and direct sales, eventually moving on to processing foods and making profits far above the initial investment costs.



During my visit, I was personally able to have a taste of Ama rock oysters, their signature product. Although technically frozen for two years, the freshness and zest made it hard to believe that they weren't just plucked out of the ocean. These oysters weren't the only product that succeeded. The harvesting of squid, which is difficult to predict and thus makes for precarious profitmaking, no longer became a cause of headaches as the supply side became stable through CAS freezing. Moreover, due to these effective freezing and transportation capabilities, fewer parts of the squid now have to be disposed of, leading to less food loss and greater profits. Anxieties over poor harvests and weather became relics of the past, and fishers' annual wages rose to 10-20 million yen (90,000-180,000USD). With stable high incomes came confident initiatives from the city. Perhaps their highest priority was education – the island began accepting outside students in order to maintain their one and only high school and even opened a cram school in order to push its youth to pursue higher education. Inspired residents began taking their own initiatives, leading to a ranch opening and sea cucumber aquaculture project. Taking note of these and other developments, more than 400 people have migrated to the island from urban areas.

Mayor Yamauchi assertively claimed, "Municipal governments should proactively engage in entrepreneurship through effectively leveraging local resources and government grants. I've had people approach me who wanted to build large scale factories on the island, but I flatly reject them because they tend to pull out at any sign of an economic downturn. They aren't invested in the community for the long haul. What's left after they leave is a hollowed-out hopeless town. If a company is to succeed, it needs to be resilient, have local roots, and be cherished by locals." I found within these words the essence of regional revitalization – fully embracing the spirit of self-help and struggling to make a profit.

Thus began my journey of regional revitalization field research around Japan.



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Fireside Chats on Regional Revitalization: “Making Profits is the First Step in Regional Revitalization”

Associate Professor, School of Political Science and Economics, Meiji University

Yasuyuki Iida

The only exit from a downward spiral of deficit to making a profitable region is to strive towards raising average incomes

To Revitalize a Region is to Raise its Average Income

Yamamoto: I’m of the belief that it’s important to first define what regional revitalization actually is before any boots hit the ground. In your work “Learning from Mistakes in Regional Resurrection,” you pointed out that regional revitalization is to raise the average income of a given area. I couldn’t agree more. Making a profit is step number one, and without that, there would be no regional revitalization of which to speak; I’ve spent my time as minister with this constantly in mind. Can you tell me more about this?

Iida: Regional revitalization has always been widely interpreted with opaque Key Performance Indicators (“KPI”s are measurable values that demonstrate how effectively an organization achieves its goals). It’s crucial to use easily identifiable KPIs, since whether or not the regional revitalization was successful becomes instantly clear when we use them. When you have a vague definition of revitalization like simply “stimulating the local economy,” you get a false sense of accomplishment even with little tangible results. It’s hard to deem the exercise a failure, and people take comfort in the fact that there was some success. This would have been okay in the past when Japan’s economy was rapidly growing and there was leeway in government budget usage, but we aren’t in those times anymore. Of course, we can’t measure people’s happiness using income levels as a benchmark, but raising those incomes is an easily shared goal that everyone can work towards. Regions that aren’t able to make profits only go further into debt. To fill those holes, the government gives them subsidies and grants. They become reliant on those, creating a spiral of debt. The only way to break the cycle is to raise income levels from the bottom up.

Yamamoto: I couldn’t agree more. One aspect I particularly like about the definition is that it’s one single definition. If you want to rally a group of people to make something happen, there needs to be one goal. There are things we need to achieve of course, such as making livable cities, fighting depopulation, etc. etc. The list goes on, but without just one clear goal, the focus is blurred, and nothing ends up being accomplished. Raising average income levels tackles numerous problems at once, and is very to the point.

Iida: There are actually two points in raising average income levels. One, as you say, is that it’s clear and easy to understand. The second is that without setting this as the goal, the objective of regional revitalization would have been to increase the population. Japan is demographically bound to decline in the number of people. That’s a fact. And if we set population-based goals, regional revitalization would have been doomed as a policy. I knew that had to be avoided.

Yamamoto: True. Population policy is an endless national topic that should be addressed separately. So within raising average income levels, what’s necessary? How should people dive into this?

Iida: First and foremost, I think it's important to mention how rural areas focus too much on Tokyo. In many regional peoples' minds, making a profit equals selling goods and services to Tokyo. Of course using Tokyo's market is not inherently bad, but we need to keep in mind that it's completely saturated. From the people of Tokyo's perspective, similar goods are produced all throughout Japan without much distinction. Along the same lines of thought, reducing the amount of goods and services sold from Tokyo to the rest of the country may become important. The capital's main export domestically is what's called "headquarter services," such as franchise fees. If these headquarter services are reduced, regional debts will also go down. Selling to foreign countries is a solid option as well if you're looking to make profits.

Professor Akira Yamasaki from Chuo University came up with the concept of regional revitalization tactics that leapfrog over Tokyo. It's fascinating. With all of these similar products stuffed into Tokyo that are hard to distinguish with a region's name, the product is branded as simply "Japanese" in a foreign market. The product stands out as unique, and outside of Japan, the product gets to distinguish itself from the domestic consumer pecking order. Apples from Nagano Prefecture and Aomori Prefecture are famous domestically; they have the name value and are sold at great prices just because of where they were made. Unfortunately, that means apples produced in other parts of the country have difficulty entering the market. It's the same concept of tea from Shizuoka Prefecture and Uji in Kyoto Prefecture enjoying a positive bias as being the best. Japanese consumers tend to mistakenly rate products from little-known places as inferior, but in overseas markets, these products can shed themselves of the bias that they have domestically.

Yamamoto: I see. It was May 2017, I think, that I discussed regional revitalization in a meeting with executives from the Boston Consulting Group, and I was surprised by how much traction it picked up. Goods too common for a local market can sometimes be very attractive for foreigners. What can be done to help shift attention to overseas markets?

Points to be noted when the regional areas shift focus to foreign countries



Iida: I think rural Japanese are far too influenced by Tokyo. Many falsely believe that merchandise not marketable in Tokyo will not be sold in foreign countries or that some very big plan is necessary to sell their products in foreign countries. People in regional areas and even chambers of commerce tend to still believe it's necessary to physically establish a local office in their new target market to determine transaction routes and transport goods. They don't realize they can make use of today's advanced information and communication technologies to kick off their business with small transactions. If and when they're successful, they can expand. The problem is that everyone tries to establish entire networks and operations from the get-go.

Yamamoto: I see. The internet is quite a powerful tool indeed. You never know what kind of order you may receive from where.

Moderation is everything

Yamamoto: Professor Iida, you argue that there must be a core city with a population of at least around 300,000 to promote any given regional revitalization project. Could you explain your rationale behind this notion?

Iida: To be honest, this figure of 300,000 was rather intuitive. My argument is mainly based on the fact that moderate-size cities are the main market for surrounding agricultural and fishing communities – having a fairly well-sized neighboring city is necessary to have a service industry that can plan and advertise these products and bring other industries like tourism. A city with a population of 300,000 is just about right to provide these services. Without this, smaller communities are forced to rely on Tokyo for marketing and other resources. It's important to note that local towns should make their best attempt at minimizing expenditures to outside their regions. I also found it interesting that a prominent scholar of business administration pointed out the importance of having a team of people with different skillsets and background in a work environment that doesn't bind them to hierarchy in order to come up with new ideas. Basically, it's the concept of diversity management. The theory recommends organizations to employ people with various backgrounds and characteristics, but that's rather difficult in rural areas. That's especially true for small companies with only a handful of employees. To be completely frank, the reality is that small local companies have no choice but to accept most workers they can get. If they're to strive for diversity, they have to look outward. A city with a population of roughly 300,000 can most likely offer people with various job experiences and cultures. Work-style reform comes into play here as well. If employees are working from early morning until late at night, there won't even be a chance for employers to meet potential new employees. Work-style changes can offer workers new opportunities, not just for new jobs, but to meet new talent and expose themselves to ideas that they can bring back to their current workplaces. Of course, this won't work if only one company implements work-style reforms. It needs to be on a nationwide scale as a national policy.

Yamamoto: I visited Kamiyama Town in Tokushima Prefecture where an IT venture uses a satellite office. People work as usual in the daytime, but in the evening, they gather in a restaurant to enjoy their private time together. It's a great way to generate new ideas.



The importance of women's perspectives in reversing the overemphasis on Tokyo

Yamamoto: As Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan, I took a range of measures to correct the heavy concentration in Tokyo, but as you know, this trend isn't easily reversible. What do you think is important in addressing this problem?

Iida: For the past five years, the Tokyo metropolitan area has shown the slowest income growth among the seven metropolitan areas and ten biggest cities in Japan. The population of Tokyo is greatly increasing but the income per person remains flat, or if anything, is actually decreasing in some statistics depending on the definition of Tokyo metropolitan area. In the past, common sense dictated that the more people gather in a certain area, the more income increases. Unfortunately, it doesn't seem like the average income is increasing proportionally with the population anymore. The more people move to Tokyo, the lower its productivity becomes. The question that everyone asks then, is "Why aren't people moving back to regional areas?" In reality, I think many business people do. How can you not if you're shoved in a full train and exhausted by the time you finish your 1.5-hour commute to get to work? This isn't an ideal situation for both the worker and the company. Many municipalities hold job fairs for those who want to relocate to rural areas, and for many men, it's relatively easy to find a job and simply move. If he has a wife who is financially reliant on him, however, the spouse oftentimes has problems with the idea of moving to a place with no friends and acquaintances. It goes deeper. Local areas in Japan seldom offer jobs for women looking for careers. It's been over 30 years since the Equal Employment Opportunity Law was enacted and we're finally seeing doors open for women to work more freely in major cities such as Tokyo, Osaka and Nagoya. In rural areas though, most company staff are still men. There's plenty of regional demand for those in their 30s and 40s who wish to move, but many in this generation are dual-income couples that aren't interested in a new environment that offers a job for only the man. When looking at it this way, regional companies have to create appealing jobs in which women can enhance their career. For example, most academic institutions in the United States offer jobs for both partners in order to get the best employees. Companies that have their main office in Tokyo or other major cities but also have offices in regional areas have a golden opportunity to provide a step up in people's careers by bringing them countryside. A more direct and simpler option is for the couple to move to the wife's hometown.

Yamamoto: So in this sense, women may play an important role for regional revitalization.

Iida: To promote countryside migration through the latter strategy, I recommend regional companies to check the list of female graduates of their local high schools which are likely to see their grads move on to universities in Tokyo. Contacting male graduates is a common trick, but nobody thinks to check in with female ones.

Yamamoto: You're saying the most effective method to get good employees is to encourage women to return to their hometowns.

Iida: Exactly. I just recently met a man who said he moved to Hakata because it was his wife's hometown.

Yamamoto: At any rate, it's good to see women empowered.

Iida: Another good reason to return to one's hometown is childrearing. Couples working in their thirties who have kids often need the support of their parents in raising their young children. This is actually what my family went through as well. When both parents have jobs, childcare is challenging without support from the grandparents even in areas where there is no infamous Japanese kindergarten waitlist. One obvious solution is to hire a babysitter but receiving help from your parents without extra expenses is more ideal for multiple reasons.



Making a genuinely unique and appealing regional revitalization effort

Yamamoto: Professor Iida, the title of your book uses the term "failure analysis." What should regional areas pay particular attention to when making efforts for revitalization?

Iida: I would first say that they shouldn't start with some grandiose plan. This is important. Once you start a large-scale development project, you can't go back. Far before you've started construction on the plot of land you've purchased, you have too many stakeholders in the mix to say never mind. There are success cases that are respected and awed, but these high-risk examples that happened to go well. Behind the scenes are a number of overzealous businesses that got locked into large troublesome projects with no way out. The takeaway is that you should always start small. Also, never copy what others have already done in regional revitalization projects.

Yamamoto: I think that happens quite often – mimicking successful projects from other regions.

Iida: Taking examples and learning from other districts is certainly one approach, but nine times out of ten, the side copying the successful district doesn't make as much of a profit as expected, and the imitated side sees lower profits due to the competition. It's especially painful to see two neighboring regions with almost identical projects.

Yamamoto: Interesting viewpoint. I once visited a startup indigo plant in Aomori Prefecture. When I asked them why they started this project, they simply answered that it was because there was nobody in the surrounding area involved in the indigo industry.

Iida: Judging from current examples, I'd say any given type of project should be limited to one per prefecture. I hate to offer a trite example, but the famous Ogal Project in Shiwacho of Iwate Prefecture is a good case. The volleyball court there is unique in itself and because there aren't any others in the surrounding area.

Set a clear and unwavering goal!

Yamamoto: Lastly, could you offer some advice to improve ongoing regional revitalization projects?

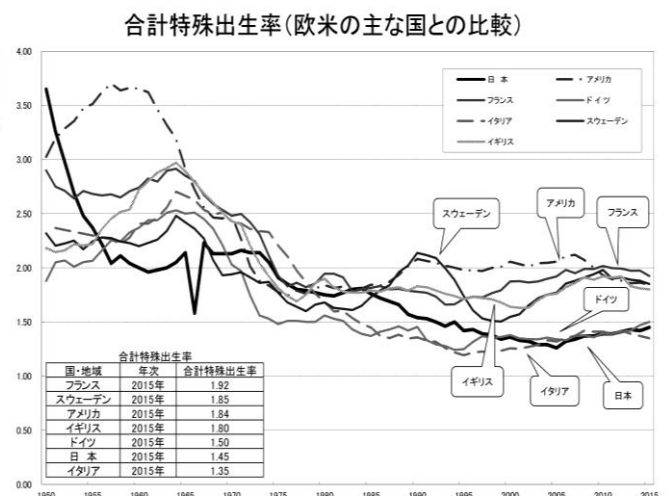
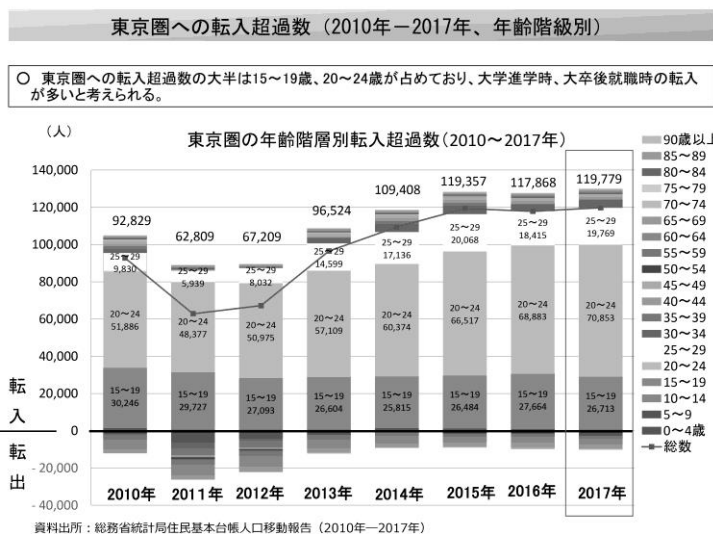
Iida: Certainly. I would say that those involved in projects should constantly remind themselves that their KPI is to raise the average income of the area. It happens easily in any organization, but there's always a strong want to set some ambiguous goal to give a sense of accomplishment. It's nice to fall back to. If you're serious about making a difference though, you need to repeatedly emphasize that your definition of success is to increase the average income.

Yamamoto: I see. Clearly setting and repeating the goal as raising the average income is crucial to regional revitalization efforts. I feel as though this will become a key for regional areas' survival as well, for better or for worse. I'll keep this in mind going forward. Thank you so much, and I hope to continue working with you.

Iida: It was my pleasure. Thank you.

Yasuyuki Iida

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To revitalize a region is to raise its average income

Tackling pressing national issues such as a declining population and overemphasis on Tokyo through better productivity

I assert that regional revitalization consists of increasing the local average income - or, in other words, "making a profit." This begs the question of why regional revitalization is necessary in the first place. My reply is quite simple - it is because of grave problems such as drops in population and rapid aging in local districts. These problems are not limited to rural areas of Japan, however. A declining population in the countryside equates to fewer human resources for major cities, leading to their decline much faster than anticipated. This will become a global issue in the near future.

In Japan, the nationwide population decline started in 2008. This trend is only expected to accelerate. Once the economy begins to wither due to loss of labor, there is a strong risk of a downward spiral consisting of a shrinking economy and human resource loss feeding into each other. We can see examples of this phenomenon already happening in local underpopulated areas. It is a serious concern to policymakers that many places in Japan are faced with an underwhelming labor force and an emasculated consumer market, which inevitably lead to a poorly performing economy. This is followed by a deterioration of social and administrative services, including closures of schools (which is happening in many parts of Japan). The drop in standard of living causes the locals to seek better lives elsewhere - the very definition of a vicious cycle.

One of the kneejerk solutions against this serious nationwide problem is to increase the birthrate. Just like Germany and Italy, Japan has a very low birthrate, currently hovering around 1.4. There are success stories in this endeavor - among developed countries, France and Sweden stand out in their recovery to higher birthrates. Using these cases and Japan's rare success examples as reference points, Japan should address its birthrate decline and work-style reform issues head on.

The second solution is to increase the productivity of every employee in the country. As previously articulated, this is simply regional revitalization through "profit-making" which I strongly advocated as Minister. A hampered economy due to a declining population is not a problem if everyone's income can be maintained. This will not be easy, especially when taking into account factors such as ballooning social security expenses due to our rapidly aging population. Prime Minister Shinzo Abe's policies to revitalize the economy, a three-pronged approach that combines fiscal expansion, monetary easing, and structural reforms, called "**Abenomics**," will be required to be implemented at the local level. We need to create a virtuous cycle where good jobs bring in more people, and in turn these people create better jobs.

The third solution is to reverse the overemphasis of talent and resources on Tokyo. In 2017, the population of the Tokyo Metropolitan Area (Tokyo, Saitama, Chiba and Kanagawa Prefectures) increased by 119,779 due to domestic migration. Population growth there has continued for 22 years, hitting unsustainable levels. Since the native birthrate in the Tokyo Metropolitan Area is even lower than that of local districts, we see that the migration of younger generations to this area is only accelerating the population decline of the entire country. In addition, this

phenomenon adds more potential damage to the risk of an impending major earthquake to hit Tokyo in the near future (calculated to happen within the next 30 years with a possibility of 70%). The population flow to Tokyo has direct consequences to not only regional areas' societies and economics, but to the capital as well.

This book presents numerous case studies of profitable regional revitalization in 303 locations within 144 municipalities in 46 prefectures from my days as Minister. The examples are classified by chapters as follows: (1) agriculture and fisheries, (2) tourism, (3) leveraging local industries, (4) shopping district revitalization, (5) migration, satellite offices, and CCRC, (6) regulatory reform and RESAS utilization, and finally, (7) universities and high schools. I truly believe that the valuable examples categorized within these sections can be useful in one way or another for municipalities across the globe.

We must keep in mind, however, that each area is different, even within Japan. Simply imitating a successful case of regional revitalization will not lead to desired outcomes, especially for industries with small amounts of demand. In the worst-case scenario, copying another project will lead to meagerly sharing a market and, ultimately, the demise of everyone involved.

If I could stress just one message in this book, it would be to learn from the essence of the endeavors within these examples – the spirit of self-help.

Regulatory Reform and RESAS Utilization

In Japan, central government support was required for motivated municipalities to succeed in many of their projects. The National Strategic Special Zone system and RESAS prove to be useful tools in their endeavors.

The National Strategic Special Zone is the system created following the enactment of *Act on National Strategic Special Zone* in 2013, whose purpose is to implement bold deregulations and reforms required for obtaining goals stipulated in **Abenomics** (Prime Minister Shinzo Abe's policies to revitalize the economy, a three-pronged approach that combines fiscal expansion, monetary easing, and structural reforms), and aims to establish a business-friendly environment across all of Japan.

Unlike conventional special-zone systems, the government is directly involved in the analysis and selection of the zones to make sophisticated decisions that target appropriate deregulations. As of October 2017, the Tokyo Metropolitan Area and nine other districts have been designated as special zones, and 86 businesses in eleven various sectors including tourism, education, and agriculture are under close monitoring as test subjects for economic reform.

Many including myself consider the zones a strong tool in achieving regional revitalization. Allow me to break down the process. In the first step, the central government receives applications and proposals from ambitious municipal governments with concrete plan to carry out unique projects. These plans require changes to the administrative system or regulations, and with the support of the central government, there comes a new form of collaboration aimed at finding the right balance of safety (whether it be physical or metaphysical) and economic growth.

Local government leaders have helped bring about a total of 86 reforms thus far, many of which are unique to Japan's political and regulatory landscape. Some of these are alluded to in earlier sections of this book including permitting private companies to purchase farmland, allowing farmer-operated dining establishments on land designated for agricultural purposes, the relaxing of requirements for agricultural corporate entities (expanded from a special zone project to the entire nation as of 2015 after thorough review), allowing for historic buildings to be reused as lodging facilities, changing the criteria for childcare worker licenses, lifting bans on establishing nurseries in city parks (also expanded to cover the entire nation as of 2017), and a myriad of adjustments to regulations that inhibit municipalities from fighting population decline.

As the Minister in charge, I was able to help craft proposals submitted by local districts into actual policies such as vacation rental use relaxations, employment rule changes for foreign workers in agriculture, expansions of small-size nurseries, and the establishment of a new faculty of veterinary medicine. The work was incredibly rewarding knowing that I was directly helping to update rules in order to better the lives of people around the country, and I would shamelessly like to take this opportunity to thank everyone involved who made those dreams into realities. The following section will expand on some of these regulatory reforms, citing case examples and details from my visits to Yabu City (Hyogo Prefecture) Ota Ward (Tokyo), and my hometown, Kitakyushu City (Fukuoka Prefecture).

Also making an appearance in the section is Ukiha City (Fukuoka Prefecture) which has taken curious measures for business startup support and tourism industry policies by utilizing the **Regional Economy and Society**

Analyzing System (RESAS). RESAS, released in April 2015, is the entryway for regional revitalization in Japan that aggregates data from both the public and private sectors and presents them in the form of graphs and maps for users to easily visualize their region's economic activities. With it, local districts can analyze their strengths, weaknesses, and issues that may be obstacles to their regional revitalization goals. It is an indispensable tool in changing revitalization projects that previously have relied on intuition, experience, and assumptions into **evidence-based policy making (EBPM)** endeavors. Allow me to share some examples and demonstrate success thus far.

Tokyo

Special Regulatory Zone (home-sharing): Ota Ward

Managing inbound tourism growth in cooperation with the community by using vacation rentals

Alongside allowing for private companies' ownership agricultural land, issues surrounding lodging are perhaps the most remarkable changes that have come about due to the National Strategic Special Zone system.

Ota Ward is notable for many things. One of them is its inclusion of the Tokyo International Airport, or commonly referred to as Haneda Airport. With the growing numbers of foreign tourists to Japan, Ota Ward has been bombarded with visitors, which can be seen as both a blessing and a curse. Tourists spend money and diversify the area, but the ward has experienced a shortage of lodging facilities to accommodate them, and the problem is only expected to compound with the 2020 Tokyo Olympic and Paralympic Games just around the corner.

To address the issue, the southern Tokyo ward has taken advantage of the National Strategic Special Zone to allow its residents to offer their homes as private lodging for visitors. Vacation rentals here are only allowed if the home is approved by the ward, but is an important step in a country where accommodations were previously restricted to registered hotels and inns. Using the new regulatory reform framework, unused houses and rooms are able to help revitalize local economies while help fine-tune the appropriate rules for large-scale policy implementations in the future. As many people illegally rent out their homes for money anyway, the new system can help create safer environments where rooms are legitimately rented out with transparency and confidence.

In Japanese policymaking, safety is key. Room providers in the special zone are required to inform and explain their activities to their neighborhoods, maintain a record of guests, be available (for 24 hours a day) in case of emergencies, have a system for lodger complaints, provide information in foreign languages, and properly observe rules for waste disposal. The system kicked off in February 2016 with these strict precautions, and as of May 2018, there are 36 operators who lease 316 rooms in 52 facilities. In my little excursion to Ota Ward, I visited the first private lodging approved by the municipality called "SJ Villa Kamata A," managed by Hyakusenrenma Inc.

SJ Villa Kamata A is a fully renovated house built 65 years ago located in a residential district conveniently located near Kamata Station. This charming 51m² one-story 1LDK can accommodate up to four adults (or two adults and four children) and costs about 10,000 yen (roughly 90 USD) per night for the entire facility, which is a very economical comparatively.

The house blends in with the neighborhood, and aside from the little sticker on the entrance showing its approval as a vacation rental, one cannot distinguish it as a lodging facility for tourists. Both the interior and exterior are beautifully stylized, and the inside is furnished with modern Japanese furniture. The kitchen and bathroom are immaculate, and the electronic appliances including a television, air conditioner, refrigerator, washing machine, rice cooker, and dryer, are all new. The internet is fast, and the towels are fresh. A supermarket nearby offers cheap food. Overall, it is a mini oasis for both foreign and Japanese tourists to enjoy a comfortable and sanitary stay.

Yasuhiro Kamiyama, President of Hyakusenrenma Inc., explained to me how his organization puts an emphasis on community and industry cooperation. One example he gave is the agreement his company and the neighboring residents came to in contracting a private security company and commissioning for residential garbage collection. He explained that his company also strives to cooperate with the existing hotel industry as opposed to acting as a market disrupter – a point I found interesting. Hyakusenrenma closely coordinates with the Kamata Association of Hotels and Ryokans and shares certain responsibilities such as check-in procedures and guest verification. The local hotel association serves as the front desk for many properties.



I also had the opportunity to talk with Mitsutoki Nishizawa, President of “Black Spa Hotel Suehiro,” a member of the Kamata Association of Hotels and Ryokans. I was pleased to hear his opinion that the cooperation between existing hotels and up and coming vacation rentals is a win-win for the entire community and its businesses – according to Mr. Nishizawa, when vacation rentals offer multilingual maps of shopping streets and coupons to public baths for foreign visitors to experience Japanese culture, it produces economic ripple effects that benefit the community. Tourists are able to confidently stroll through shopping streets and enjoy their time in Japan more comfortably as well.

The visit gave me multiple insights into opportunities for vacation rentals, which I immediately tied into action upon my return. I promptly urged the revision of government ordinances related to them, starting with changing an archaic provision that private lodging facilities require a minimum of seven days’ and six nights’ stay by visitors. There was also the need for a new national framework for vacation rentals, so I proposed a new private lodging law to the Regulatory Reform Promotion Council in order to expand the practice from the special zone to cover the entire country (enacted in June 2017, enforced as of June 2018). Ota Ward’s activities prove to be a good example for policy testing grounds for policies that can successfully be implemented at the national level.

東京都 大田区 **特区における民泊（宿泊可能な住宅）の事例**

大田区全般の動き

平成27年10月20日 特区諮問会議で区域計画認定
12月7日 大田区の条例の制定
平成28年2月12日 初の施設の認定（事業開始）
（平成29年6月30日時点）

- ・認定 41施設 144室（申請 46施設 165室）
- ・33事業者（うち個人10人）
- ・滞在実績：1,129人（うち外国人 755人）

近隣ホテルと連携・協力した「新築マンション」の例

概要	特徴
<p>新築（築3年） JR蒲田駅から徒歩2分 宿泊料：1泊1組6,720円 （主にビジネス客用）</p>	<p>旅館組合と密接に連携・協力 組合所属の近隣ホテルと業務提携を 行い、鍵の受渡しや本人確認を対面で 実施（実質的にフロントを共有）</p>

近隣ホテル・旅館

・対面による本人確認
・鍵の受渡し

旅館組合を通じて
業務提携

民泊事業者

認定施設

With these changes, there are currently two vacation rental systems in Japan – one through National Strategic Special Zones and the other through the *Private Lodging Business Act*. Operators in special zones have a lower limit of the minimum amount of time visitors must stay in the property (three days and two nights), but are not restricted by an upper limit on the number of days visitors can stay – the national law stipulates that operators renting their rooms under its purview can only allow visitors in their facilities for up to 180 days a year.



Naturally, districts with greater demand will apply for special zone treatment. After Ota Ward received permission from the central government, Osaka was next to lax their home-sharing regulations. As of October 2017, the prefecture itself has twelve rooms in six approved facilities, and Osaka City has 829 rooms in 327 approved facilities. Kitakyushu City in Fukuoka Prefecture made its debut as well, and has one room in one approved facility.

It is my hope that the reader can someday safely and comfortably stay in one of Japan’s vacation rentals, enjoying the local atmosphere and experiencing a slice of my country’s culture.

Lesson #1

Effective utilization of old houses and vacant properties are crucial in managing inbound tourism for many localities. Making appropriate rules on the industry, heeding attention to safety and sanitation, and collaborating with local residents and the tourism sector at large is important in the process of bringing economic returns to the community.

Hyogo Prefecture

Special Regulatory Zone (agriculture in mountainous areas): Yabu City

A model case for the future of Japan's agriculture where private enterprises own the farmland

Yabu City is located in the center of the northern part of Hyogo Prefecture. The city was formed by the consolidation of four towns in 2004 and has approximately 24,000 residents as of October 2017 living on 420km² of land. Visitors need to spend two hours in a car or train to get there from large hubs in the area like Osaka, Kobe, and Kyoto. When they arrive, they will find a quintessential Japanese locality: mountainous and population deprived. Its terrain is beautiful, with forests occupying 84% of the total area, and farmers gently tilling the fertile land. Agriculture is the main industry here, like many districts in Japan. Yabu's agriculture, however, is on the cusp of change.



In cooperation with the Cabinet Office, the municipality has taken advantage of the National Strategic Special Zone system since 2014 in order to avoid some of the old and rigid regulations on agricultural activities. There are high expectations on the region, as experts keep a close eye on policy outcomes surrounding the main issue – corporatization of agriculture.

Many signs of success have already surfaced. The jurisdiction of property rights transfers was given to the city, and the administrative work time for each case lowered from an average of 23 days in 2013 to just eleven in 2016. The region's once stagnant sales and transfers of farmland has doubled between late 2014 and early 2017, with an average of 52 transactions per year. In order to make farming profitable and increase the amount of corporate entities

to enter the market and fill demand, the requirements to establish an agricultural company were lax – corporate entities now only require one farmer who can act as an executive. Eleven of these were newly created by early 2016, and now manage approximately 15.7ha of farm. 59% of this land was previously non-cultivated or abandoned farmland.

The success was not ignored. These calculated deregulations were adjusted and incorporated in the 2016 revision of the *Agricultural Land Law* which now nationally institutionalizes principles tested by Yabu City's Nation Strategic Special Zone.



Among the numerous changes happening in my country's agricultural scene, I personally took note of changes in private acquisition of farmland. During the country's state-led agricultural development period, the notion would have been unfathomable, but looking at Japan's shrinking population, lack of labor in the industry, and today's competitive and open international market, many agree that the move is logical. The time has come to move beyond agricultural cooperatives owning and operating Japan's farmland. Based on Yabu city's proposition, the *Nation Strategic Special Zone Law* itself was revised in May 2016 to take a step further and pave the way for agricultural special zones to allow private companies (other than just agricultural companies designated to participate in the industry) to purchase and manage farmland if certain requirements are satisfied. This includes the local municipality's approval and an understanding that the property will be transferred to the local government if it is deemed that the land is not being utilized properly.

It may seem like a small step from the outside, but in Japan's countryside, this is revolutionary. The deregulation is a provisional measure that will last five years, and at present, Yabu City is the only participant. Many hope the change will bring a more robust labor force and change the deteriorating agriculture in Japan from small subsidized family businesses to a profitable sector. To make this happen, most policymakers believe companies with proper management techniques must be permitted to enter the market.

I too argue that this type of deregulation is an important point and should be expanded to cover the entirety of Japan as soon as possible, as corporate agriculture has the potential to revolutionize local economies in the country. The stipulations Yabu City added in their test run should ease concerns that locals have regarding companies running

farms. If the community is not happy with the company's performance and profits are in the red for extended periods of time, the municipality can take ownership of the land.

I wish to rearticulate that Japan's sparse farmland has been subject to the most extreme of regulations, and Yabu's special zone is the starting point in changing outdated policies. Four companies have made large investments in the district and began business operations in cooperation with the local community by fully leveraging their years of experience and stable foundations. Combined, they manage 1.34ha of newly acquired farmland and are re-cultivating great amounts of abandoned farmland. It is no exaggeration to say that these are the pioneers of profitable agriculture in Japan.

In my visit, I personally witnessed the business activities of two of the four companies, and was lucky to find that the day immediately prior to my trip to Yabu, the city, company, and property owner concluded a new contract for the sale of old farmland. I reviewed the report that proved to me a win-win-win deal.

I will begin with my discussions with Amnak Corporation's leadership. The company was originally established in 2015 by a construction material company in Miki City, Hyogo Prefecture after Yabu City was approved as a special zone. Amnak grows rice for *sake* (Japanese rice wine) breweries on previously unusable farmland covering a massive 8.4ha of property. The company made a refinement center to combine aggregate the management of rice production, harvesting, and milling, and is currently reviewing plans to produce, sell and export quality sake branded "Noza Homare" by collaborating with a local brewery.



Amnak's motto is "to make efforts for regional revitalization through direct ownership of farmland [as opposed to leasing it] while ridding the community of any concerns regarding private sector activity [in agriculture]." The organization has made sure to convey its intentions and is in turn well received by the district. After talking with farmers in the rice fields, I was pleased to find that the company is highly trusted by locals and learned more about their cooperation with community members at the micro level. The visit taught me that establishing mutual trust – especially as a private company – with the local community is an important pillar for success in Japan's changing agriculture industry. Farming practices and property have generally been passed down for countless generations in Japan's countryside, and these new transitions should be handled with respect, care, and grace.

I next made a visit to see Hyogo-Nakabayashi Co., Ltd.'s new business practices. This company is a native of Yabu City and has been in operation since 1973, specializing in bookbinding for library collections. libraries and

other organizations. Its market share is almost 80%. To make use of its human resources in times of low bookbinding demand, it made debut in agriculture. Its first challenge is was bringing local garlic into the **sixth industry** (combining the primary industry with the secondary industry of processing and the third industry of distribution and sales).

Although the market for bookbinding is shrinking, the company's business model requires keeping their well-trained and talented staff on board. The golden opportunity was that the downtime season for bookbinding demands overlap perfectly with peak seasons for garlic – very few books are manufactured between April to June and October to December, while soil preparations and seeding for garlic starts in September and harvesting and drying operations begin in March. Through entering a new market, the company was able to avoid layoffs.

Yabu City has heavy snowfall in winter, making for an ideal climate to grow quality garlic. As the domestic market price of garlic rises as consumers begin expressing their interest in safe Japanese produce, Yabu's municipality saw its chance to have a private company generate profits in their district through the crop, and in came Nakabayashi. It was a match made in heaven.

The company entered the garlic market with a plot of just 0.7ha in 2015 but aims to expand its farmland to 10ha in just a few years' time. Taking advantage of its new abilities granted under the special zone, it first purchased 31a of land. With it, Nakabayashi established a storage and drying facility for its harvested garlic and is making plans to build a processing plant that adds value to their damaged garlic that cannot be sold as is on their own. As the company has been a longtime job creator and partner in the community, it is highly trusted, and locals are excited to see how far they can fly.

There are countless private companies in my country that could emulate to a certain degree Nakabayashi's new business endeavor. With many industries that have inherent downtimes and are going through changes due to globalization and technological advances, a company splitting its employees' job descriptions throughout the year in a different sector can be incredibly profitable. Although Japanese small and medium enterprises face compound pressure due to its rapidly declining population, I trust that this principle applies to businesses in other countries as well.

Sakae Hirose, Yabu City's mayor, emphasized that "Japanese farmers as we know them will cease to exist at this rate if our agriculture doesn't change. Private companies entering the market is indispensable to keep Japanese agriculture in existence. This system shouldn't be limited to special zones, but rather expanded to cover every corner of Japan. I'm optimistic that Yabu City can prove how successful this new model can be." His soliloquy inspired me. Keeping those words in mind, I hope that national policymakers and municipal leaders throughout my country who have a hunger for reform can learn from Mayor Hirose.

Lesson #2

In Japan's case, agriculture opening up to private companies will be indispensable in saving the country's industry as it allows for long-term and stable businesses to make the sector profitable.

Fukuoka Prefecture

Senior Hello Work Tobata and Support Center Moji

Regulatory reforms that help the elderly have created the No. 1 local district that those above age 50 want to live

Kitakyushu City in Fukuoka Prefecture is my hometown. The city was early to industrialize and has a robust population of 950,000. With a trend of plants being transferred to areas with cheaper labor recently, however, some have begun arguing that its heyday has passed. I cannot blame them for their opinion. The labor force in the city is rapidly shrinking as those above 65 years of age now account for 30% of the population; government statistics show that this is the highest among big cities. In order to cope, both the public and private sectors in Kitakyushu have taken on projects that take advantage of the city's privilege as one of ten designated National Strategic Special Zones. Two interesting projects that directly address issues that come about due to the district's graying populace will be detailed below.



The first project is the nation's first Hello Work for the elderly called "Senior Hello Work Tobata." **Hello Work** is the Japanese government's employment assistance service that maintains an extensive database of recent job offers made accessible to job seekers via an in-house intranet system and over the web. Until recently, nobody cared to question why the system was only geared towards a young audience. Senior Hello Work Tobata was established in partnership with the Fukuoka Labor Bureau in August 2016 in order to help connect employers with the right middle aged and elderly job seekers (in this case, 50 years of age and older). Nationally, discriminating employment based on age is not allowed as long as the worker is of legal age, but with the deregulation designated in the special zone, Hello Work Tobata is able to find job seekers based on their seniority.

Hello Work Tobata collects and manages senior job seeker profiles and jobs where these seniors can make use of their experiences and skills to thrive. Through their massive database and seasoned matching expertise, they pair positions and candidates as appropriate. Once they began these new operations, Hello Work Tobata was left wondering why they did not start earlier – the number of successful job matchings went up by 30% over the previous

year, and the community rejoiced as it was able to enjoy its economic ripple effects from the new job creation. Retirees looking to earn money and continue working were able to find new purpose in their daily lives.

The process can also help in promoting migration from bigger cities to localities that require more residents. Those who relocate domestically often have concerns of employment, especially since job-hopping is still rare in Japan. Once retired, seniors in the country are rarely ever hired again. Taking note of this, Kitakyushu City's regional office in Tokyo hopes to take advantage of its Senior Hello Work to call in new residents from the overwhelmed capital.



I personally assisted in the opening ceremony of Senior Hello Work Tobata and was honored to give a speech. Voicing my hopes that my hometown can be an inclusive community where seniors are able to thrive, I communicated how the opening of the employment center was a big step for Kitakyushu. On the same floor as the Hello Work in the Kitakyushu Municipal Building, the city operates the “Kitakyushu Elderly Employment Support Center” that provides consultation for life planning after retirement, shares job applicant information with the Senior Hello Work, and helps facilitate employment processes once a matching is complete. The synergy from the two organizations is magical.

The second project my hometown is undertaking involves deregulations concerning caregiving facilities to allow for nursing care robots. I visited an individual care facility called “Support Center Moji,” a nursing home with a capacity of 120. As many are when they first visit, I was thrilled. Japan was able to prove to the world that its nurse robots are highly advanced, but it was my first time interacting with one.

Kitakyushu's status as a National Strategic Special Zone approved district allowed it to successfully alter rules that previously stipulated stringent requirements. National law dictates that one or more qualified staff member must attend a “unit” (composed of ten care facility residents) day and night, and the country is struggling with a chronic shortage of caregiving professionals. Support Center Moji made a large community living room that accommodates two units where human staff are accompanied by cute robots that zoom around the room attending to the needs of residents.



I could not help but be moved when a robot softly sang a children’s lullaby to a resident with late stage dementia and the resident sang with it. Robots help with direct support as well. As there is a lack of professional staff who can help with physical rehabilitation, residents are generally unable to get the length of time and attention they require to fully train and recover. With the help of robots, however, the problem has diminished. Having the privilege to watch the seeds of the next generation of caregiving in the making was incredible and helped me understand that nursing care robots have the ability to mitigate labor shortages in nursing homes. This will especially ring true once these robots can be mass produced with improved features and technology.

The implementation of the robots is well planned at Support Center Moji. The facility collects data on various tasks required by human staff to quantitatively compare workflows before and after the introduction of robots. The outcome is not only used to switch around shifts for caregivers within the facility, but also to offer policymakers insights to how nursing robots can be utilized in other parts of the country. My first thought was that the practice is a model example of **evidence-based policy making (EBPM)** if the data translates to appropriate policies. As the government provides financial backing for the project through the regional revitalization promotion subsidies, I see it as a win-win for both parties.



These projects are just the start of Kitakyushu City managing its new demographic. A monthly magazine called “Book for Country Life” took a poll and ranked Kitakyushu City as the number one district where people over

the age of 50 want to live. New residents to the area feel welcomed, now have opportunities to start the next chapter in their careers, and are comfortable with the abundant number of hospitals and care facilities in their area. Building on this momentum and challenging outdated regulations, I hope the city will become a global model for a society that provides quality lives for every member of the community including its seniors.

Lesson #3

Creating cities where seniors can live quality lives requires stable jobs, caregiving facilities, and medical facilities; regulatory reforms to fulfill these needs should be done if necessary.

Fukuoka Prefecture

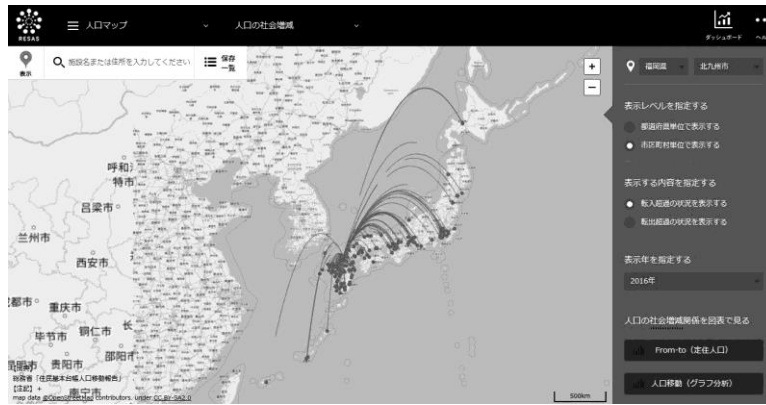
Ukiha City

Successful utilization of the Regional Economy and Society Analyzing System (RESAS)

With a population of roughly 30,000, Ukiha City is located in the southern part of Fukuoka Prefecture and has a wealth of nature. It is the proud home of the Minou Mountains in the south, the Chikugo River in the north, and yields copious amounts of quality agricultural products. It had no particular trait that made it stand out in the prefecture, but in order to skillfully make its regional revitalization debut, the city began proactively using the **Regional Economy and Society Analyzing System (RESAS)** provided by the central government to help make effective policies based on the data.



With enactment of the *Town-People-Job Creation Act* in 2014, local government had a new mandate to formulate five-year policy goals based on their demographics, industries, and other factors. Many of these municipalities struggled with the immense task as the scale of work was unprecedented for them. Ukiha City, on the other hand, excelled. Noticing the utility of the system, local officials tapped into RESAS to examine their region, omitting the need to spend money on external analysts. Among the 60 municipalities in Fukuoka Prefecture, they were the first to submit their five-year strategy.



On top of this, Ukiha also decided to use RESAS for planning their concrete economic policies. In cooperation with neighboring Hita City (in Oita Prefecture), Ukiha officials studied industry stimulation measures aimed at boosting their forestry, wood product, and agricultural sectors and established a regional general trading company that adds value and expands sales channels for their locally grown peaches, grapes, and other primary goods. They paired the move with regulatory policy measures to improve the economic circulation within the district and began assisting startup businesses that work with the region’s resources and designing. As a stalwart of **evidence-based policy making (EBPM)**, I was very pleased to learn that a small city like Ukiha made use of RESAS in making concrete and effective policies and taking action.



RESAS made a genuine impact on the city. Ukiha City Junior High School’s students use the system in their geography classes to find various regions’ features by reading data, and compile reports on give presentations on their own agricultural revitalization plans. Aside from the sheer educational benefits the powerful tool has for the city’s young minds, I find it meaningful for residents to understand their own area’s features using RESAS to better connect with their community while having a better picture of the economy at large. After my visit to Ukiha City in October 2016 and subsequent visits to other districts that have actually used RESAS, I found that the system has a great reputation. The next step is to think of better ways for more people to take advantage of this free tool.

One noteworthy experience I had during my field research in Ukiha was my visit to “Roadside Station Ukiha.” The facility was built in 2000 mainly as a marketing hub to appeal the city’s charm and resources to visitors from big cities. Shops attached to the roadside station have a beautiful assortment of persimmons, pears, grapes, strawberries, peaches and other specialty fruits locally grown in the area and fresh vegetables shipped in every morning from nearby farms. The roadside station aggregates sales information to determine consumer demand in big

cities, and helps develop its partner agricultural organizations' plans moving forward. I was not surprised to learn that the aforementioned general trading company runs the operation, and that sales are steadily growing through its sales operations, exchanges of products with other roadside stations in the region, and collaboration with other corporations in Fukuoka Prefecture's metropolitan area.



Noting its methods and success, the Minister of Land, Infrastructure, Transport and Tourism designated this institution as one of the 35 nationwide "Important Roadside Stations" in 2014 that are expected to achieve even better results in the future with government support. In the July 2017 issue "Kyushu Jalan," a professional journal on domestic travel Roadside Station Ukiha won first place two years in a row in the roadside station satisfaction survey ranking. I understood exactly why, too – I did not see a single idle shop in the facility, and a small annexed service provider was busy taking orders from customers to directly ship their freshly purchased goods all around the country. Seeing the figure of 890 million yen (roughly 8.2 million USD) in combined sales in 2015, it gives me a smile to think that EBPM helped contribute to their success.

Lesson #4

Truly understand the characteristics of your local district with appropriate tools available and use this knowledge to craft specific projects to strategically revitalize the region.

Fireside Chats on Regional Revitalization: "Regional Revitalization through Japanese DMOs"

Associate Professor, University of Central Florida's Rosen College of Hospitality Management
Senior Research Fellow, Dick Pope Institute for Tourism Studies

Tadayuki Hara

One advantage of the tourism industry is that it allows local areas to gain foreign capital and revitalize themselves as an export business. In Japan, the biggest issue remains how to develop talent and secure revenue sources for Japanese DMOs (Destination Management Organization) which facilitate the creation of high-quality tourist sites.

Evaluation of Japanese tourism policy

Yamamoto: When Prime Minister Abe kickstarted his second administration underlined by his Abenomics policies in 2013, Japan's tourism policies were also drastically changed. I was appointed Chairperson of the Liberal Democratic Party's Research Commission for the Establishment of a Tourism Oriented Nation, and we immediately began planning how to make the sector grow. As a result, tourist visa requirements were eased and consumption tax exemptions for was visitors were increased. Just from that, the number of visitors started to increase remarkably in figures we expected. At the time, the annual number of foreign tourists visiting Japan was eight million at most. Four years later, the number exceeded 28 million. At this rate, I'm personally thinking that hitting 40 million or 60 million isn't out of the question. Professor Hara, how do you feel about Japan's recent tourism policies?

Hara: The numbers we see certainly are astonishing, especially when we compare them to when we had just six or eight million tourists a few years ago. Everyone is waking up to the notion that tourism isn't simply a recreation, but an entire industry, that among other things, creates jobs. In addition, foreign tourists in Japan visiting the countryside are a godsend for regional revitalization. The largest advantage of the tourism industry is that local cities, municipalities, or really any rural community can earn foreign capital. Other industries don't get to enjoy this aspect of tourism. Minister Yamamoto, you were aware of all of this for a while now, even from the time you used to hold seminars on tourism. It's exciting to see the potential of tourism manifest in the country.

Yamamoto: You live in the United States. Looking at it from the outside, what do you think about how Japan has handled tourism?

Hara: Let me give you this example. I recently visited Egypt. The Chairman of the Egypt Tourism Commission said to me that Japanese inbound tourism policies were such a success that he wanted to learn from them what he could. He asked me so many questions that I had to excuse myself partway through because I was not a representative of Japanese government even though I started acting like one. I had a similar experience when I was in Spain as well. We can see on charts each country's inbound tourism growth rates, and because Japan has topped the charts in the last several years, everyone's eyes are on our country and trying to learn what they can from the country's policies.



Disney World, a leading tourism resource in Orlando, Florida State, United States of America

Yamamoto: Tourism is very helpful for regional revitalization of course, but as the number of tourists rapidly increase, I understand that people foster discontent with slow immigration processes. Solid funding is required as a prerequisite to address this issue. Japan Tourism Agency's budget was only 10 billion yen (roughly 90 million USD) or so, but it was increased to 20 billion yen. This budgetary increase in a government agency is extraordinary, but the amount they're given is still just not enough. Through tax reform measures in 2018, we decided to collect a small *international tourist tax* from both Japanese and foreign visitors at time of their departure from Japan. The revenue will be used for system adjustments and upgrades of CIQ (Customs, Immigration and Quarantine) systems and the maintenance of tourism resources including cultural properties and natural parks. As 40 million passengers on boats and planes leave the country annually, it will create a financial source of 40 billion yen (roughly 370 million USD) in the initial year alone. Local districts are still short of profits from tourism though, and one of my arguments has been that the hotel accommodation tax revenues should also be directed towards budgets to create, develop, and improve DMOs to promote regional tourism. Compared to overseas examples, how would that fare?

Hara: The United States has a similar national tax called ESTA. But many of their policies are in line with the American spirit of pulling yourself up by the bootstraps and working for your own benefit – states and municipalities have their own taxes for revenue that is directed to help themselves. In the United States, this type of levy is very effective. I live in Orlando in Orange County, Florida. Even though it has just 1.3 million residents, the county brings in 71 million tourists annually.

Yamamoto: That's incredible. I'm guessing this is the home to Disney World.

Hara: Exactly. There are over 80,000 hotel rooms that average around 100 USD a night per room and exceed 70% occupancy rates. The hotel accommodation tax yields 254 million dollars. Let's compare this to Tokyo. Japan's capital has 13 million residents, but only has 90,000 hotel rooms, and the accommodation tax yields only 2.1 billion yen (roughly 19 million USD) (FY2015). Japan should be fully aware of the potential it has, especially as these taxes impose zero burden on local residents. When we analyze places like Venice and Barcelona that suffer from an overabundance of tourists, we see that their tourism related budgets are derived from their general funds – this means

there's an internal fight over money between the tourism industry and local residents. Japan needs to make firm decisions on their policies' financing, or the country won't be able to achieve its inbound tourist goals.



DMOs in Japan and United States

Yamamoto: Local governments in Japan have a misconception that if they collect hotel accommodation taxes, it'll drive tourists away to other places that don't have the tax. The Ministry of Internal Affairs and Communications always vocalizes how municipalities are short on funds. I personally think they should designate hotel accommodation taxes as an official local levy to level the playing field and help out DMOs. We should keep in mind that these organizations are powerless without stable financial sources. I feel like these organizations and hotel accommodation taxes are a match made in heaven, but do you have any examples of DMO operations in the United States?

Hara: I think what you just mentioned is, or should be, rather, a very important issue as we move forward with Japan's tourism objectives as a whole. Unfortunately, there's no discourse on Japanese DMOs so far at the top levels. Technically speaking, assistance from the government can be received through an application process, but there's no established business model to be followed after the monetary aid has been spent. In the United States, they had the discussion earlier on that the funding for DMOs should not be covered by general funds, but by revenue sources that don't impose burdens on the locals. This is why the hotel accommodation tax was created in Orlando. But shortly after Disney World opened and hotels were constructed, the oil crisis hit. While everyone was in a panic, the hotel industry calmly made a plea to the authorities to create a special local tax, which was granted in 1978 – the purpose behind it was to balance out the bumps in profits and losses due to the revenue differences between high and low seasons, and through DMOs, to create international conference centers and foster marketing activities in order to draw in more business class customers. As we can all see now, it worked marvelously.

Yamamoto: I can't help but think that Japan still doesn't understand the benefits of this tax. What's it like being the head (president) of an American DMO?

Hara: Well, the president of the Orlando DMO is an ex-C level officer of Disney. As the tourism industry there has an economic impact of a whopping 6 billion dollars, his annual salary is around 600,000 dollars. Of course, he's expected to perform as such.

Yamamoto: Are there checks and balances on whether he's deserving of the salary?

Hara: The committee uses MROI (Marketing Return on Investment) indicators for that. For example, when the president spent two million dollars on campaigns to bring Brazilian tourists, the committee scrutinized how many visitors actually came from Brazil thanks to the investments. I think it's a lot of pressure to work under these conditions.

Yamamoto: I feel like that pressure is very necessary though if you truly want to make DMOs a success. If the person in charge doesn't meet the targets, it's only fair that they take responsibility.

Hara: In the background of all of this for Japan is that the main objective in making Japan a "tourism-oriented nation" is to acquire foreign capital. We shouldn't forget that. Attracting Japanese tourists domestically from Tokyo to local districts is a mere shift of wealth, and it doesn't translate to an increase in national wealth. What this means is that we really should be making greater efforts in the inbound tourism realm. Old-timers in the Japanese tourism industry still desperately hold onto old business models that involve bringing in tourists from Tokyo. Newer business models revolve around foreign tourists who choose their own destinations and aren't reliant on tourism groups. This necessitates sophisticated marketing. One thing I can say for certain is that people who believe in conventional tourism business styles shouldn't be heads of DMOs anywhere.

Development of Human Resources in tourism

Yamamoto: In order to achieve our ambitious tourism goals, making education on tourism available is important. In the United States, we had the opportunity to learn the ropes on accounting, statistics, marketing, and management (Mr. Hara has a graduate degree from the Cornell School of Hotel Administration, and I from the same university's business school), but Japan's vocational schools don't provide these core abilities. They focus on abstract lectures that don't teach any hard skills, and as one of the results, graduates are unemployable or ineffective at their jobs because they can't even comprehend financial statements. I understand that partly thanks to your efforts though, effective professional programs are being made in Hitotsubashi University and Kyoto University. Regardless though, I think we can agree that this is another area that Japan is lagging behind in.

Hara: In the United States, approximately 170 universities offer programs in tourism and hospitality management, of which 50 offer master's degrees, and 17 doctorates. Within these 170 schools though, universities with tourism faculties account for only one fourth, and the rest are hospitality management. Graduates of the latter have higher job offer rates and incomes than those of the former. Many students are naturally inclined to go for a hospitality management degree.

Yamamoto: What's the big difference?

Hara: Hospitality management is very similar to business administration in curriculum. 60 to 70% of the courses overlap, including accounting and financing. In hospitality management though, the hotel industry is often used in their case studies. As a hotel's reputation and image are greatly swayed by its employees, the degree requires in-

depth training in personnel management. In the United States, the hospitality sector includes everything from hotels, restaurants, and theme parks to cruises and funeral services. As graduates of hospitality management are familiar with financial accounting and marketing and can cover this broad range of demands, it isn't rare to see new grads start new jobs with 40,000-dollar salaries.

Yamamoto: I see. It seems like faculties of tourism and hotel management in Japan should be drastically changed.

Hara: Interestingly enough, Korea's higher education institutions based their tourism studies off of Japan's model. After the Asian financial crisis in the late 1990s though, they switched to the US style of hospitality management. 20 years later, Korea has three times the amount of published English articles compared to Japan in the field.



Opportunities and challenges of tourism based regional revitalization (traditional inns, vacation rentals, and fruit)

Yamamoto: A solid educational foundation is essential for developing a proper workforce that can support tourism policies. I see. When I was Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy, I visited the *ryokan* (traditional Japanese inn) called "Jinya" in Tsurumaki Onsen, one of the examples of a successful inn in a suffering industry. When the general manager fell ill and her son and his wife inherited the ryokan, the inn was in crisis mode because the accounting was based on rough estimates, customer information wasn't logged in any way, and employee turnover rate was sky high. The son who inherited the ryokan was a former engineer from Honda Motors, and applied IT mechanisms to all tasks and had employees share every piece of information regarding their duties to boost efficiency. For example, employees previously had tediously to go to the dressing room in the *onsen* (hot spring bath) to check whether or not fresh towels should be added, but the new manager used sensors to calculate towel supplies. He also increased the number of permanent employees while reducing the total number of staff, added value to the inn's services, and made the entire operation more profitable. Sales increased by 93%. The new manager even set three days off per week for his employees and designated one for training and teamwork exercises. It's incredible to see this kind of example, but most ryokan aren't making any efforts to change. They have their monotonous routine of waking up customers early in the morning, offering the same breakfast menu, and preparing their beds early in the evening. I have the gut feeling that this may need to change, but what do you think about Japanese ryokan?

Hara: I think the example of Jinya you just gave is wonderful. Japanese ryokan have so much potential. Research indicates that foreign visitors want to try things that they can only experience in Japan, and traditional accommodations are one of them. This makes me remember how an Australian who stayed in an onsen ryokan in Akita Prefecture once said to me that he had a great time there, but was tired of the same breakfast every morning. Because he came from so far away and changing lodging every night is a nuisance, he wanted to spend more time there. I remember him explicitly saying that it was a shame that Japanese ryokan clearly don't intend for customers to stay for more than two nights in a row. I don't see why these inns can't make changes and accommodate people who want to stay longer. These changes don't have to be big or structural either. It wouldn't be that difficult to serve American-style breakfasts if requested, or maybe even stop serving breakfast altogether and instead introduce some good local restaurants.

Yamamoto: Kinosaki Onsen in Toyooka City is a good example of what you just said. They decided to cut off meals from their accommodation package entirely and just let their guests roam for their food. Guests wear *yukata* (a casual and relaxed unlined cotton garment) and stroll around town, which became an attraction on its own. The inn offers its own meals too of course, which some guests prefer. I met a Chinese couple staying there that told me they chose the Kinosaki Onsen because they didn't want to run into other Chinese guests. We shared a good laugh. Seeing this kind of accommodation style for the increasing number of tourists with specific preferences makes me think that rural areas in Japan have great opportunities for growth in the future.

Hara: I think Japan is more blessed than Europe and America in that there are 97 airports exist nationwide. We end up taking that for granted, but there are two times the number of domestic airports than prefectures themselves. Most of these airports have extra capacity and have potential to accept more tourists. I understand the controversy around the decision to construct these a while back, but we have to realize that these are the foundations of an even greater tourism industry that spreads foreign capital across the nation.

Yamamoto: In my home town, Kitakyushu Airport operates 24 hours a day, bringing in a great number of inbound tourists. There's a lot to do there, and information is readily available - tourists are finding everything they need online now, one of them being vacation rentals. Could you explain why these vacation rentals are so popular now?

Hara: There's a 2LDK apartment five minutes walking from Otsuka Station that's going for 15,000 yen (roughly 140 USD) per night. Because has two rooms that can accommodate up to six people staying the night, it's very reasonable and attractive to families compared to conventional hotels. The marketing has gotten clever too. Once you finish making your lodging reservation on the internet, recommendations for various activities pop up, like canoeing in a nearby canal or watching a sumo match. The costs for those are around 5,000 yen (roughly 46 USD) and easily catch the eyes of foreign visitors.

Yamamoto: The root of the biggest problems with vacation rentals at the moment is the difficulty in identifying who actually stays. For visitors to continue enjoying their trips to Japan in a safe way through these updated business models, passports should be checked, and all necessary security precautions should be taken. I'm really hoping that these new modes of tourism develop properly. We're running out of time, but could you lastly inform us of any topics that you think haven't been addressed in the Japanese tourism industry?

Hara: I'll finish by stating my opinion that the Japanese government's tourism targets of bringing 40 million tourists in 2020 and 60 million in 2030 and reaching tourist consumption amounts of 15 trillion yen (roughly 138 billion USD) are

fully achievable. We analyzed big data from 4,000 foreign tourists who visited Japan using statistical models to find out what type of people are likely to visit Japan again. One of the fascinating results was that there is a statistically significant relationship between tourists who want to re-visit Japan and tourists who bought fruit in supermarkets during their trip. The knowledge that Japanese fruit are flavorful and high in sugar content is obvious for us, but many foreigners are surprised when they bite into their first one in Japan. It led me to think that fruit picking or similar activities are big opportunities for local districts, which is where most of the country's fruit production lies. On a different note, I really think that more Japanese people, especially the youth, should be able to speak English. English skills are indispensable in this day and age, particularly when it comes to anything tourism related. Japanese people's knowledge of the language is mainly derived from studying for entrance exams. This doesn't really teach people how to communicate with the rest of the world. I've noticed though that young people tend to change their attitudes on learning English when I tell them that speaking it well allows them to better support their families and open opportunities in life.

Yamamoto: I see. Thank you very much for your valuable time and knowledge.

Tadayuki Hara

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Tourism

Among numerous elements that make for profitable tourism, having a competent leader at the helm is a must. On top of this, developing and utilizing Destination Management/Marketing Organizations (DMO) is indispensable

It is my belief that tourism is one of the greatest foundations for regional revitalization. Especially in Japan, it makes perfect sense to proactively draw in both domestic and foreign tourists when considering the wide-ranging economic ripple effects the industry can have in countering symptoms of population decline. In my country, many have taken advantage of the rapidly increasing inbound tourism. Foreign tourists visiting the country in 2017 increased by 19.3% over the previous year, reaching a record 28.96 million (with just 8.35 million in 2007, the number has tripled in ten years), and the money that foreign tourists spend in Japan hit a record high 4.4161 trillion yen (roughly 40 billion USD) as well, a 17.8% increase from the previous year. It is no exaggeration to say that inbound tourism is becoming a pillar of the Japanese economy.

As you have already expected me to say, this did not happen naturally. Successful tourism expansion in Japan is the results of arduous efforts made by both the central and municipal governments. The central government crafted and implemented a series of macro policies including safe and calculated relaxations of visa requirements, an expansion of the tax-free shopping system for foreign tourists, revamping of customs, immigration, and quarantine (CIQ) systems, buttressing of airline networks, and tourism promotion marketing. Meanwhile, strongly motivated municipalities adopted micro policies such as implementation of multilingual support systems, improvements of communication technologies such as Wi-Fi availability, and arrangements to dock cruise ships. In the future, it will become increasingly important for rural areas to identify and refine neglected aspects of their region to ensure that the only places foreign tourists visit are not along the so-called “golden route” (tourism in only Tokyo, Kyoto, and Osaka) and standard sites around Tokyo. Japan is rife with lush nature, history, and culture that municipalities can tap into. These activities can help spread profits to every corner of the country, and I believe many activities in my country can serve as examples for others.

Before my appointment as Minister, I visited Niseko Town in Hokkaido as Chair of the Liberal Democratic Party’s Research Commission for the Establishment of a Tourism Oriented Nation. The town receives roughly 100,000 tourists on a quest for fresh powdery snow every year. Stunningly, 40% of those visitors are repeaters. If you ever visit, it is understandable why people are desperate to return. Unlike much of the dense snow in some European places, Niseko’s is so fluffy that patches of the brilliant white powder whirl into the air when skiers make turns. The word spread online from an Australian skier, leading to an entire fanbase in France and other European countries. Eventually, people from Hong-Kong and Singapore began pouring into the town as well. The snow itself was not enough of a catalyst for successful and sustainable tourism, however.

Effective content creation and solid marketing that lead to continued sales are musts in making tourism profitable. Niseko realized that conventional bases, such as intuition, experience, and assumptions, simply do not suffice. Taking heed of this of this, the Japanese government has taken the initiative to develop Japanese Destination Management/Marketing Organizations (DMO) to make tourism more profitable. DMOs methodically use information and participation from both the public and private sector in regional areas and act as the entity in the

driving seat of tourism promotion. Conventional tourism development methods have several inherent problems. First, there is a lack of participation from (or lack of initiative in drawing in) various organizations within the region, whether they be civil society or business. There is also a lack of sophistication in data gathering and analysis. Evaluating what kind of tourists visit a certain area can help target the appropriate demographic and offer insights into what kind of branding is necessary to improve tourism flows. On top of this, DMOs take the next step by providing superior marketing, analysis, and management services using objective data and indexes. This, in turn, is buttressed by the Japan Tourism Agency (JTA) that registers Japanese DMOs and candidate entities, giving DMOs and their business partners the necessary help from appropriate government agencies. As of March 30, 2018, 70 corporations are registered as Japanese DMOs and another 128 are registered as candidates. It is my pleasure to introduce some of these DMOs and excellent case examples in tourism from my country.

Hyogo Prefecture

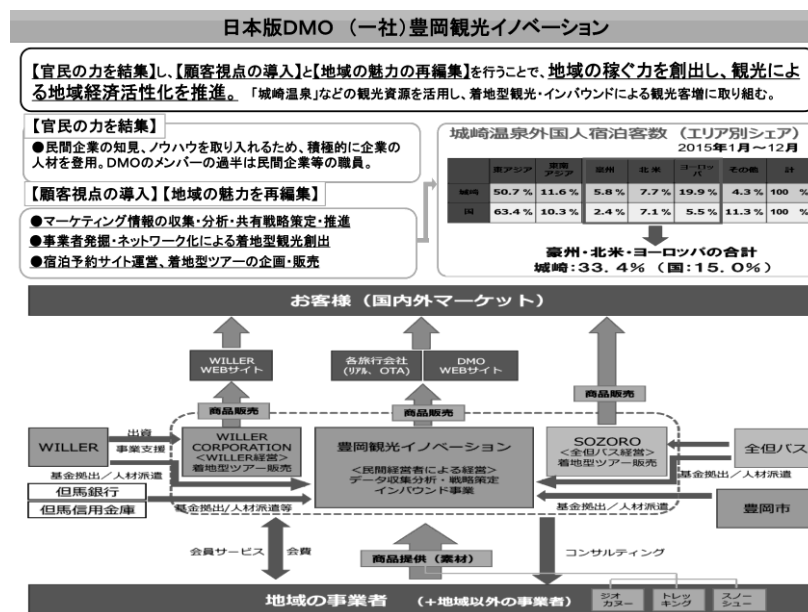
Toyooka-City DMO

Where inbound tourism increased by 40 times over the course of five years thanks to public-private marketing

Toyooka, a quaint city nestled between mountains with a population of just over 80,000, is located in northeastern Hyogo Prefecture, facing the Sea of Japan to the north and Kyoto Prefecture to the east. The main industries here are tourism, and, a little surprising to even many Japanese, bag manufacturing (as one of the four major bag industry districts in Japan). As for tourism resources, it boasts the nationally famous Kinohiki *Onsen* (hot springs), Izushi castle town, sometimes referred to as “little Kyoto,” and Genbudo Cave, a nationally registered natural monument. It punches far above its league – more than 4.7 million tourists visit this district annually. The main draw for these tourists is Kinohiki Onsen, a natural spa and hot spring town with a rich 1400-year history. Through taking advantage of this blessing bubbling up from deep down below, inbound tourism is prospering. The area has a chic townscape with rows of willow trees and arched stone bridges over the peaceful Otani River flowing right through the center of town that has long gracefully welcomed travelers. People have long compared the entire town to one large welcoming hotel – the station is the entrance, the main road is the corridor, the inns are the guest rooms, the souvenir shops are the general stores, and the seven main outdoor hot springs are one large communal bath.

The charming lodging is in the quintessential Japanese style. Guests wearing *yukata* (a casual and relaxed unlined cotton garment) and *geta* (wooden sandal clogs) strolling around town full of old three-story wooden buildings lining up against each other caught considerable attention from the West. Today, one-third of the guests are American, European, or Australians on Foreign Independent Tours (FIT) as Kinohiki Onsen began targeting individual tourists after considering their range of options. The area has few large-sized *ryokan* (Japanese style inns) that can accommodate big tour groups from countries like China. Most of the inns are small and family-owned, preferring individual or family travelers.

The mix of natural beauty and old-fashioned hospitality is not enough to sustainably draw in millions of tourists, however. There is always a mechanism behind the scenes in recent successful tourism districts in Japan. In 2012, a group of young entrepreneurs in Kinosaki Onsen began activities to draw in visitors, and in collaboration, the city of Toyooka established a municipal division devoted to attracting both domestic and overseas tourists. Utilizing the Ministry of Internal Affairs and Communication's *Area Revitalization Business Plan* system, the city brought in staff dispatched from Rakuten Travel specializing in internet-based overseas marketing strategies. In 2013, the lodging facilities in the city began reporting accommodation usage data of tourists and as a result of the data analysis, strategists deemed it appropriate to market towards Europe, North America, Australia, and New Zealand, immediately kicking off collaboration projects with European and American tourism sites such as Expedia (U.S.A.) and Booking.com (Holland) in order to accommodate reservations in foreign languages. It was in the same year that the renowned French travel guidebook "Michelin Green Guide" awarded two stars to Kinosaki Onsen, which put a big spotlight on the region's tourism industry. In 2015, Toyooka City started its own tourism information site in English, collecting tourism data and conducting surveys mainly through the Wi-Fi they provided around the city. The point I would like to articulate here is that even before the central government began rooting for tourism policies, Toyooka City had already taken various initiatives very similar to those that the central the government would eventually recommend.



Toyooka City did not stop there. The municipality realized that there were limitations in what the city government alone could do. In June 2016, they established their own DMO called "Toyooka Tourism Innovation" (TTI) that immediately began hiring those from the private sector with appropriate experience and knowhow. The city's mayor, Muneharu Nakagai, acts as the Board Chair of the organization, but the Chief Executive Officer's seat was reserved for Shigeru Tanabe, a former businessman from Mitui & Co. Other high level and lower level staff are composed of private sector employees as well, from companies such as Willer Corporation, Zentan Bus, Tajima Bank, Tajima Shinkin Bank, and Rakuten.

TTI's mission is threefold: (1) to carry out dynamic tourism analysis leveraging user information (sex, age, nationality, etc. of tourists), noting tourist spending to formulate better data-based marketing strategies; (2) to

profitably operate the booking site “VisitKinosaki” and to plan and sell city tours; and (3) to synchronize and coordinate local merchandise sales for both domestic and overseas markets in close cooperation with the trading company Willer Corporation (established natively in Toyooka City) and information center Sozoro operated by Zentan Bus Company in Kinosaki Onsen. The area had 58,000 lodgers in 2017, which is an increase of 13.8% over the previous year. As any successful organization does, they set a key performance indicator (KPI), which in their case, was 100,000 foreign lodgers by 2020. I believe they are well on their way to success.

It takes no Socrates to see that their DMO is successful. I continue to find myself coming back to the example of Toyooka City as a stellar case of destination management/marketing organization establishment for their incorporation of the private sector in regional revitalization efforts. I keep an eye out on their progress and cannot help but smile every time I hear of new developments.



In addition to tourism as a tertiary industry brings in outside money, Toyooka City also hosts robust and unique leather bag production sites as a secondary industry as previously mentioned. Toyooka’s bag industry has a 1000 year plus history that began with wicker trunk manufacturing. Although areas in Tokyo, Osaka, and Tatsuno City are also known for their quality bag manufacturing, each with their own rich traditions and history, Toyooka takes the crown. According to industrial statistics in 2013, Toyooka City’s bag industry was worth 10.2 billion yen (roughly 93 million USD), the highest in Japan.

Of course, things change over a millennium. Few companies have original products now, which many fear foretells of a wilting industry. Most bag makers here found it more lucrative to produce for big name brands (as *Original Equipment Manufacturers*, or OEMs), and even this took a hard hit from Japan’s economic bubble bursting in the early 1990s – due to a high yen rate, they decreased as Chinese import products emerged in large numbers on the Japanese market. OEM orders for Toyooka bags in 2014 were only 40% of the volume compared to 1991 during the industry’s peak period.

Thanks to recent lower yen rates, Japanese bag production is making a comeback. This is bolstered by other domestic producers having withdrawn from the market. Although seemingly auspicious for Toyooka City’s bag manufacturing industry, there is an urgent need for them to strengthen their reputation and skill level as manufacturers have grown too reliant on OEM production. Many have also taken a note of the lack of leatherworkers with the appropriate expertise to take a lead in the market.

In April 2014, I personally visited the “Toyooka Bag Artisan Avenue.” Although named “avenue,” this facility is a three-story building on the Yoita shopping street (endearingly referred to as the “bag street”) located in the heart of Toyooka City, which was renovated from a large vacant property. A musical instrument store in its last reincarnation, the stylishly revamped building was designed by local artisans and craft people. There is a unique small-town charm to the large, clean, well-light building. The first floor is the specialty stop for Toyooka bags, the second floor is reserved for bag parts, and the third floor is a professional school for bag-making called the “Toyooka Bag Artisan School.” Run by Toyooka Town Development Co., Ltd., a semi-public corporation backed by the city and their chamber of commerce, shopping streets, and others donors, it strives to raise the next generation of craftspeople through its rigorous one year, 1000 hour program. Since the original building had low ceilings, a wide hole was punched through the center of the building all the way down to pour natural light to all three floors and erase any discomfort that would have been caused by the ceiling that rested a little short of our heads. Uplifted by the newly created atmosphere, I had an opportunity to carefully inspect the specialty shops in the first and second floors.

The “Toyooka Bag” was the country’s first industrial product registered with Japan’s “Regional Collective Trademark,” winning its spot in 2005. Bags with the certification are to be produced by companies which meet the demanding criteria set by the Hyogo-Prefecture Bag Industry Association and meet the expected level of quality and craftsmanship. The association is known to be strict in regard to design, specification, materials, parts and sewing. Only companies complying with the rigorous criteria are allowed to slap on the prestigious Toyooka Bag label that informs the buyer of the product’s superior workmanship, carefully finished detailing, and durability. Seeing how they are made, it is understandable why they have such high quality.



Going up to the third floor to the Toyooka Bag Artisan School, I saw the ardent students at work despite it being a holiday. Adroitly whirling their sewing machines and rubbing soft leather together, anyone could see how intent they were on learning the process of bag production in and out, including planning, design, and cost accounting. Local companies send instructors to the school as one of their forms of contributing to the area in an attempt to cope with labor shortages. The school issues certifications to its proud graduates that guarantees for employers a certain level of knowledge and skill – of course, many with the will of self-help decide to start their own businesses. It would be an understatement to say that this process is not easy. Not only is the 1000 hours of the hands-on class time arduous, but the entrance fee and course fees combined exceed one million yen (roughly 9,000 USD). Regardless, there are two times the applicants than enrollment accepts. In the three years the school has operated, the

school has 23 graduates, 15 of which found employment at local bag producers in the city, showing that the revitalization process for the precious industry has taken a start.

I truly believe that this system represents regions hoping to find successors to their important traditions and industries. One opinion I had is that the city as a whole needs to better link its image with quality bags, but the fact that Artisan Avenue still only receives 20,000 visitors annually is validates my point that the facilities here should utilize information, data, analysis of the data, and marketing based on these to increase profits for the sector as is the case with inbound tourism. Within the scope of the domestic market shrinking due to a declining population in Japan, I believe their overall strategy could include exports to overseas markets as well. As the quality makes the bags practically sell themselves, there is ample room for growth if they utilize data analysis and marketing in the same manner á la tourism.

Toyooka is a small local city but has garnered international respected by developing a town that balances its picturesque atmosphere with a bountiful and sustained economy. Aside from the above-mentioned activities, it even has the Kinosaki International Art Center, Japan's largest artist-in-residence specialized in performing arts such as dance and theater. Selected domestic and foreign artists drawn to it through public advertisements are allowed stays of up to three months without charge but must hold free open rehearsals or talk events for citizens and tourists. The city also has the Hyogo Park of the Oriental White Stork, a research institute which protects, breeds and releases white stork, an endangered bird species; at present, the institute has provided crucial help to more than 100 white stork that are now in the wild. Local farmers cultivate special rice paddies rich with frogs and insects for a sustainable environment that allows for white storks to thrive. The rice is in turn sold under the brand name "rice nourished by white storks" that sells for twice the price of its competitors. I enjoyed seeing these facilities that succeeded in unique partnerships able to make greater profits.

Although those making a trek to Toyooka are required to train for at least two and a half hours from big cities like Osaka, Kobe, or Kyoto, the city has succeeded. I hope to make it clear to leaders of local districts that a remote location cannot justify the lack of success. Looking at Toyooka City blooming with numerous examples of regional revitalization goes to prove my point.

Lesson #5

Approved DMOs are to be trusted as leaders in developing tourism sites, and in turn, these organizations should be run mainly by the private sector. Revenues from the Hotel Accommodation Taxes should be directed towards establishing and developing DMOs.

Shiga Prefecture

Biwa-ichi

Where cycling tourism was the key for successful sports-oriented regional revitalization

Sports can be a non-conventional and reliable choice as a key for regional revitalization. The “Town-People-Job Integrated Strategy” issued by Japan’s central government designates sports as a resource useful for regional revitalization and tourism. The strategy quotes, “[This strategy] ... aims to promote sports-oriented regional revitalization to increase GDP. The number of foreign visitors to Japan hoping to engage in sports and related activities shall be increased to 2.5 million annually before 2020 (about three times that of 2014, which was 0.86 million), and the amount spent in domestic sport tourism shall be increased to 380 billion yen (roughly 3.5 billion USD, about two times that of 2014, which was 197.3 billion yen).” A challenge indeed.

In March 2016, the Japan Tourism Agency, the Agency for Cultural Affairs, and the Japan Sports Agency concluded a comprehensive partnership agreement. In August the following year, the Japan Sports Agency kickstarted the Public-Private Cooperation Council for Sports Tourism Demand Expansion. With that, concrete actions directed towards achieving the aforementioned sports-oriented national growth goals are moving forward at an exciting pace.

Many municipalities have made attempts at sport-oriented regional revitalization, and Japan has seen numerous success cases. For example, Miyazaki Prefecture has taken advantage of their warm climate that sees zero snowfall to attract the autumn and winter games for professional baseball and soccer teams. As previously mentioned, Niseko Town in Hokkaido has also upped their foreign skier tourist numbers at remarkable rates using their powdery snow as a foundation. Piggybacking on the momentum and fame of the Tokyo Marathon, local marathon races are rapidly on the rise. Japanese are apt to forget about, or not even realize, but locality-based J League soccer teams have given unprecedented energy and pride to hometowns around the country for over 25 years as well. Without many of us even noticing domestically, sports are engines of profit.

Within this bigger picture, I would like to shift our attention to cycling tourism, which has gained popularity in recent years. The *Setouchi-Shimanami-Kaido* (the Setouchi sea route) which runs from Onomichi City of Hiroshima Prefecture to Imabari City of Ehime Prefecture via eight islands and nine bridges is now endearingly referred to as the holy road for cyclists. 185,000 cycling enthusiasts poured into Onomichi City in 2016 alone in search of this beautifully paved road with a dazzling view. Meanwhile, Saitama City holds a cycle race event called “Saitama Criterium” that welcomes 100,000 fans every year. Yamaguchi Prefecture gave itself the title “Cycling Prefecture Yamaguchi” in 2016, and Wakayama Prefecture in 2017 completed the construction of the *Wakayama 800*, an 800 km cycling road. In the midst of this hype, Shiga Prefecture made a splash with its own version of sports based regional revitalization called the “Biwa-ichi.” I visited the famous *Giant Store Lake-Biwa Moriyama* to see Kazuhiro Miyamoto, mayor of Moriyama City and one of the main contributors to the region’s new success.



“Biwa-ichi” is an abbreviation which has been long used by bicycle enthusiasts. *Biwa* is the name of the celebrated and nationally famous lake, and *ichi*, technically translating to “one,” in this case means “one full circle.” Hence, *Biwa-ichi* refers to cycling around the entire lake. One loop is 200km, which is manageable even for a beginner if given a decent road bike and two days as the road is mainly flat. In a daring move, Shiga Prefecture focused their resources and attention to Lake Biwa, arguably their greatest local resource, in order to up inbound tourism numbers and concomitant tourism revenue for their regional revitalization. The region had always received a decent number of cyclists, but the establishment of the “Cycling Country Lake Biwa Promotion Council” by volunteer residents in 2009 was the trigger that boosted Biwa-ichi’s popularity. Both NPOs and private companies participated in this council which issues certificates for successfully bicycling around Lake, prepares and distributes guide books, cooperates in establishing and growing local shops, and holds symposiums and other related events. This council aims to not only increase tourism’s positive effects by increasing the number of visitors, but also works towards setting a new image for the prefecture that highlights its beautiful natural environment, health, and slow tourism. They hope to leverage Lake Biwa’s popularity to further promote cycling.



When Shiga Governor Daizo Mikazuki announced that his prefecture will start the promotion of Biwa-ichi as a special program for regional revitalization and tourism, a series of measures for cycling tourism around Biwa-ichi were taken in rapid succession by local governments. Partly by taking advantage of regional revitalization related subsidies, the prefecture and municipalities installed two rental stations for road bicycles, 126 cycle support stations (which provide parking racks, bicycle pumps, and other tools in roadside stations and convenience stores), and route guide signs approximately 20 km apart from each other on the road. Along with this came a test project which uses fishing boats in Moriyama City that act as water taxis and allow for bicycles to be carried across the lake. The prefectural government established The Biwa-ichi Promotion Office in 2017 to manage the new activities and growth. The office quickly took action, including promoting the “Biwa-ichi Plus” which consists of eight courses with scenic views that takes the cyclist further away from the shores of Lake Biwa to enjoy other areas of the prefecture.

The mayor of Moriyama City, Kazuhiro Miyamoto, also plays a vital role in Biwa-ichi promotion. A former bicycle race team member himself from the prestigious University of Tokyo who spent countless hours on cycling tours, the mayor has actively expanded cycling culture in his city. Offering a subsidy that helps residents buy road bicycles is just one example. Perhaps a more appropriate example is how he succeeded in negotiations with the world-famous Taiwanese bicycle manufacturer Giant to open a company shop called the *Giant Store Lake-Biwa Moriyama* in a lakeside lodging facility in March 2016. As a bicycle rental store, it takes a similar role to those preestablished in the aforementioned Shimanami-Kaido in Onomichi City and Imabari City. The lodging facility itself has been entirely renovated in December 2017 by Marriott Hotel which saw budding business opportunities in the area.

During my visit to the Giant Store Biwa-Lake Moriyama, Mayor Miyamoto passionately discussed the history and potential future of Biwa-ichi and the various projects he hopes to bring to fruition. I understood how he was able to attract so much investment to the city after seeing his charisma and drive – although Moriyama City occupies only a portion of the Biwa-ichi course, there is no question that this person holds the key to the future outcome of the region’s revitalization. One of the stories he was kind enough to share with me was one from May 2016. Mayor Miyamoto brought Governor Mikazuki and Liu Kin Hyou (“King Liu”), renowned founder and chairman of Giant Manufacturing, around the Biwa-ichi course. Mr. Liu, age 82 at the time, ended their 20km ride with the comment, “I’m satisfied with the scenic views. In order to make this place an actual holy land for cyclists though, there’s a lot more work to be done. The prerequisites for that are set. Good luck.” He had a point. Unlike Shimanami-Kaido, Biwa-ichi’s cycling road is not immaculate, and the city is still in the middle of developments. But the sheer visit on behalf of Mr. Liu, a distinguished leader in the bicycle industry, clearly shows the greater potential of this project. It was Mr. Liu’s visit and entire course run that stoked the flames for Shimanami-Kaido to gain worldwide popularity. Other than Biwa Lake, Shiga Prefecture has numerous famous temples and shrines including Enryaku Temple, Ishiyama Temple, Mii Temple, and the statue of the 11-faced goddess of mercy (designated as a national treasure) of Kogen Temple which can attract tourists in much greater numbers if utilized appropriately. As the government as a whole makes strides towards regional revitalization, it is quite possible that this district can genuinely become a holy land for cyclists and beyond in what can seem like overnight.

Lesson #6

Sports tourism is a key pillar of experience-based tourism. In Japan especially, cycle tourism is very important for raising the number of inbound tourists who spend money locally.

Saga Prefecture

***Utsuwadanshi* and sake brewery tourism**

Where a newly energized service sector builds on traditional industries

Arita Town in Saga Prefecture is the production place of *Arita* ware, one of the most famous ceramic wares in Japan. I would like to introduce here a popular tour led by the sightseeing guide group “Utsuwadanshi” (roughly translated to *bowl boys*) in this town of just 20,000 residents.

These bespoke town-walking tours tailored for small groups is led by young men who have deep knowledge of the town of Arita and its famous Arita ceramics. The staff revolves around eight core employees hailing from local government and tourism industry organizations, and offer for first timers in their so-called beginner’s course a stroll around historic landmarks and townscapes such as The Kyushu Ceramic Museum, Izumiyama Quarry, and Touzan Shrine. For heavyweight fans of Arita ceramics, there is a course which allows participant to choose their own teacup (to keep) and enjoy fine tea in a traditional house where they can also meet the artist who made the vessel. In another course, participants rely on an ancient map to explore porcelain’s deep history in Japan. Basic courses can be customized to suit the visitor’s wants as well.



This project began in 2015 based on the assumption that there is demand among visitors who prefer traveling around freely as opposed to conventional group tour packages which can make the participant feel restrained. I was lucky enough to attend a short tour course where the Utsuwadanshi competently answered any and all questions I had with charm. In brief, it was an incredibly well organized and fun tour, and I am excited to see their next plans of better understanding their visitors’ wants to lengthen their stay. At present, the goal of Utsuwadanshi is not to turn profits, but to inform people of the riches that Arita has to offer. I see it as a long-term investment. This groundwork

sets the course for a more robust local economy through increased repeater visitors and purchases of Arita ceramics among other potential goods and services that have potential to make headway.

Next, I would like to introduce another curious activity that utilizes local resources in the prefecture, referred to as “*Sakagura* (sake brewery) Tourism” in Hizen-Hamashuku of Kashima City. Hizen-Hamashuku, a group of historical buildings, is located at the mouth of Hama River which faces the iconic Ariake Sea. It developed in the Edo period (1603-1868) into a beautiful townscape surrounded by water with three distinct zones: an inn area, a brewery area, and a harbor area. Blessed with the pure crystal clear water flowing from the Taradake mountain range in the southwest and high-quality rice to match it, sake breweries that flourished in the Edo period with classic white wall designs and thatched rooves still exist today.

To be more precise, there remain six breweries in business today. These historic institutions are the base for the sake brewery tourism since 2011 and showcase events such as the Flower and Sake Festival in spring and the Sake Breweries Festival in autumn that are supported by the entire district. These dynamic events laden with culture provide visitors with a new style of travel and an opportunity to meander around town and hop from sake brewery to sake brewery, enjoying local delicacies and learning about the town’s history along the way. Due to the fervent effort of the residents and local government employees, 80,000 visitors made their way to the town’s events in 2017. In order to make the popularity more sustainable and long-term, the town began renovating old houses and promoting housing facilities for new permanent residents as well. These tourism activities and calculated measures to increase the city’s population that actively use local resources is effective beyond most people’s expectations.

Lesson #7

Utilize unique local resources for both public-private cooperation in the service sector; novel ideas for events are generally beneficial.

Nagasaki Prefecture

Shimabara Tourism Bureau

Stimulating and unifying the tourism industry through organization reform and bringing outside talent



Shimabara City has set a curious precedent by establishing a tourism sector that successfully draws in profits from outside by utilizing external human resources. When I was appointed Minister, I defined regional revitalization as raising the average income of a given area – Shimabara’s activities match my definition exactly. Allow me to explain.

The city is located in the eastern part of the Shimabara Peninsula in Nagasaki Prefecture in southern Japan and has abundant tourism resources such as the Shimabara Castle well known for the historic Shimabara Rebellion, natural water designated as one of the best in Japan, outstanding hot springs, and a geopark. To actually put these treasures to use, the city utilized the Regional Revitalization Talent Support System and through it, welcomed the help of Susumu Shiono, a young government official from the Ministry of Land, Infrastructure, Transport and Tourism, in September 2015. Assuming the post of director-in-charge for tourism strategy, Mr. Shiono clarified his policies; (1) to take a hands-on approach; (2) to pick and choose his battles; and (3) to prepare solid groundwork for sustainable quality tourism. He analyzed the city’s activities thus far from an outsider’s perspective in order to identify issues that needed to be addressed.

For one, he noticed that the organization which managed the city’s tourism activities was not well integrated with the community. Responsibilities were dispersed and blurred, and more than one party acted as the operator of tourist facilities or as event organizers. In addition, most of the human resources were put towards internal management, and few personnel were able to be involved in quantitative analyses of important subjects such as the ratio of outside visitors and tourists’ consumption trends. From the outset, it was clear to him that there was no consideration for **evidence-based policy making (EBPM)**.

There were different sets of issues as well. For example, management of Shimabara Castle was strictly commissioned to a designated administrator, and its profits were not able to be used for other purposes or projects. As one result, priority levels for these events and projects were nearly impossible to set. I would like to personally note that these problems are found in almost every municipality; it is understandable how they come about seeing the structure of Japanese administration. Taking Mr. Shiono’s words into account, Shimabara City established the Shimabara Tourism Bureau to strengthen the governance of tourism facilities and better integrate stakeholders from the four main local resources (hot springs, inns, souvenir stores, and the castle) into unified tourism operations. The mission of the organization is one that is seemingly simple but difficult to achieve: unify the management, operation, advertisement and others important components of profitmaking in the tourism sector that take into account all

resources in the city. The city accepted the challenge though, and established the bureau as a private company, setting the Shimabara Castle as the lotus of their project. Shimabara City gave two-thirds of the investment and called for the private sector to fund the rest. To everyone's pleasant surprise, there were 2.5 times more applications to invest than was required. Needless to say, this was a good sign.

After the organization's foundation had been established, the city succeeded in hiring a seasoned expert in the field of tourism (an important factor in successful tourism based regional revitalization, as I have previously articulated). Shinji Nakamura, Former Representative Director of JTB Kyushu, one of the largest travel agencies in the world, auspiciously came on board as CEO of the newly minted organization. With the gears ready to churn, the bureau's first task was to conduct as much quantitative analysis as possible and set their eyes to families within the Kyushu area as their first target demographic with initial KPIs as number of inbound tourists, satisfaction with visits, and making profits within three years. Their benchmark for these were entry numbers into Shimabara Castle.

Results were even better than expected. Although the organization set their target to three years, they were able to get out of the red in their first fiscal year. One of the reasons was the flexibility they had in their cooperation with the private sector that, among other benefits, inspired and actualized novel ideas. Other cities attempting tourism based regional revitalization would have difficulty even imagining holding events such as the "Castle Sleepover - Glamping in Shimabara Castle" and the various unique cosplay tour packages that the Shimabara Tourism Bureau began offering. The city also received young staff and interns from IT companies from outside their area to increase efficiency and promote sharing economy practices.

I repeatedly stress that to make profits, each district must come to terms with its strengths and weaknesses, analyze their realistic options, think outside the box, and take action. The spirit of self-help comes into play from the start of the process and must not be abandoned.

Regional revitalization has also become a race against the clock in this day and age. The feats accomplished in this book are not simple. I myself, however, would like to offer my resources and abilities to help ambitious districts in whatever way I can. Through taking full advantage of city manager positions and other systems that have been largely ignored in Japan up until now, the possibilities are infinite. I wish the best of luck to the emerging regional leaders of the world.

Lesson #8

Many regions have found a similar recipe for success: drawing in outside talent and integrating them with their domestic management and local tourism resources.

Gifu Prefecture

The Chiune Sugihara Memorial Hall

Where modern-day "pilgrimages" have brought new waves of tourists

Tourist choose their destinations for a myriad of reasons. Many who visit Yaotsu Town are arguably of a special variety.

The Chiune Sugihara Memorial Hall is located in Yaotsu Town, Gifu Prefecture, and takes more than one hour via express train from Nagoya Station followed by a car ride for a visit. Only a fool would consider this convenient access, but Israeli tourists who visit this place are curiously increasing year by year.



The reason behind this is actually quite simple. During World War II, Mr. Chiune Sugihara, a now celebrated Japanese diplomat, betrayed direct orders from his government (risking his job and even his life) and issued transit visas that saved 6,000 Jews persecuted by Nazi Germany. In Kaunass, the second biggest city in Lithuania, the building that was formerly the Empire of Japan's consulate is preserved as the Sugihara Memorial Hall, and his portrait glows on postage stamps in the country.

When I had started my tenure as Minister, Mr. Furuta, the Governor of Gifu Prefecture and a former colleague of mine in the Japanese Diet, personally requested that I visit this hall. It was about time I did so. I had always wanted to witness with my own eyes the community that nurtured such a magnanimous individual with benevolent virtues. Characters like he are what make me truly proud to be Japanese.



And visit I did. This double-decker memorial hall was recently renewed in April 2015 with an area of roughly 300 m² constructed entirely of fine quality Japanese cypress. It displays Mr. Sugihara's personal history and records as a diplomat in chronological order. I awed after my feet naturally stopped in front of one of his visas that saved an innocent individual's life. Next to this were official telegram exchange records between Mr. Sugihara and the Ministry of Foreign Affairs. The refugees who had escaped from Poland to Lithuania hiding from Nazis came in masses to the Japanese consulate in Kaunass, Lithuania, in desperate hopes to obtain transit visas. After much anguish, Mr. Sugihara personally decided to issue them. Betraying direct government orders is not easy, even in contemporary Japan. Driven by his humanitarian stance, Mr. Sugihara prepared for dismissal and even worse, stuck with his position, and furiously wrote and signed 2139 visas day and night with a swollen hand. It is said that his last visa was flung out of his train window to a Jewish family as he departed Kaunass, mentally preparing himself for the punishment that comes from betraying government orders. Every Japanese politician has a motto that they publicly advertise to represent their way of life, philosophy, policymaking, and hopes in representing their country. Mine has long been to "follow altruism, not personal rewards." I believe I have always taken this to heart, but visually experiencing Mr. Sugihara's endeavors renewed my core principles and led me to ask what more I can do for others.

After a popular movie about Chiune Sugihara's life hit the screens in 2015, the total annual number of visitors to the memorial hall in Gifu increased from 10,000 to 50,000. On the national scale, the number of tourists from Israel to Japan increased 34.2% over the previous year in 2016 to a remarkable 30,000. The jump in visitors to the memorial hall from the country jumped at a bigger rate from 300 in 2011 to more than 2,000 in 2016. Gifu Prefecture and Yaotsu Town that hosts the museum made proactive efforts to make this happen.

In July 2016, Yaotsu Town, Tsuruga City of Fukui Prefecture (which also has a connection with Chiune Sugihara) and other neighboring municipalities which receive great numbers of foreign tourists, including from Israel, formed a council to amass and further promote sightseeing routes dubbed "the Chiune Sugihara Route." Included in their activities was a marketing campaign in Israel and the United States where many Jewish people reside. Although unsuccessful in their 2017 bid, they continue to strive towards registration under UNESCO's Memory of World Register as well. Objectively speaking, the number of Jewish visitors is still relatively low, and challenges abound. For example, Yaotsu Town lacks accommodation facilities, which restricts visits from tourists to only day trips to Yaotsu. Most tourists in the area lodge in nearby Takayama City, which received more than 7,300 Israeli tourists in 2015.

The optimist's viewpoint is that there is ample room for growth. The issues that Yaotsu needs to address include transitioning to lodging-type tourism, offering foreign languages guides and signs around town, and advertisement methods. I hope that their activities utilizing their unique contents will result in success that can showcase to the world Chiune Sugihara's life and what kind of individuals hail from my country.



With the necessary foundations in place however, my optimist's glass is already half full. From the early stages, Gifu Prefecture introduced an inbound strategy that articulates their target countries and regions, uses various approaches depending on available resources and types of tourism, and assigns foods and goods to be marketed and sold in a comprehensive manner. Interestingly enough, the council set their target as not the popular China or Korea, but rather Singapore and other Southeast Asian countries. The total number of foreign lodgers in Gifu in 2016 was 1.01 million, (coming in at 14th place in Japan), which exceeds the total number of lodgers in six Tohoku prefectures. Compared with the 620,000 nights spent in neighboring Ishikawa Prefecture (18th), 480,000 in Shiga Prefecture (22nd) and 50,000 of Fukui Prefecture (47th), one might say that their strategy with narrowed targets is effective. I look forward to seeing the future development of Yaotsu Town.



This type of tourism where visitors go on a journey with a set purpose has come to be known as “pilgrimage tourism.” Gifu Prefecture has fostered other locations for pilgrimage tourism as well. Anime fans have found Hida City to be their holy site, which caught attention after the anime film *Your Name* made a splash in theaters. 10,000 fans pour into Hida monthly to take a glimpse of the cityscape in which the movie was based. During the peak summer vacation period in August 2017, 14,500 people visited Hida for their anime pilgrimage. Of course this success is not all attributed to the movie. The city's government staff frequently collaborated with key SNS influencers after identifying the business opportunity, disseminating information and advertisements through Twitter, Instagram and Facebook to target young travelers. Thanks to these efforts, the Anime Tourism Association included Hida as one of the 88 *must*

visit Japanese anime locations through internet polls. This in turn stoked the flames even further. It may be uniquely Japanese, but this is another development on which I'll be keeping an eye.

Lesson #9

The establishment of an inbound tourism strategy that clarifies target countries and regions, uses different approaches depending on the tourism theme, and unifies sales in a manner that integrates a number of stakeholders often proves to be successful. Transitioning to lodging-type tourism and sightseeing is key for "pilgrimage tourism."

Kanagawa Prefecture

Tsurumaki Onsen "Jinya"

Profits through a comprehensive IT strategy that branch out profits from a family-owned Japanese inn



I would like to take the opportunity to explicate here the story of *ryokan* (traditional Japanese inns), which account for approximately half of the 80,000 commercial accommodations (hotel, ryokan, cheap lodging facilities and boarding houses) given licenses in Japan.

To successfully achieve regional revitalization and local **Abenomics** (Prime Minister Shinzo Abe's policies to revitalize the economy, a three-pronged approach that combines fiscal expansion, monetary easing, and structural reforms), productivity improvement in local service industries is imperative.

Over the course of six months from November 2015, rich and lively debates took place at the Local Job Revitalization Conferences (a private meeting with advisors and the Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy). It was an exciting time to say the least, seeing the infinite possibilities for what Japan can do. One of the topics that particularly left an impression on participants was how Japan is blessed with high productivity rates in the manufacturing industry compared to the United States, while

the productivity of the service industry -- which accounts for roughly 70% of employment and the GDP in modern times -- unfortunately remains at strikingly low levels.

Admittedly, the agricultural sector, tourism, and local service industries rooted in the countryside all suffer from low productivity. Service is different from manufacturing in multiple regards, but as for the latter, it is possible to largely segregate demand from supply in most cases as products can be manufactured in local plants and sold in cities. This is not the case for the service industry, as sales of product and the labor take place in the same physical location. For this reason, the amount of demand greatly affects the productivity of any given district.

The revised report from Japan's "Town-People-Job Comprehensive Revitalization Strategy, (authorized by the Cabinet on December 22, 2016)" prepared when I was Minister aims to increase the productivity of local service industries which are low in comparison with big cities and hinders the growth of local economy. It proposes to invest in IT and other strategic and effective tools to collect and organize successful case examples by business type and to help improve horizontal expansion. In this section, I present the outstanding example of ryokan Jinya in Tsurumaki *Onsen* (hot spring) in Hatano City of Kanagawa Prefecture that successfully boosted its sales and increased the number of paid vacation days for its employees by effectively using information technology.



Tomio Miyazaki is the fourth president of a traditional ryokan established in 1918. He made the decision to carry out reforms to improve the productivity of his workplace and overcome business decline that resulted from the Lehman shock. In short, he implemented information sharing systems via cloud, which visualizes management and customer information such as total and divisional sales, room occupancy rates, and labor cost. A former engineer at Honda Motor Co., Mr. Miyazaki had discontents over how the workplace was initially run. He saw inefficiencies, such as how customer information was never physically recorded (but was rather just remembered by a former manager), marketing information was all in the pocketbook of a sales representative, and the reservation register came in the shape of both a paper book and an outdated computer software file. Cost management depended on rough estimates, and labor costs were a mystery until the end of each month due to a high ratio of part-time employees. He knew something had to be done.

Mr. Miyazaki independently developed a basic cloud-based system named the "Jinya Connect" specialized to suit his ryokan business, and uniformly managed all of the functions necessary for daily operations including reservations, reception work, cooking, cleaning, facility maintenance, employee attendance, accounting and business

analysis. He placed a tablet terminal in the hands of every staff member to share timely updated customer and reservation information.

I assume that the reader can foresee the results. Customer information that formerly only resided in the last manager's memory was stored on Jinya Connect, saving time and omitting accidents. Staff members were able to physically see the latest information, allowing them to prepare for guest reception, and customer records were saved for future analysis. Furthermore, the staff became aware of costs and the importance of sharing information, integrating the entire organization's workflow and breaking down barriers between divisions within the company that previously had trouble knowing where they were needed when. They truly did attain efficiency.



My stereotypes of ryokan were torn down after my visit here. The large communal bath, for example, measures and records the temperature, water level, and number of bathers, and the temperature management and cleaning frequency which formerly depended on the intuition and experience of staff were systematized and logged. The new system also allowed for ryokan customers to be identified when entering the property, as their vehicle number plates were scanned in order to provide superior and tailored service upon their arrival. A speech recording system was implemented to optionally yet automatically share official job-related conversations among staff as well so that task coordination can run smoothly during peak hours.

These operational improvements and increased customer satisfaction led to rises in sales per customer (9,800 yen in 2009 to 35,000 yen in 2017), remarkably improving profit margins. Before the changes, Jinya was in the red. In addition to improvements in customer satisfaction, Mr. Miyazaki succeeded in improving employees' job satisfaction levels as well. He decided to shut down the inn on low occupancy days (Mondays, Tuesdays, and Wednesdays), offering those as holidays for the staff. The number of part-timers was reduced, paychecks increased for his regular employees by 38%, and he increased hires by 25%. Unsurprisingly, the turnover rate of employees drastically dropped from 33% to 4%.

The Japanese government recently established new special taxation measures in order to translate the accumulated wealth of large and middle-sized companies into increased employee salaries. Without these incentives though, Jinya managed to return to its employees the fruits of its operational improvements. Large Japanese companies should take a page from their (now digital) book.

When I asked Mr. Miyazaki about the key to his success in operation reform, he said "I just did what should be done because the conditions required it." Mr. Kazuhiko Toyama, representative director and CEO of Industrial Growth Platform, Inc., a member of the above-mentioned "Local Job Revitalization Meeting" and "Town-People-Job Revitalization Meeting," offered me a similar sentiment with regard to the productivity improvement of local service industries. "Let's say that Toyota is in a 100-meter race," he would say. "Of course it can run it in 10 seconds in a

fiercely competitive international market. It competes to do it in 8 seconds. But for a local bus company and a ryokan in the tourism industry, they often jog the 100 meters in 30 seconds. Improving their 100-meter dash time to 20 seconds is fairly easy.” There is some keen insight in Mr. Toyama’s seemingly callous words.

Mr. Toyama has assisted in the recovery of local bus service operators in the Tohoku and Kanto districts. He said that he analyzed conventional management tactics based on data and did what could be done in terms of optimization of routes and operations to enrich passenger services, pointing out how human resources required for local company recovery should be a priority.

Wearing the optimist’s hat once again, I can say with certainty that low productivity of local service industries means that there is great room for growth. The government offers strong support in the form of information, human resources, and financing to motivated municipalities striving to make profits. There is no magic bullet when it comes to regional revitalization. Efforts take time and energy, but there is always a road to success, and I hope that municipalities and stakeholders will embrace the spirit of self-help to get there.

Lesson #10

Productivity improvement for the service industry including traditional inns is indispensable for regional revitalization. It is advised to implement information sharing systems and improve operational efficiency through IT for quick results. Achieving increases in customer satisfaction and time off for employees are also important.

Fireside Chats on Regional Revitalization: “Regional Revitalization Through Inbound Tourism”

President, Konishi Decorative Arts & Crafts

David Atkinson

Cultural tourism that integrates nature has become popular. In most cases, the trick to successful tourism is to add value and create a narrative on top of this environmental resource

Japanese tourism and hospitality from the Japanese perspective

Yamamoto: The first topic I hope to discuss with you today is Japan’s tourism policy. It’s progressed quite a bit, but I understand you disagree with some fundamental ideas, such as the heavy usage of the *omotenashi* (Japanese hospitality) notion. Can you explain this?

Atkinson: The number of foreign travelers visiting Japan has increased from around 8 million per year to 28 million in 2017. As a response, the Japanese government has addressed emerging issues one by one in a systematic and strategic manner. Before this rapid increase in inbound tourism though, policymakers saw *omotenashi* as an important factor in drawing in tourists. When you boil down the idea of *omotenashi*, it’s a mere concept arising from a Japanese viewpoint as a result of Japanese socialization, Japanese customs, and Japanese common senses and values. Then come people from completely different sets of values, cultures, educations, and customs. It’s my opinion that we can’t

expect foreign tourists to find *omotenashi* as wonderful and pleasing as Japanese people do. The point is that nobody flies to Japan, spending 3,000 USD and two weeks of their time just to check if Japanese are actually kind and hospitable. Tourists want to see things, visit places, or meet people. Their motive is to eat, drink, and have new experiences, and hospitality is just a secondary element. If hospitality is truly splendid in Japan, then why are card payments and e-payments that are very popular to foreigners not provided, making tourists resort to ATMs that dispense cash at disadvantageous rates? *Omotenashi* is hospitality from the Japanese perspective, and most foreigners don't place an importance on how deeply their hosts bow. They see it as a contradiction that their polite hosts don't allow for them to pay with a credit card. There are symptoms elsewhere along the same lines. Appealing its status as a technological superpower, Japan is attempting to sell their bullet trains abroad, but I see it as problematic that these trains don't even have Wi-Fi onboard, which is very popular in foreign countries.

Drawing in more foreign tourists



Yamamoto: I see. Tourism policies that Japanese believe are good do not always align with what many foreigners see as good. When broken down, we see that most of the increases in tourists come from China, Korea, and Taiwan. Meanwhile the number from Europe, America, and Australia, who often spend more and stay longer in Japan, have not increased much. How do you think we can increase the number of tourists from Western countries?

Atkinson: The so-called “global campaign” for that started in February 2018. Before your appointment as Minister, Mr. Yamamoto, you were the Chair of the Tourism-Oriented Nation Investigation Committee of the Liberal Democratic Party. At the time, your main strategy targeted inbound tourists from Asia by relaxing visa requirements and making travel more affordable, but efforts to draw in tourists from Western countries has just started. Conventional methods to attract Western tourists focused on targeting Japan fans. According to surveys though, we found that these “otaku” with strong interests in Japan’s history, ethos, anime, comics, and, notions like *kawaii* (Japanese for “cute”) culture or other niche subjects are actually very small in number. Making appeals only to such Japanophiles is not effective in creating a tourism-oriented Japanese nation. Because tourists from Asian countries visit for short stays, the sales per person are relatively low, and they prefer very specific locations, marketing tactics have changed from two years ago in an attempt to draw in tourists from all around the world. Tourism advertisement tactics mainly revolved around cherry blossoms, autumn leaves, Mt. Fuji, geisha girls and tea ceremonies – the

traditional material. As I work with the JNTO (Japan National Tourism Organization), I know that this type of material related to history and culture account for almost 70% of marketing efforts. I found the latest tourism strategy very interesting because it takes a bold step and moves past discussions just among Japanese strategists. It uses data collected through questionnaires from foreigners not interested in visiting Japan, and analyzes how Japan can motivate them to visit the country. We found that history and culture alone are not that appealing, but that food and nature have strong appeals. Visitors enjoy cultural asset-based tourism combined with nature as well. For example, taking a stroll around Dewasanzan or hiking the Kumanokodo road up to Mount Kouya is very attractive. As we often see on Instagram, instead of just the five-story pagoda alone, popular photos show the five-story pagoda with cherry blossoms and Mount Fuji in the background.

Yamamoto: Truth be told, the five-story pagoda alone may not be so magnificent, but it's certainly popular with tourists when combined with cherry blossoms and Mount Fuji to create that iconic image of Japan.

Atkinson: The point is that we should objectively analyze and conduct marketing based on the existing demand. There's plenty more to be done in that regard. Supply and demand within the sector should be adjusted by figuring out why people *don't* want to come here.

Successful tourism combines strengths through teamwork

Yamamoto: I have to say that I'm very happy that you're working as an advisor to the JNTO. Sophisticated marketing practices are finally about to be implemented in tourism strategies, and I'm hoping that the newly established International Tourist Tax can be put to good use in the organization's activities too. Going back to what you were commenting about nature though, I have to ask for your honest opinion. Is Japan's nature really that attractive to foreigners?

Atkinson: There are many kinds of nature. There's no doubt that Okinawa's pristine beaches are attractive, but this alone might not bring in visitors. Successful tourism requires combining strengths. Tourists from Europe don't want to spend two or three weeks just in Tokyo's concrete jungle, or to spend all of their time gazing at temples and shrines. Nature has its appeal. On the other hand, if nature was all Japan had without places like Tokyo and Kyoto, the country wouldn't be able to draw in so many foreigners. When places like Tateshina and the Japanese Alps are combined with the appeal of Tokyo and other big cities, the diversity creates an overall appeal that wins in the global market. That's what I mean when I say combining strengths. Families that come to Japan are usually pleased with the range of activities and places that each individual with different tastes can enjoy.

Yamamoto: I see. Japan allows tourists to take advantage of various combinations of travel. As for my next question then, what do you think regional areas should do to attract tourists?

Leveraging tourism resources by adding value



Atkinson: From my perspective, preexisting tourism resources and infrastructure don't seem satisfactory in the countryside. The hotels, activities and events, multilingual support, cultural properties, and trails of national parks haven't been improved, maintained, or repaired. The International Tourism Tax which will be put towards these may be a much-needed tool, but certain districts find it satisfactory to simply plant cherry trees or attract TV drama series to film in their backyards as their tourism revitalization. Some districts are far too optimistic and believe that things will go swimmingly if they simply receive cooperation from JTB or JR (large tourism and transportation companies). Few districts refine their tourist resources. Takayama City in Gifu Prefecture repairs old house and develops cycling courses, and that's why they've been successful in attracting tourists. Also Kansai (western Japan) and Kyushu (in the south) take proactive measures to increase inbound tourism. The multilingual websites of Kyoto, Wakayama, Nara, Hiroshima and Okinawa prefectures are very good, but municipal governments' homepages rely on machine translation, making their websites completely incomprehensible. I've actually personally visited some areas and found no means of public transportation or foreign language guidance. I had to ask myself if they really want to attract foreign travelers in the first place. We all need to keep in mind that nowadays, a good reputation can spread internationally in a matter of days if an area is improved and tourism conditions are met.

Yamamoto: Instead of just laying out tourism resources, it's important to give thorough explanations of the history and background in a way that people can understand. I see. Interpreters and multilingual tour guides play important roles in this sense.

Atkinson: Obviously, cultural property has value in itself, but the additional value, a narrative or story to grab the visitor, and other elements are necessary for successful tourism. Providing tour guides, benches, and cafés can make all the difference. I went to Nara Prefecture the other day, but there are ancient tombs and ancient tumuli simply displayed without any explanation. The Japanese are familiar with their history of course, but foreigners can't understand or appreciate the meaning and value of these cultural treasures. Adding value to these isn't that difficult, but without that, going to these places can't be called tourism. Kyoto's example of offering foreign tourists the opportunity to wear *kimonos* (traditional Japanese garment) for walking around the city and visiting temples and shrines through a different lens and experiencing the culture in a new light is a great example of added value. These kinds of ideas are going to become increasingly important.

Cultural asset management in Japan



Yamamoto: How do you feel about Japan's cultural asset management?

Atkinson: Cultural assets certainly have value, but like I said, there's not much added value at the moment. I went through 13,000 PR photos in order to create the new homepage for the JNTO, and to me, every picture of castles around the country looked identical. They may be appealing for Japanese people who sometimes visit them or are fans, but I'm afraid foreign tourists may be bored if they were to visit more than a few. These places need to offer some kind of stimulation, like historic lessons or hands-on experiences. Cultural assets that have become commoditized in a way also need to differentiate themselves from one another. As of now, most of these Japanese castles, like Nijo Castle, are completely empty on the inside. There's no way that the Buckingham Palace could get away with charging 3,700 yen without the beautiful interior, curtains, and other appeals you can't find elsewhere.

Yamamoto: I feel like Nijo Castle has changed a lot recently though.

Atkinson: Yes, it's been gradually changing, but not enough. As they haven't provided any added value, the entrance fee is stagnant at only 600 yen.

Yamamoto: It has to add value and charge higher fees, I see.

Atkinson: Revising Japan's *Cultural Properties Protection Law* becomes important here. The Cultural Properties Administration is controlled by an agency of the Ministry of Education, Culture, Sports, Science and Technology at the national level, but by local education committees at the municipality level. Education committees argue that there's no need to offer explanations such as signs or pamphlets, because the subject is taught in schools. As you can see, this mindset isn't compatible with strategies to develop the tourism industry. It may have been acceptable when the country was increasing in population and the economy was growing, but in this day and age, I don't think Japan's culture can be preserved with this mentality. I argue that these cultural assets should be managed by the governor's department or even the mayor's, and not a local education committee if they want to preserve them using tourism revenue. Reforming this system can also act as catalyst to change the way policymakers think – people in leadership need to start thinking how they can make better use of cultural assets. Moving from just education – especially in an elitist fashion – to business-oriented mindsets is indispensable.

Yamamoto: You've renovated a traditional townhouse in Kyoto and act as president of the region's townhouse association. What do you think about Kyoto and its people?

Atkinson: Yes, it's true, I'm the Chair of the Kyoto Townhouse Association. The townscape of Kyoto was unparalleled in beauty before 1965 or so, but I'm afraid it's on its way to becoming a run-of-the-mill Japanese city. This is one of the problems of the current cultural-asset management. The authorities designated only what they considered the cream of the crop assets that belonged to those in power in ancient times as properties worth protecting, as opposed to Milan or Florence where the entire townscape was regarded as important cultural properties. It's a shame, really. There weren't enough regulations to protect the city of Kyoto and its townscape. There still remain traditional caterer shops and geishas though, and that leads me to believe that if the authorities were to change their mode of thinking and invite everybody, as equals, to enjoy the abundant and deep culture of Kyoto, the city as we know it can still thrive.

The central and municipal governments' roles in tourism

Yamamoto: From what I hear, some people in Kyoto don't want more tourists to come because the city is already flooded with them. I've always believed that hotel accommodation taxes should be put towards tourism purposes, which can help assuage some of those who dislike tourists. How do you feel about that?

Atkinson: I believe you're right. The tax ordinance has already been enacted in Kyoto. There are improvements like multilingual support systems, better airports, and transportation infrastructure installed by the national government, but there are issues left in the hands of municipalities as well to address the overflow of tourists. I personally dislike the expression, but "tourism nuisance" is a real issue. There are always solutions though. If buses are crowded, municipalities should simply increase the number of buses. If there's too much garbage, they should increase the number of trashcans. I understand that financial resources are required for these changes, and we need to admit that there's a certain unbalance between the great financial benefits that tourism brings to an area and its residents' sentiments, who are burdened with changes, towards tourists in their area. To counter that, municipalities have to collect revenue from things like the hotel accommodation tax.

Yamamoto: Having a hotel accommodation tax is common practice abroad. When looking at things like improved roads and multilingual signs that help tourists, it's understandable that this money is put towards helping the people who pay them. Let's also not forget that everybody benefits from this.

Atkinson: I think it's important to keep in mind that the national government can't solve all of your problems, but that it can play a vital role. An example we can easily see here is how a large number of tourists visit Nara during the day but spend their night - and money - in Kyoto. Nara is on the losing end here, and it's the government's job to fix this mismatch by using the right mix of regional and national taxes.

Tourism policies as a guinea pig for Japanese productivity improvement

Yamamoto: Not to stray too far away from the topic of tourism, but it's been pointed out for quite a while that Japan's biggest problem is low productivity. Do you see it as a problem? If so, is there a way to improve it?

Atkinson: The situation we're in now is that the working age population is drastically decreasing. This is the most grave and difficult problem that needs to be addressed. As productivity improvement is pro-cyclical (linked with economic expansion), it's often difficult to know whether the productivity improvement produces the economic expansion, or the economic expansion produces productivity improvement. Either way, it's not easy to increase productivity when the Japanese economy has no strong bullish signs. But I do think current tourism policies are a solid measure for productivity improvement and can act as an experiment for the country. As the demographic pyramid changes and demand and consumption decrease, the content of the demand is also subject to change. Because Japanese tourists decrease in number, we can improve productivity by adding value to raise the unit price of products, as seen in "Nanatsu-boshi in Kyushu," or increase inbound tourism to garner foreign capital. Exact calculations haven't been made yet, but the productivity of the tourism sector has most likely increased, and if this experiment is successful, it can guide the country's other sectors as well.

Yamamoto: Interesting. Some say Japan's low productivity is due to the stagnation of productivity in the service industry. That said, tourism is the quintessential service industry business. I'm inclined to believe that efforts made in tourism might positively affect other fields, thus increasing the productivity in Japan.

Enhance the quality of management to increase profits

Atkinson: 92% of the productivity gap between Japan and foreign countries can be explained by the service industry. The quality of management is low in the service industry, but I should note that this is not limited to Japan. It may be because they have no competition with foreign companies or simply because it's protected by the government. Regardless, the Japanese tourism industry which previously had only 8 million inbound tourists has enhanced its management quality through the government's tourism strategies, analysis, and assignment of the government's labor resource. Instead of throwing ambiguous keywords such as hospitality and cherry blossoms into its tactics, the current management strategy identifies target customers by country of origin and their needs, expected staying time, and route of travel. As the quality of Japanese labor is top-class even among developed countries, some suggestions and new ideas will greatly contribute to improvements. Until recently, authorities were too generous to this industry and didn't urge it to make new efforts or changes. The industry-side, meanwhile, didn't make any efforts on its own but went running to the authorities when problems arose. Due to this poor style of management, Japan overall sits at 28th place in the world for productivity, only beating Greece by 3% even though the quality of Japanese labor is incredibly high. Let's all admit it - management strategy in Japan is miraculously incompetent.

Yamamoto: So in a sense, there's room for growth.

Atkinson: Japan has always focused on cost reduction, efficiency, and hard work, but these are the worst factors to set your sights on when the population is decreasing. The biggest support for the Japanese economy had been population growth. We have to readjust our way of thinking. The most important point in this transition is what you always say: think of how to make a profit. I have this theory -- according to economic indicators, the period when the Japanese economy shined its brightest was between 1964 to 1965. It grew at global records between 1955 to 1972 or 1973, but has since continued to deteriorate. Nobody realized it though because the population was increasing, and since 1993 when the population growth flatlined, problems became obvious. The bottom line, to me, is that people assumed they

could continue as they always had, but that actually made the economy worse. I think if Japan faces its problems, stops thinking that it's special, and actually contemplates how to make profits, the country can make an incredible turnaround and shine as brightly as it deserves to.

Yamamoto: Thank you very much. I hope you continue offering us your invaluable advice.

David Atkinson

Born in the United Kingdom in 1965. Studied Japanology at Oxford University and joined Goldman Sachs in 1992. Left the company in 2007 and became a disciple of the Urasenke tea ceremony school. Joined the Konishi Decorative Arts & Crafts in 2009, which has a 300-year history of repairing national treasures and important cultural properties. Appointed Representative Director & Chair in 2010, and President & Chair in 2011. Since June 2017, acts as Special Advisor of the Japan Tourism Agency and continues advising on administrative and industry reform.

Tochigi Prefecture

Nikko Toshogu Shrine

Where temples and shrines are refined tourism resources

The people of Japan do not fully recognize the value of temples and shrines as local resources for inbound demands, and municipalities for a large part have not refined these values.

Foreign travelers visit Japan for various reasons, but many want to experience the country's traditional cultures and Japan-specific things, as is the case with Japanese when they make trips to Europe and other foreign countries. The Japan of today does not retain, however, many traditional buildings, old townscapes and unique lifestyles that many tourists hope to see and experience. We should see this an opportunity. The temples and shrines that still proudly stand today can play an important role in redefining the country's identity and new forms of tourism as representatives of traditional wooden buildings, Japanese-style gardens, and other remnants of past ages that attract people from all corners of the planet.

In this respect, we still have ample tourist resources worth visiting nationwide. The problem, however, is that these valuable buildings and cultural properties that have high potential have not been properly maintained and repaired. I present here my experience when I visited Nikko Toshogu Shrine (registered as World Heritage site) with my British friend I have known for 20 years, David Atkinson, a Special Advisor to the Japan National Tourist Organization (JNTO), Advisor to Kyoto Nijo Castle management, and president of the Konishi Arts & Craft Corporation that has a 300 year history repairing important cultural properties.



The Nikko Toshogu Shrine was built in 1617AD and the iconic beautiful buildings and decorations were added during the “Big Reconstruction Project” in the Kan'ei Era (1624-1644) led by the third *shogun* (a title applied to the chief military commander and de facto political leader) of Japan, Iemitsu, who revered his predecessor, the first shogun Ieyasu, who's body currently rests within the shrine. Lavish coloring and 5000 celebrated sculptures including the world famous “sleeping cat” and “three monkeys” were constructed at that time. Eight buildings including the Yomei Gate and Kara Gate are designated as national treasures, and other numerous designated Important Cultural Properties are safely housed in this shrine. The cultural importance paired with the sheer beauty have commanded funds for repair and maintenance.

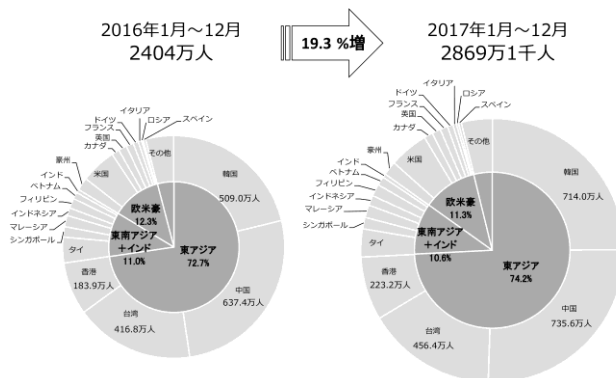
Back in the Edo Era (1603-1868), the shogunate government had a permanently stationed groups of architects, engineers, and craftsmen in the town of Nikko who conducted their repair work on the property using the highest quality labor and latest technology and techniques of each epoch. In the Meiji Era (1868-1912), this Nikko repair team organized by the government and Nikko Toshogu Shrine carried on the task of repair work and maintenance.

This tradition continues to this very day. Currently, the Nikko Temple and Shrine Cultural Properties Preservation Society takes responsibility in the task of keeping the property as it was centuries ago. In succession to the large-size Showa period (1926-1989) repair commemorating the 400th anniversary of Ieyasu's death in April 2015, a longer-term repair project named the “Heisei (1989–2019) Big Repair Project” has been underway for 22 years, projected to end on 2024. In March 2017, the repair of Yomei Gate (a National Treasure) was completed and opened for the first time in four years.

The effort and costs for repairs and maintenance have not gone to waste. Despite it being a weekday, men and women of all ages and countries were present in large numbers, creating clusters of crowds awing at the large colorful wooden structures on top of the ancient large stone slab ground. As Mr. Atkinson serves as president of the Konishi Arts & Crafts that has a mandate to repair cultural assets, I was fortunate enough to hear his thoughts and comments on various topics from a craftsman's point of view. He taught me that the current repair work is conducted faithfully to the colored sketches once prepared in 1912, about the extreme difficulty in mastering the “gold tooling” technique to stamp gold leaves, and how the malachite used for coloring is surprisingly expensive and costs 20,000 yen (roughly 180 USD) for just 100 grams. I was very impressed with his profound knowledge about Japanese tradition and workmanship.

Mr. Atkinson is of the same opinion as I that cultural properties may become an important catalyst for creating a tourism-oriented nation. He criticizes the current measures that use cultural properties to promote inbound tourism, saying “A number of Japanese cultural properties do not provide services such as multilingual support and descriptions of their showcasing for foreigners to comprehend. Foreign tourists invest good amounts of money and time to go to Japan, so they want to receive satisfactory services, even at a price.” I could not agree more with his point of view. His criticism comes from his genuine love of Japanese culture and from his seasoned experience as a financial analyst.

訪日外客数のシェアの比較 2016年/2017年



In comparison with 30 years ago when he first came to Japan, David believes Japan’s unsophisticated tourism strategy and overall industry have considerably improved but have not nearly reached their true potentials. He is a tough critic, but within the Toshogu Shrine, praised the handset voice guide (which offers the tour in Japanese, English and Chinese for a 500-yen rental fee) and the very detailed explanation panels in the main hall where Shogunate family treasures are displayed. I had almost forgotten that David was formerly a special policy advisor to Nikko City, and has an intimate understanding of the city’s cultural properties and their situations. He argues that in addition to the explanation panels, hands-on experiences should be prepared that engage travelers where the profits are directed towards maintenance and repair funds. Our rationale is that if a municipality hesitates in making use of its cultural properties for tourism and cannot collect revenue that is vital to maintain them, all will be lost.

The ongoing Heisei Big Repair Project requires more than 2 billion yen (roughly 180 million USD), which the national government and Toshogu Shrine split fifty-fifty. The entrance fee of the shrine is 1300 yen (450 yen for children up to middle school), which some criticize as too expensive. Taking into account the history of the site and the very detailed repair work, I believe the contrary.



I understand that the utilization of cultural assets is controversial. Regardless of the country, they represent the pride of citizens and local residents, directly tying into national identity. Using that for profitmaking may not resonate with many. Through one of the tours offered within the Toshogu Shrine, I was allowed to walk into to the shogun's private room in the main building. In the complete silence and tranquility, I was given an unforgettable moment to solemnly reflect on the founding of my country and imagine what this historic figure had gone through in his remarkable life. This kind of experience should not be withheld from a nation's people. It is of my personal opinion that other shrines and temples should also consider the proactive utilization of national treasures and important cultural properties to offer these types of opportunities to people from all around the globe. As a win-win, utilizing these sites for tourism purposes can also secure the necessary financial resources to protect the properties themselves as inbound tourism gains heavier traction. Other countries with similar tourism assets may want to tap into this potential and actively create a cycle of utilization and preservation.

Lesson #11

The buildings and cultural properties we see in everyday life have potential to be powerful tourism resources, and can be catalysts of great economic ripple effects. This can be linked with improved financing mechanisms to protect these cultural properties.

Wakayama Prefecture

Mt. Kouya

Finding a new way for an ancient place to welcome its visitors



Kouya Town of Wakayama Prefecture is characterized by *Kouyasan* (Mount Kouya), a mountain deemed sacred since ancient times located in a basin 800 meters above sea level engulfed by gorgeous mountain ranges that gracefully change colors in step with the seasons. More than 110 temples in the area form a large precinct, and it is said that priests account for 30% of the 3200 residents.

In the main town, there are 52 temples that offer *shukubo* (temple lodging), which a number of pilgrims and other tourists visit. The town received an astounding 1.76 million visitors in 2016, among which approximately 220,000 lodged. This figure is striking compared to the town's population, but unfortunately, this number of lodgers is reportedly decreasing. In the past, Buddhist pilgrims visited Mt. Kouya from around the country, hailing from 3700 different temples and overflowing Kouya town year-round. Recently, however, the number of visitors and lodgers has decreased due to lower numbers of devotees, and, naturally, the remaining pilgrims' age. Contemporary visitors tend to prefer day trips to the mountain. The decrease in lodgers inevitably affects the town's revenue and warps the traditional management of *shukubo*. In turn, one dangerous result is the inability to preserve the scenery of Mt. Kouya including the precious areas designated for religious practices and many other important cultural assets and buildings that have withstood the test of time.



After taking in the crisp mountain air and incredible townscape representative of one of Japan's cultural and religious heritages, I became a believer that allowing the property to deteriorate would be a great loss to humankind. Many residents have realized that the decreases in visitors, especially lodgers, is a grave and structural challenge for Mt. Kouya.

The solution is quite clear -- rapid increases of foreign tourists may put the brakes on the deterioration. After the registration to the UNESCO World Heritage in 2004 and its three-star evaluation in the Michelin Green Guide Japon in 2009, foreign tourists from America, France, and other European countries have noticeably increased. In 2016, 77,000 of the shukubo lodgers were foreign tourists, accounting for one third of all people spending their night in traditional Japanese futon mats with bellies full of Buddhist-friendly vegetarian dishes.

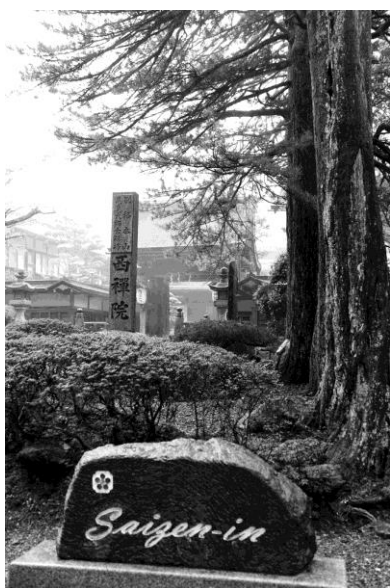


When I asked why shukubo have caught so much attention among French and other European tourists, the people in Kouya Town and Wakayama Prefecture offered a variety of replies: the peaceful atmosphere of Mt. Kouya, the sanctuary that deviates from clichéd tourism, a religious common ground that Japanese and Europeans share, etc. The list goes on. Every reason seems to have some kernel of truth, but I personally believe the shukubo play an important role. Foreigners find intrigue in sleeping in the quintessential Japanese style, highlighted by a futon mat on the soft rice straw woven floor, surrounded by beautiful milky paper-lined doors. In addition, each of the 52 temples offering shukubo in Mt. Kouya have their own unique features, such as beautiful gardens and old images painted on sliding screen doors or their history related to might military commanders in the Sengoku period (1467-1600). Carefully choosing their shukubo may be one of the greatest pleasures of travel to Mt. Kouya from a foreigner's perspective. It certainly was for me. Lodging in a temple and actually learning the customary lifestyle of priests, participating in the morning religious service, learning about and enjoying vegetable dishes with no fish or meat (as Buddhists here do not consume anything with a face), and tasting locally made rice wines are all exceptional experiences which are not offered anywhere else in the world. More than 30 shukubo in the region proactively welcome foreign tourists and provide explanations in English, free Wi-Fi, and reservations via the web, and approximately 20 shukubo have at least one English-speaking priest or a priest with native English to serve foreign customers. Shukubo are keeping up with the times and gradually becoming welcoming facilities for foreign travelers.



I chose to visit Saizen-in temple's shukubo. An assortment of softly glowing lanterns

hung from the ceiling in the main hall where old paintings of a woman playing music, creating a mystical atmosphere that entralls any visitor. A little further in, an old self-portrait of a saint who practiced asceticism in the temple was showcased. I turned the corner and found an irreplaceable Japanese-style garden arranged by Mirei Shigemori, a renowned gardener in the Showa Era (1926-1989). The temple features are 15 small and large guest rooms, and lodgers can easily visit Mt. Kouya's central temple complex which is only two minutes away. Despite the charming anachronism, lodging reservations can be made via Internet, and the facility offers a priest to guide you through the temple complex. Signs written in English are attached to various parts of the building, allowing for foreign tourists to enjoy the entirety of the region and learn the rich history.



The local administration is also working to increase foreign tourists. To preserve

the picturesque townscape, the municipal government is replacing old electric poles and wires to newer underground versions and improving road conditions and trails. Most of the road and trail signs are written in both Japanese and English as well.

Wakayama Prefecture has placed more public restrooms and numerous Wi-Fi spots and is training tour guides and interpreters for the Kouya district. The municipal governments are collaborating to implement strategies

reminiscent of **evidence-based policy making (EBPM)** practices, targeting desired demographics through utilizing tourist data analysis.

Mt. Kouya is increasingly becoming a role model for sustainable tourism growth. While succeeding in increasing foreign tourists by leveraging its resources such as temples and shukubo augmented with foreigner-friendly services, it concurrently manages to preserve sacred areas for pilgrimages and the natural environment. Through these activities, I hope that both Japanese and foreign tourists are able to enjoy their unique stays in the gorgeous mountains for years to come.

Lesson #12

The uniquely Japanese accommodation style of shukubo can fascinate foreign tourists who want to experience deep Japanese culture. Other countries may want to use their counterparts for regional revitalization and offer lodging styles that cannot be replicated anywhere else.

Yamagata Prefecture

Ideha Shrine (Three-Deity Joint Shrine)

Using traditional “mountain worship” as a tourism resource

Ideha Shrine in *Hagurosan* (Mount Haguro) stands tall at the center of *Dewasanzan* (the collective name for three famous mountains in the area). Legends from Mt. Haguro date back to 593AD where tales of princes and emperors stoke the curiosity of visitors.



Although niche to the area, these beliefs are characterized by the traditional practice of *Okumairi* (visiting the heart of the mountain), which came about from various ancient religious practices blending into one. For centuries, newly matured adults would go to Dewasanzan to practice asceticism, or abstinence from sensual pleasures, as a test of their adulthood. The mountain range was used to being crowded with pilgrims – according to records from 1745, approximately 38,000 ascetics passed through the foothills.

At the beginning of my visit, I was welcome by the deep bellow of a conch shell blown by local ascetic hermits called *Yamabushi* who in the past were believed to be endowed with supernatural powers. Handed a traditional purification rope to dangle off of my neck, I was allowed to participate in worshipping activities in various places around the mountain summit, and given a history lesson from Naoki Miyano, the chief priest. After learning of his shrine and town's backstory and current situation, we entered the shrine sanctum for a purification ceremony. There is a certain ineffable sense of privilege when you are allowed to participate in a religious service previously shrouded in mystery that has been passed down for centuries.

Mr. Miyano is the 104th chief priest of his shrine. The post has a 1400-year history, and the inheritor has the mandate to preserve the local belief and culture. It is an interesting job to say the least. As one can imagine, the region is host to numerous ancient buildings. One of these iconic structures is the Mt. Haguro five-story pagoda, a national treasure, which is located on top of 2246 stone steps surrounded by tall Japanese cedar trees. Made entirely of wood and wearing a shingle roof, visitors generally gaze up in awe at its simple magnificence. Nearby is the Three-Deity Joint Shrine which was built in 1818. The design of this building is in line with the ancient style of the area. It measures 28 meters in height, 24.2 meters in length, and 17 meters in width. The simple interior is entirely vermilion lacquered, giving it a smooth look and feeling. The thatched roof is 2.1 meters thick, offering a luxurious overall feel. Although these dimensions may not seem impressive in the modern age, records show that an astounding 35,138 carpenters, 55,416 artisans, including sawyers, painters, roofers, masons and carvers, and 37,644 assistant laborers were involved in the incredibly demanding project.

The dining hall of the *Sanrojo* (the designated area where priests pray) follows the old custom specific to the region and serves vegetable dishes composed of various wild plants and bamboo shoots. The same menu has been served for generations. Eating this meal in complete silence offers a moment of introspective reflection that soaks the soul.

Gearing towards tourism, the community leaders began providing training programs and traditional shukubo particular for women in which guests can experience a sliver of ancient ascetic practices. I unfortunately could not personally participate in any of these programs due to time constraints, but I learned of the course's details – austerity is the keyword. Intense lectures, long cross-legged Zen meditation, excursions through mountains, standing under waterfalls, and walking over fire are just some of the activities. Programs vary, but the shortest is an overnight journey. Unique indeed, but perhaps not every tourist is suited for this trial.

Deservedly, the region as a whole garnered three stars in Michelin Green Book and was designated as the nation's first and only area under gastronomy for the UNESCO Creative Cities Network. With such unique and precious experiences ready to be offered, however, only 4,000 foreign tourists made their way to the mountains. Taking heed of this, the city of Tsuruoka began a wide campaign that promotes local vegetable dishes, confectionaries, brews, and other distinctive products to be marketed and sold in greater numbers. The main message is that the area has other tourism resources other than asceticism, and this diversification is a strong start to its regional revitalization. Setting their targets to France, Italy, Germany, America, and Australia, community leaders articulated an ambitious goal of receiving 40,000 foreign tourists in 2020.

The legend goes that in their journey, ascetics in training are reborn after climbing their third mountain. I hope that visitors are able to get a glimpse of the locals' ancestors' ways of life through these unique experiences and absorb the abundant natural energy in the serene mountains far away from the hustle and bustle of the city.

Lesson #13

Utilization of a district's history and nature as tourism resources allows the tourist to not only to sightsee, but to also experience unique religious cultures. Through this, regions distinguishing themselves as unique is key.

Niigata Prefecture

Yahiko Shrine

Where the city's youth voluntarily arrange, manage, and utilize historic tourism resources

Yahiko Shrine has long been cherished by locals and is known to be the home of their hearts and the foundation of their spirits. Archaeologists cannot identify when it was first constructed, but according to ancient records dating back to the 8th century, the shrine has long been said to enshrine the deity of *Ame-no-Kaguyama-no-Mikoto*, a great-grandchild of the sun goddess *Amaterasu-Omikami*. The shrine also has a more tangible history intertwined with chronicles of famous warlords and their battles in attempts to conquer and unify Japan during the Sengoku period (1467-1600). Ornamental designs, sculptures, and auxiliary shrines in the vicinity were added in the 1600s.



The entire mountain on which Yahiko Shrine rests is kept in impressive condition. Tourists from around the globe can openly enjoy and offer their respect and prayers here regardless of religion. As I have previously stated, diversity in tourism resource is crucial to regional revitalization. Among other appeals, several towering and ancient trees are designated as natural monuments. In the mountain behind one of the temples, there stands a tree called *Babasugi* (roughly translated to "grandma cedar") which boasts 10 meters in circumference, 40 meters in height, and has been confirmed to be over a millennium old.

Management of such treasures is no easy task. In Yahiko Village, young community leaders have taken on the feat of preserving their heritage and boosting tourism. Through their "Yahiko Village Study Group," they actively

study and exchange ideas on agriculture, tourism, and private enterprises drawing on expert opinions. I had the chance to talk with three leaders about their “Hospitality Square” where locals can interact with tourists. Seeing the potential for inbound tourism, I suggested the community take a more proactive approach for the industry – needless to say, through utilizing evidence-based policymaking.

I have an intimate connection with Yahiko Shrine, as many Japanese do. Many do not subscribe to these beliefs, but prayers are often said to not go to waste here. Since ancient times, people would come to the shrine for better crop yields, fertility, protection, and other hopes. Mr. Hirose, one of my secretaries I have worked with for years, has a grandfather who said he was finally blessed with a child after an earnest prayer at the shrine. My father-in-law and former Minister of Finance, Tatsuo Murayama had also visited long ago.

When I stepped into Hospitality Square, I was warmly welcomed by over 200 villagers. Deeply moved, I was able to have a frank and warm conversation with Mayor Toyohiko Kobayashi and community leaders about the village’s ambitions to receive more foreign tourists and preparations leading towards properly hosting them. Seeing the next generation of leaders’ eyes shine as they passionately told me of their plans gave me a sense of hope that not even the shrine could deliver. I wish them all the best and hope that as many people as possible are able to visit the village, interact with its kind residents, see its historical monuments, and enjoy the abundant nature that the region has to offer.

Lesson #14

Many regions have tourism resources, but the key is how to refine them in a way that sustainably allows foreign tourists to thoroughly enjoy the atmosphere, nature, and heritage of the area.

Agriculture and fisheries

From mom-and-pop store to global businesses

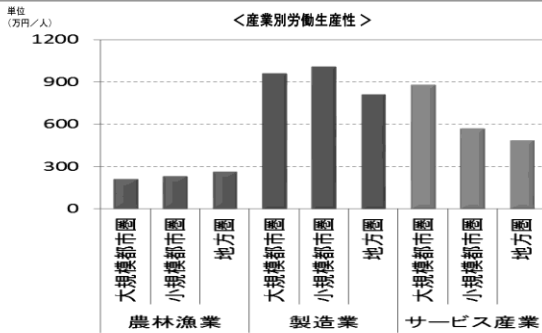
Unbeknownst to many, great potentials abound in agriculture and fisheries

As previously articulated, to successfully achieve local Abenomics, regional areas require a sustained virtuous cycle where jobs bring in people and people create more jobs. In Japan (and other parts of the world blessed with similar geographies), agricultural and aquamarine industries are in perfect positions to draw in talent, foreign cash flows, and create a strong and open regional economy if utilized appropriately. As most rural areas have established industries in these fields but have left them untouched, there is great room for growth – compared with manufacturing, productivity levels within agriculture and fisheries are disturbingly low in my country. The flipside of this is that these industries have astounding potential.

Agriculture currently claims around 4% of Japan’s GDP, but small family farms compose the bulk of the sector and calling them productive would be a lie. Most are part of the dominant agricultural cooperative, and do not operate like businesses. The nation is opening its eyes to the fact that adding value by moving agriculture to the **sixth industry** (in Japan, we call combining the primary industry with the secondary industry of processing and the third industry of distribution and sales the “sixth industry”), increases in size and scope of business, and incorporating IT can dramatically increase productivity and improve profits. Taking heed of this notion, the central government’s “Japan Revitalization Strategy” took aim at to assertively making local Japanese agriculture an engine for growth. It is my belief that sooner or later, small family farms will need to corporatize for their own survival, the improvement of their regions, and for Japan’s economy. From this point of view combined with labor market issues in my country, I attempted to personally witness and learn from as many sites as possible. I would like to use this section to introduce great examples that I particularly found useful from Japan in profitable agriculture.

産業別にみると労働生産性の違いは明確

■ 産業別労働生産性をみると、製造業が圧倒的に高く、サービス産業は、大都市圏のそれは製造業並みだが、地方圏では下がるという傾向に。この産業構成の組み合わせが、都道府県別生産性を大きく左右。

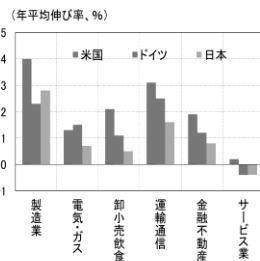


出典: 総務省「国勢調査」(2010年)、総務省・経済産業省「経済センサス活動調査」(2012年)等から作成。

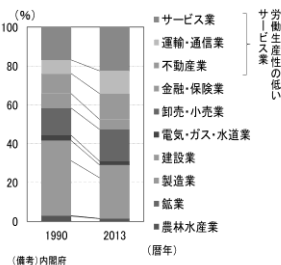
労働生産性の国際比較 (特に、サービス業の拡大と低下は特徴的)

■ 日本の生産性は、製造業を除き総じて低く、しかも、サービス業については、1991年から2012年の間に、その生産性が低下している。
 ■ 特に、労働生産性の低いサービス業のシェアが拡大したことも、2013年に向けて我が国生産性低下の原因に。

労働生産性の国際比較(1991～2012年)



GDPの産業別構成比



1

Miyazaki Prefecture

Shinpuku Seika

Where reform initiatives created a new form of profitable agriculture

In my mind, limited-liability company *Shinpuku Seika* in Miyakonojo-city, Miyazaki Prefecture, is the father of profitable agriculture through usage of ICT (information and communications technology) and sixth industry techniques. When I was appointed State Minister of Economy, Trade and Industry a decade ago, I asked my staff to find me a beaming example of how agriculture has potential to be a new growth sector. I was pleasantly surprised by what they dug up. I decided to visit Shinpuku Seika ten years later as Minister for Regional Revitalization, and reunited with Hideaki Shinpuku, Representative Director of the company, who I found had not ceased to pursue his dream of shaping the future of the country's agricultural industry.



Shinpuku Seika, established in 1976, took a leap of faith in converting from an agricultural cooperative to a limited-liability company in 1987, and became a fully incorporated agricultural production corporation in 1995. It not only grows Japanese favorites like burdock root and taro potatoes, but also operates its own processing facilities for these and other agricultural products. According to their records in 2016, the entity owns 80ha of cultivated farmland and works with 1000 contracted farms that cover 120ha of land. Their sales revenue from their 2000 tons of products amounted to 600 million yen (roughly 5.5 million USD), which represents the passionate work of their 39 employees, 17 of which are regular employees, 20 part-timers, and two foreign trainees. The average age is 40, and 24 are female workers. The fact that the average age of Japanese farmhands is 66.8 surprises many. Shinpuku Seika's achievement of attracting relatively younger employees and women is commendable. Let us explore how they accomplished this.

Mr. Shinpuku's first and most important step was introducing corporate management approaches for his operations at an early stage to raise working conditions for his employees to the standard of white-collar workers. These include paid vacation days, insurance, and welfare and benefit programs – rarities in the industry. I spoke with employees as I did during my last visit. A newly hired female employee bursting with enthusiasm told me of being drawn to the job by its perks and benefits, but progressively growing a genuine interest in agriculture and the company's activities. Her smile was contagious.



One of the most brilliant features of Shinpuku Seika is arguably their approach in making costs visible and know-how easily available through ICT measures. As a pioneer of these policies in agriculture, Mr. Shinpuku collaborated with Fujitsu (a multinational IT equipment and services company headquartered in Tokyo) to develop and deploy the *Akisa*, a cloud service tailored and optimized to manage agricultural production information. Employees were handed tablets that connect to the cloud to learn basic and advanced cultivation techniques, share

their task progress internally, and streamline overall operations. The method has prevented and mitigated human errors and proved itself as an effective training tool. When asked about their views on their new system, employees did not hesitate in bragging about their company's success. "The training manuals were made specifically for our work and does a great job at teaching us the ropes. The organization's history and rules are also clearly laid out." "All of the employees review the accumulated data that we've all pitched into, and share issues, questions, and problems with each other over the system. It's changed our work style for the better. Our weekly all-staff meetings have become far more organized too." The praise is everlasting.

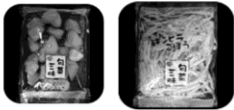
I would like to think these comments are corroboration to my opinion that introducing ICT measures is indispensable for the future of agriculture. Numerous employees also passionately discussed how their company is moving towards sixth industry business, moving towards adding more value through distribution and sales after processing their unique products. An important factor in this endeavor is their version of corporate social responsibility - offering a hand to the disabled who hope to work. As you know, the man can talk the talk and walk the walk. Mr. Shinpuku established a limited-liability company named "Miyazaki Agri-Support" that actively hires the elderly and disabled persons for their vegetable processing operations (with 120 hires at its peak). "Actively commit and contribute to your society" is one of the three mottos of Shinpuku Seika. They do not betray this expectation, and I personally see it as a sentiment that should not be forgotten in farm expansion efforts. This rings true especially in Japan where farm work is seen as a tradition, mainly on estates that have been passed down for generations.

有限会社新福青果(宮崎県都城市)の取組事例

【取組の概要】
 昭和51年創業。その後、昭和62年に法人化に踏み切り、平成7年には農業生産法人となる。ごぼう、さといもを中心とした露地野菜生産のみならず、農産物の一次加工業務も行う。また、ICTの活用など、常に先進的な手法を経営に取り入れ、農業法人の先導的な役割を果たしている。

【会社概要(H28年4月決算期)】

資本金	61,150千円	売上額	約600,000千円(取扱数量:約2,000t)
社員数	39名(正規17名、非正規20名、外国人研修生2名)		
	・うち女性24名		・平均年齢約40歳
	・グループ組織・関連会社を含めると約180名		
耕作面積	直営農場約80ha、その他、契約農場が約1,000箇所(約120ha)		
栽培品目	ごぼう、さといも、さつまいも、にんじん等		



規格外品を利用した加工食品の製造

【具体的取組】

- 会社と同様な企業的経営手法の導入
 - ・従業員の定期的な休日取得、社会保険、福利厚生等、サラリーマンと同様の雇用環境を整備。若者や新規就農者にも魅力的な雇用としての農業を目指す。
- ICTを活用しノウハウやコストの見える化を実現
 - ・全国に先駆けて、農業生産に関する情報管理のためのクラウドサービス(Akisai(富士通(株)と開発)を先行的に導入。社員全員にスマートフォンを携帯させ、農場への入退場時間や栽培ノウハウ等の共有により、ヒューマンエラーの防止やスキル向上につながるなど、効果的な人材育成にも貢献。
- 6次産業化への取組
 - ・出荷できなかった規格外品を加工し、付加価値の高い製品を販売する等、6次産業化にも取り組み、収入の安化を図る。(加工食品売上額:約30,000千円(H27年度))
- 高齢者・障がい者の働く場づくりを通じた地域貢献
 - ・野菜加工業務を行う別法人「(有)宮崎アグリサポート」を設立し、高齢者・障がい者の働く場づくりに貢献(雇用・作業委託等でピーク時約120名(H28年))。

If we had to focus on just one special feature that makes Shinpuku Seika great, it would be its talented Representative Director. Hideaki Shinpuku wears numerous hats. President of the Miyazaki-Prefecture Agricultural Business Owners' Association, member of the Miyazaki-Prefecture Agricultural Policy Council, and member of the Cabinet-Office Regional Resource Strategy Committee are just a few of them. He attended the "Public-Private Dialogue for Future Investment" held in the Prime Minister's Official Residence in 2016 where he gave Prime Minister Shinzo Abe a captivating speech about the future of agriculture in Japan that he called "How to Make Agriculture an Industry Appealing the Youth." Anyone who knows him can vouch for me when I say that his love of agriculture and

hometown is so grand that he physically has trouble stopping when you get him started on the subject. Within Mr. Shinpuku's talks, one notable comment that I took away is how he believes that ICT introduction and moving to sixth industry practices are useful in not only increasing profits, but also as a way to help fundamentally change how farmers think in industrializing agriculture.

Regional revitalization success stories vary. However, I have come to realize time over that in most of these cases, there stands a central figure who leads their company, and often in turn, their district. Mr. Shinpuku shared his dream with me of franchising agriculture, actively drawing in women's participation, 24-hour operation farms through ICT and robotics, and the overall revolutionary future of agriculture. He passionately spoke of sending his employees to run his franchise businesses and ultimately creating a massive "Agriland" that acts as a conglomerated processing and distribution center and can handle future agricultural demands through cooperation with major food companies. I felt honored just to catch a glimpse of a man diligently and innovatively starting a revolution and look forward to seeing him again.

Lesson #15

Introduction of rigorous management through corporatization, transitioning to the sixth industry, and utilizing ICT are invaluable for not only local districts, but for any nation that hopes to keep up in the age of globalization. Creating appealing working conditions that feature superior benefits and an environment attractive for women and young people to work is key.

Toyama Prefecture

JA Tonamino

Where rice crops were switched to succulent "Snow Onions" and production volume is set to increase one hundredfold in one decade

One should not sugarcoat the fact that transformations from old practices to profits in agriculture cannot be accomplished without growing pains. I can say with certainty however, that the fruits of the labor, when achieved, are worthwhile. The example I would like to offer here is Tonamino's **Agricultural Cooperative (JA)**.

JA Tonamino, in Minami-Tonami District, Tonami City, Toyama Prefecture, operates on a quintessential grain producing region nestled in-between tributaries of two crisp blue rivers. Rice fields in the area occupy 98% of the arable land, but farmers' incomes have fallen due to the government's rice production adjustment policies and overall drops in rice price.



Looking at all possible options, JA Tonamino set its eyes on onions. According to them, there were three strategic reasons behind the move: 1) there was no competition in the prefecture; 2) onions allow for mechanized operations; and 3) the crop can be produced during off seasons on rice fields. One can practically understand why they succeeded just from eating one of their thick juicy onions – they feature a distinctly fresh and sweet aroma and have a subtle zest that allows for it to be cooked in a variety of dishes. After rice is harvested, farmers carefully plant onion seedlings in the rich soil. In the wintertime, these seedlings are completely buried under the snow but soak up the freshly melted water in the spring, leading to robust, juicy, and meaty bulbs. As no weeding is required during the winter and less agricultural chemicals are needed, making the onions doubly attractive. The main takeaway here is that the producers were able to flip a disadvantage (the cold climate and snow) to an advantage.



Taking a leap of faith into the world of snow onions had bumps on the way that caused more than a few bruises. First of all, the conversion was the very first large-scale re-cultivation of rice paddies in the Hokuriku region of Japan. Sapling raising, fertilization management, and control system operations were all done in a trial and error fashion. The first three years were characterized by low yields and debts. Spirits were not high when the farmers had to rely on JA loans to continue their operations.

	作付面積 (ha)	経営体数 (戸・組織)	出荷量 (t)	単収 (t/10a)	販売額 (百万円)	
H21年産	8	24	119	1.5	12	定植機等の導入等 集出荷施設の建設等
H22年産	58	104	571	1.0	32	乾燥室の設置等
H23年産	63	118	930	1.5	36	
H24年産	64	98	1,667	2.6	129	★販売額1億円突破
H25年産	53	92	1,760	3.3	119	冷蔵保管施設の建設 予冷库の設置
H26年産	61	98	2,700	4.4	229	★販売額2億円突破
H27年産	83	105	2,777	3.3	271	
H28年産	103	112	5,463 (見込み)	5.3 (見込み)	470 (見込み)	●栽培面積100ha突破 改良ビッカー等の普及

(出典：JAとなみ野資料を基に作成)

“It was just here in this room where the farmers all castigated me,” laughed Hideo Sano, Director of JA Tonamino as we talked in a small dark room in the heart of the facility. “I actually thought at the time that I would have to commit suicide if this didn’t work out.” I was glad that he could share his smile with me years after those dark times. As the leader of the switch to and following production of onions, Mr. Sano took the responsibility and blame for operations.

But take responsibility he did – Mr. Sano faithfully stuck with measures to mechanize and streamline operations and collaborate with the prefectural government to implement a regimented training system for employees. Planting and harvesting machines were leased for increased efficiency, drying storage facilities were introduced, and farmers were able to focus on quality cultivation and standardization of their produce. At the same time, Mr. Sano was able to balance time and efforts to training the growers through workshops and tours to successful farms and created a seedling to cultivation manual for the employees. Enveloping all of these efforts was the “Tonami-area Onion Production Development Project Team” that he organized together with prefectural organizations and the National Federation of Agricultural Cooperative Associations that supports efforts to stably produce and expand the budding industry in the region.

The blood, sweat, and tears finally began paying off in 2012, their fourth year since working with onions. Although their crop acreage was similar to the previous year at 64ha, their yield was twice the volume at 1667 tons, and the amount of sales quadrupled to 129 million yen (roughly 1.2 million USD). Their reinforced drainage system, among other factors, led to larger onions. One can imagine Mr. Sano’s sigh of relief. Of course, our district leader did not stop here. He continued to seek larger profits, constructing a refrigerated storage facility and arranging for a state-of-the-art pre-cooling chamber for improved sales and shipping operations, allowing for increased crop acreage of 100ha and sales of 500 million yen (roughly 4.6 million USD) in 2016.

These figures seemed satisfactory to the farmers who compared their lives to what they had several years ago, but Mr. Sano continued to be proactive. He hopes to increase the crop acreage to 200ha and the production volume to 10,000 tons in 2019 through renovating produce selection facilities and arranging for new drying facilities. If successful, their production volume will increase 100 times in just one decade compared to their first year of

production in 2009. No matter their result, the case will be cited in various circles and will become a textbook example of regional revitalization and profitable agriculture.

In closing, I want to stress the importance of Mr. Sano and his team's unfaltering effort in turbulent times. Japanese people like proverbs. One that resonates with me personally is literally translated as "three years on a stone," which means that sitting on a cold stone for three years will make it warm – essentially, *perseverance prevails*. JA Tonamino's endeavors exemplify the spirit of self-help, the foundation to successful regional revitalization. They analyzed its own advantages and disadvantages, thought and fought for itself, and stayed on the course through rough times. I hope that people around the world can take what they can from Mr. Sano and his team's mindset and achievements.

Lesson #16

A new road to regional revitalization in Japan has been through taking disadvantages and turning them into advantages, strategically working towards stable expansion through trial and error, and most importantly, refusing to capitulate in tough times.

Ishikawa Prefecture

Rokusei-Honda Farm

Corporatization of agriculture and transition from family trade to business through private sector partnerships

As the first site of my field research as Minister, Rokusei in Hakusan City, Ishikawa Prefecture, has a special place in my heart.

This highly evolved agricultural corporation started the transition to sixth industry business in the 1970's, and now manages everything from producing rice and vegetables to making and directly selling Japanese rice cakes, *bento* boxes (single-portion packaged meals common in Japanese cuisine), side dishes, and confectioneries. It even operates a restaurant that exemplifies direct farm to table methods.

There were several reasons why I wished to make Rokusei my first destination. Not only is the corporation a certified champion in the industry boasting both the Minister of Agriculture, Forestry and Fisheries Award and the Prime Minister's Award in the category of agriculture, but it also serves as an all-around example of a rice-crop centered business that succeeded in rapid expansion, corporatization, and moving to a sixth industry model. Their case serves as a standard of excellence in Japanese agriculture.

One can feel the raw energy and passion of this company the moment they walk into the flagship store. The area is surrounded 360 degrees by lonely rice paddies and crop fields but is animated indoors by the bustle of excited shoppers and fervent sales staff. One of the three direct sales stores within their home prefecture of Ishikawa, sales people here proudly introduced me to their locally produced rice and freshly made sweet rice cakes. On the second floor is a grand meeting room that displays a series of photos taken when government officials, including Prime

Minister Shinzo Abe, conducted their own site tour. I was greeted by the company's President, Hidetoshi Karube. We sat down, and he introduced me to his experiences and views in a discussion that featured numerous gems of regional revitalization.

According to Karube, Rokusei finds its roots as a ragtag association of lettuce farmers that began in 1977. In Japanese, *Rokusei* roughly translates to "six stars." The stars represent the six original founders of the group. Struggling to make profits, the association propelled itself to becoming an agricultural producers' cooperative corporation, and from there, began sharing the use of machines and facilities they purchased with pooled resources in 1979. The cooperative thought strategically. It began producing and selling persimmon-filled rice cakes to stay active and profitable during winter, and taking heed of farmers leaving the industry nearby, scarfed up cheap land to steadily expand towards largescale operations. In 1989, the group took another leap and converted to a limited-liability company, which, among other benefits, led to the employment of younger staff and increase in production volume. After the construction of a rice processing facility that spanned over 100ha of land, they began sales of confectioneries and opened their first direct sales store. It was at this point that the leadership converted the group to a joint-stock company in 2007, and operation management was transferred from the founders to Mr. Karube, an industry outsider.

株式会社六星(石川県白山市)の取組事例

【取組の概要】
 昭和52年にレタス農家5戸で任意組合として発足。昭和54年に農事組合法人化、平成19年に株式会社化
 ・昭和50年代から6次産業化を手掛ける先駆的な農業法人。
 ・水稲や野菜の生産から、餅、弁当・惣菜・和菓子の製造、直売、レストランの経営まで手掛ける。
 ・価格競争を避けるため、直売店での販売に重点を置いた経営に転換し、平成27年度には売上額が11億円超。ニューヨークでの餅つきイベント・試食販売を行うなど、海外への販路開拓にも取り組む。

直売店(むっつぼし)の店内

		
	餅工場	ライスセンター
		
	惣菜工場	精米所

As of April of 2016, Rokusei has operations on 148ha of land (of which 143ha is rice paddy, the largest plot owned in Ishikawa Prefecture) and employs 125 people, of which nine are executives and 36 are permanent staff. The average age is an astoundingly low 33. Including the restaurant's revenues, the company saw sales exceeding 1.1 billion yen (roughly 1 million USD). Their direct sales stores have claimed more than half of the revenue. Riding their wave of success and striding further, the company held a food sampling and sales event in New York as a kickoff to their export operations to the United States. It was not until recently that the Japanese government began pushing for agriculture to take a similar route of expansion, corporatization, transition to the sixth industry, and export to make the industry more profitable. I am certain that the struggles and pain the founders endured is profound, but in the end, their spirit of self-help permeated through to successive generations of employees. Their effort has paid off.

Among my numerous lessons from my visit to Rokusei was a reaffirmation that eventually, corporatization is necessary for agriculture in order to survive in this day and age and properly be able to provide fair wages and

benefits for industry employees. More than anything though, I was astounded by the fact that Rokusei actively hired those of different backgrounds outside of agriculture. As the company now handles everything from growing crops and food processing to distribution, sales, and a restaurant, it is a logical move, but first, it is a rarity in Japan's agricultural industry, and second, I see it as a sign for more progress and improvements in my country. Regarding their unique hiring practices, I was told that Rokusei's standard for candidates is primarily based off of their passion and mentality regarding agriculture, and only from there, hiring managers look at how they can contribute to the range of businesses that the company conducts. Managers actively recruit new graduates who hail from not only nationwide agricultural colleges, but also from orthodox four-year universities. Mid-career recruits are generally locally born people who gained their skills working in big cities who made a decision to come back to Hakusan City. Regardless of age or experience, the company does its best to judge applicants with a holistic approach when hiring.

Mr. Karube himself is a Tokyo native who worked at a major manufacturing firm before moving to Ishikawa Prefecture. Of the 41 fulltime staff and working directors, nine are from other prefectures, five are mid-career professionals who brought their expertise to Rokusei's various businesses, and four are new graduate hires who have bachelor's degrees, all a rarity in Japanese agriculture. It is no wonder why this company is able to competently expand internationally.

As Rokusei is a pioneer in the industry of corporatization and a poster child for job creation for junior staff, I hope more municipalities and those involved in farming scrutinize their example as a case study for profitable agriculture. Partly due to the impact of those initial lettuce farmers that made what Rokusei what it is today, even Ishikawa Prefecture itself has taken on new activities to help push agriculture into a growth industry.



Dubbed "Komatsu Agri-way Project," the endeavor is a collaborative scheme born in Komatsu City centered around the Komatsu-City Agricultural Cooperative (JA Komatsu-City) and the globally renowned construction machinery manufacturer Komatsu Ltd. that originated in the same city. With the mandate to to raise their hometown's agricultural productivity and develop the quality of local labor, the partnership first set its eyes on tomatoes, a local specialty produce. Not only did they set their goal to raise the quality of the tomatoes and work to increase its yield, but also to diversify its processed goods and address the entire production process in the area. The project's first success was cutting down on waste. Conventionally, tomatoes that weren't appealing in shape or size would be discarded before they could hit the market as they failed to make it into consumers' homes. Taking heed of the immense waste and potential, the project team began systematically making puree out of perfectly fine tomatoes

that would have otherwise been thrown out. Komatsu Ltd. leveraged its technology, production knowhow, and resources to analyze and improve the pureeing process, making use of a cheap commercial facility to halve the production cost. The resulting puree is used in various local sweets, breads, and curries.

The team's second tangible success is their unique system that employs ICT to improve the quality and yield of produce, overturning previous farming techniques that relied solely on intuition. Through Komatsu Ltd.'s suggestion, Nippon Electric Company (known as "NEC") was brought into the picture to help implement the NEC ICT cloud that converges data sent through sensors throughout its network to monitor horticultural facilities. The system allows for the user to easily track the temperature, humidity, and environmental factors such as sunshine within greenhouses, and can be accessed via computers and smart phones. The data is collected on a cloud as well for future analysis and usage and can be visualized in graphs in real-time. As both the information and controls for the greenhouses can be accessed remotely, the user can take appropriate actions as necessary including managing the ventilations and water levels for the crops. This digitalization not only helps improve yields and quality, but also cuts down on labor costs in areas declining in population and attracts younger employees who have an interest in new forms of agriculture. It was during this site visit that I met Masahiro Honda, Chairman of the "Tomato Subcommittee" within JA Komatsu. He politely introduced me to "Honda Farms," (which utilizes these ICT measures) and inadvertently, his passion and affection for agriculture and his district. Along the same lines was the adoration and enthusiasm that Komatsu Ltd. had for its hometown as well, unforgetting of its roots even after it had become an internationally renowned company. They applied their cutting-edge technology throughout the partnership to areas that were not in plain sight as well, including biomass heating systems, groundwater conditioning, and general management advice. It is difficult to find a better example of how collaboration with corporations can facilitate the implementation of sixth industry and improve agricultural productivity.



As we made the rounds on the farm, the summer sun shined brightly and beads of sweat dripped from all of our foreheads. I bit into a juicy Komatsu tomato I was offered in the shade, taking my time to enjoy its soft, sweet, and surprisingly fresh fruit. I presumptuously asked for another, and then again another. One of the beautiful things I learned about these tomatoes is that they continue to be just as flavorful and juicy all year long as the producers have adjusted their greenhouses for cultivation in all four seasons, allowing for shipping when costs are beneficial and

continued profits. Needless to mention, the merit applies to consumers as well who enjoy quality tomatoes. I hope to come across more of these in grocery stores wherever I may find myself.

Lesson #17

Corporatization and partnerships with enterprises can revolutionize modes of thinking from family trade to business and bring an improvement to productivity offer sales opportunities. Creating the right working conditions draws in younger and more qualified employees, even from outside the agriculture industry.

Shimane Prefecture

Katsube Nosan

Corporatization that brought young personnel and business expansion

For better or for worse, Japan has an abundance of jobs. In 2017, the effective opening-to-application ratio exceeded 1.0 in all 47 prefectures. Although this is a clear signal that finding employment should not be difficult in the country, it is often said that local areas suffer from a shortage of human resources. Obviously, agriculture, which is an important industry in rural areas, is no exception.

Albeit due to multiple factors, some industries succeed in acquiring talent more than others, -- through this logic, we should analyze why agriculture is falling behind. With the question in my mind of why agriculture is not as attractive comparatively, I flew into Enmusubi Airport for my visit to Katsube Nosan located in Hikawacho, Izumo City, Shimane Prefecture. The area has a fascinating recent history. Before merging with Izumo City in 2011, Hikawacho's municipality and agricultural organizations adventurously implemented their "One Town One Farm Plan" which consolidated farm in the Hikawacho area as one, set up a comprehensive plan from land utilization methods to cropping for the entire district, and established a leadership circle to create a new form of farm management.



As one may assume from the name of the farm, Yoshimasa

Katsube stands as a primary leader. As Representative Director, Mr. Katsube inherited Katsube Nosan from his father in 2001, but took bold new steps to tear down paths between rice fields for expanded operations, improved management styles through efficient work processes, and reduced labor time for employees. One of the methods he

used was outsourcing weeding to a local construction company in order to have his skilled professionals concentrate on agricultural work.

Even after his best quick fixes, however, he encountered difficulty in securing stable labor resources, at which point Mr. Katsube came to terms with the notion that this inherent problem could not be addressed as long as his farm was a family business. With irregular work hours and holiday and with insufficient benefits, employees could not commit to work. It was in 2009 that he established his company, Katsube Nosan, with proactive assistance from the local agricultural cooperative. He succeeded in creating attractive jobs by solidifying work hours and offering weekly time off, benefits, balanced holidays, and annual paid time off during peak and leisure seasons. What came with his stable and competent workforce was the ability to expand the farm size to a large sized operation featuring 62ha of farmland and another 30ha of property he outsourced. In order to manage this land, he introduced a myriad of ways to improve productivity and efficiency including tractors with GPS capabilities and temperature sensors. *(For those with a deeper interest in ICT utilization in agriculture, refer to the section on Shinpuku Seika)*

The main message is that corporatization and expansion lie in the future of agriculture. Keeping this in mind as we look at our case study, one must admit that Katsube Nosan had various advantages. The property was blessed with facing Shinji Lake, relatively even terrain that required little work in expansion, and perhaps most importantly, a supportive municipality. Regardless, it is noteworthy that Katsube Nosan constantly attempted to stay one step ahead of the game. Without government prompting, it created a superior work environment through corporatization, actively recruited young talent, and promoted the use of ICT. This spirit of self-help cannot be stressed enough.



I had the chance to talk with five young employees during my tour of the farm facilities. As the average age of workers is 30, it was not difficult to find them. Their comments on working at Katsube Nosan ranged from “There’s nothing more fun than being able to work together towards a goal,” to “I never thought that driving a tractor would be so satisfying,” and what made me the most delighted, “I want to start my own business in the future.” It did not take a mind reader to see how engaged these employees are in their company and in agriculture as a whole, and their attitude made me believe that the future of Japanese agriculture is bright – but it will depend on the ideas and methods we contrive and implement to make it a profitable industry.

Lesson #18

Corporatization of agriculture and subsequent workplace and benefits conditioning to draw in young employees.

Miyagi and Fukushima Prefectures

Iris Ohyama Inc. and Butai Farm's *Butai-agri-innovation*

Agricultural innovation that sprung from the heart of a disaster-stricken area

I take the liberty of assuming that most readers are aware of the 2011 Great East Japan Earthquake and subsequent tsunami and nuclear accident that resulted in 16,000 deaths and hundreds of thousands of displaced people. People in this district were (and many still are) restricted in housing, needless to mention farming, after fears of lingering radioactivity and the government's evacuation instructions.



There exists an example of turning this crisis into opportunity, however. The opportunity came in the form of farmland expansion and growing and exporting safe, high-quality rice by a partnership between Kentaro Ohyama (Chair of Iris Ohyama Inc.) and Nobuo Hirao (President of Butai Farm), both victims of the 2011 disaster. Together, they created a company they named "Agri-Innovation" that proudly hails as its three missions to "raise the next generation of agricultural labor force to support reconstruction after the earthquake," "create new demand by purchasing the full yield of contract farming," and "support farming and make sustained and reasonable profits." In a deserted area with little to work with, calling it overambitious would be an understatement. Many did before the new company proved itself to their country and the world.

Butai Agri-Innovation installed a colossal rice mill in Watari Town, Miyagi Prefecture, with the capability to refine 100,000 tons of rice annually and store 42,000 pallets. This mill was the cornerstone of a new "total cold" processing method that supplies rice quickly in a way that preserves its flavor. The next integral part of the plan was collecting unpolished rice directly from its contracted farmers. As a prerequisite to accepting the rice, Agri-Innovation conducts checks for chemical residue, radiation, and cadmium before its quality test that takes into account the strain of rice, appearance, and taste. The inspections are conducted both before and after refinement. The company's thoroughness astounded me. After the meticulous tests, deoxygenating agent is added to help manage the safety and freshness to help the rice withstand the constant low-temperature environment (part of the "total cold" method) until it reaches the consumer. Through the automation of these processes, costs were successfully cut in order to make the

product highly competitive in the international market. It is no wonder that *Iris's Fresh Rice*, hailing from a highly stigmatized area for food, can be found throughout Japan, the United States, Malaysia, Switzerland, and Taiwan. A big part of the success is attributed to Iris Ohyama Inc.'s vast sales network and knowhow. I would also like to note that its exports decisions take into account the Trans-Pacific Partnership (TPP), a titanic international trade agreement.

Agri-Innovation also actively supports "Koubai Yume Farm," a corporation born in Kodaka of Minami Souma City, Fukushima Prefecture, an area that was subject to evacuation instructions at the time of the nuclear powerplant accident and suffered – among things – a grave reputational blow for its agricultural products. After the evacuation order was withdrawn in July 2016, farmers began rice cultivation for the first time in the area's history as part of its economic revitalization challenge and way to prove to the world of its turnaround. Unrefined rice produced in the field spanning over 9ha undergoes the government's radiation inspection before a second check in the Watari Town rice mill equipped with the previously mentioned state of the art quality control system. The certifications the product receives is so bulletproof that it passes and is sold to major Japanese convenience store exams, institutions that may surprise outsiders for their uncompromised rigor and quality standards.

The result of the operation is companies providing a supply of inexpensive and flavorsome rice, upheaval of the stigma around agricultural goods from the disaster-stricken Tohoku areas, creation of numerous jobs, and holistically contributes to the damaged area through factors including infrastructure and tax revenue. The business is hitting multiple birds with one stone.

I am concerned that my country's agricultural industry may diminish, or worse yet perish, if conventional forms of operations continue. It would be a great shame. Japan has much to offer in agriculture to the domestic and international market, and the quality, variety, and specific types of fruits and vegetables that are only able to thrive in Japanese farms offer value to the world that transcends economics. I find it crucial that the agricultural industry in the country proceed with its fundamental reforms, and in this sense, I can say that Agri-Innovation is a front-runner that embodies the so-called "aggressive agriculture" policies that Prime Minister Shinzo Abe's Cabinet advocates. Within this aggressive agriculture, the conglomeration of production, processing, and sales to give farms a competitive edge in the global market can be done quickly and with less resistance after a disaster such as the Great East Japan Earthquake. Chairman Ohyama surely realized this silver lining. His slogan "Tough times bring with them opportunity" pairs well with President Hario's, which is to "Constantly be a pioneer in agriculture." The agricultural reforms that Butai Agri-Innovation is offering its community is growing a new leaf of hope in disaster-stricken soil, and I hope to offer my support in any way that I can.

Lesson #19

Tough times present opportunities to abandon conventional approaches and instead pursue innovative methods. Cooperation from different fields (literally) can buttress farming operations and act as a catalyst for other forms of increasing competitiveness.

Tottori Prefecture

Oenosato Natural Farm

Proactive conversion to sixth industry agriculture and leveraging of deregulations

Oenosato Natural Farm is located in Yazu Town, the eastern part of Tottori Prefecture. It took me 30 minutes by car from Tottori Station to arrive to this quaint gem surrounded by lush green hills and clear blue skies. The farm made a name for itself through direct sales shop where they offer quality eggs and sweets and is known for its popular café. The number of customers hailing from outside the district regardless of the day of the week is still rising. My short trip there from the station was marked by slight anxiety as we drove on a one-lane stretch of road engulfed by nothing but trees – visitors cannot be blamed for worrying if there truly is a famous farm in such a rural area.



Suddenly, the road opened up to a massive parking area filled with cars. I let out a sigh of relief as President Riichiro Ohara, originally a poultry farmer from Tottori City, greeted me. Mr. Ohara started Oenosato Natural Farm in 1994 with the intent to expand the supply of quality eggs in the region. As a skeptic of conventional poultry farming using cages that stressed chickens (leading to eggs lacking in desired flavor), he developed a holistic approach to producing “Tenbiran,” a quality brand of eggs that features coops in which chickens roam freely. These robust brown eggs with rich creamy yolks and thick hard shells sell for 100 yen (roughly 0.9 USD) each. I learned that Tenbiran eggs had difficulty at first finding their way into consumers’ households due to its price tag, but Mr. Ohara was in for the long game and successfully increases sales as he made its taste and superior breeding method known to the area. Mail orders also helped boost sales. After his product had an established brand, Mr. Ohara advanced into the prepared foods market where he used Tenbiran eggs in pancakes and Baumkuchen cakes suited towards Japanese taste buds.

In 2016, he succeeded in opening a large complex called the “Oenosato Village” that was packed with customers when I poked my head in. The first floor features sweets made with the farm’s fresh eggs, and the mesmerizing scent could be traced from far away. Direct sales are not the only way towards profit and regional revitalization, however. I learned that the facility holds Baumkuchen cooking classes led by a local women’s association, and was fortunate enough to jump in and learn the basics on how this traditional German cake is made. The second floor is taken up by a large restaurant surrounded by glass walls and is reminiscent of a chic New York

atmosphere. The menu is replete with specialty dishes using the farm's eggs and local vegetables. I myself had the chance to try one of the famous Tenbiran pancakes – I doubt that I have to inform the reader of how delicious it was.



I was surprised to learn that when constructing this “Oenosato Village,” pre-existing farmland originally made with government subsidies that was deemed no longer usable was converted into the massive parking area. The practice may seem odd to some coming from countries with different regulatory backgrounds, but this was actually the first case of taking advantages of deregulations of the Regional Recovery Act since its revision in November 2014. Partly due to these bold steps that allowed for better infrastructure planning, the annual number of visitors increased from 100,000 in 2013 to 280,000 in 2018. They plan to achieve 300,000 annual visitors in 2020, a figure they are likely to reach. With the increase in visitors naturally came an increase of jobs – the farm employs over 100 fulltime staff and around 60 part-timers, another way that it contributes to its local economy.

I once visited a poultry farm called “Daily Farm Coco-Terrace” in Tokoname City, Aichi Prefecture, that made its way to sixth industry agriculture. As with that farm, Oenosato Natural Farm is developing its own self-sustaining system that uses organic fertilizer made of manure and partakes in food education for local residents and children through hands on experiences and cooking classes. The benefits that Mr. Ohara and his team bring to the community exceed simple economic ones.

I dare say that Oenosato Natural Farm is a front runner of sixth industry agriculture and can serve as a model for regional revitalization that kickstarted local agriculture and created jobs by leveraging deregulation. Their activities that actively involves the community and outside guests synthesize well for the region's profitmaking and independence.

Lesson #20

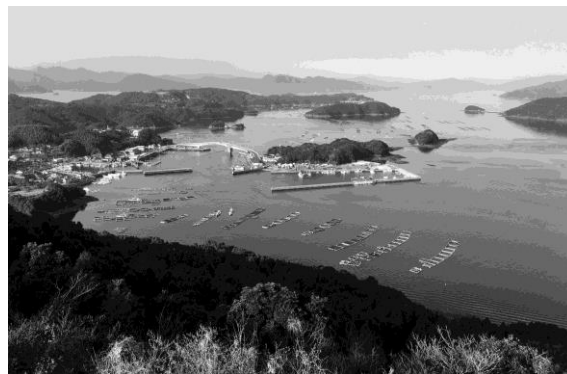
Conversion to sixth industry agriculture by taking advantage of deregulation can lead to stimulating a region's agricultural industry and create jobs. This in turn showcases the appeal of the region, bringing in more jobs and opportunities.

Kagoshima Prefecture

Nagashima Town

Community efforts and incorporation of external knowledge to make the world's largest aquaculture of yellowtail fish possible

Nagashima Town in Kagoshima Prefecture, formerly known for its massive sardine fisheries, is blessed by its surroundings composed of the East China Sea and the Yatsushiro Sea. Residents knew that sardine catches will not last forever, however, and 50 years ago, the local fishery cooperative began research operations nationwide including a visit to Japan's first successful yellowtail farm in Kagawa Prefecture. Thus began Nagashima Town's aquaculture industry through a batch of wild caught yellowtail that weighed only 2 to 3kg each.



One may wonder why the leadership chose yellowtail as its fish. The answer lies in Nagashima Town's geographical location. The inland sea is calm and generally holds moderate and stable temperatures all year long. The water's annual average of 19 degrees Celsius, tidal range of maximum four meters, and tidal current of maximum 3.5 meters per second are all conducive to easily raising healthy and flavorsome yellowtail.

With the mindset that it is an organization that exists for its members' wellness and refused to slowly perish due to maintaining the status quo, the fishery cooperative developed its own feed, managed the entire process of sales from acquiring more juvenile fish all the way to shipment of prime fish, and even succeeded in exporting its products to the EU for the first time in 2003. There were road bumps, however. Two years of back to back red tide algae blooms in 2009 and 2010 caused damages of 5 billion yen (roughly 46 million USD) in the area and 2.7 million dead fish. Shipments of fish decreased, but under the strong leadership of Representative Director, Nobuo Nagamoto, and strategically targeted subsidies from the government, the cooperative succeeded in developing new coastal curves and its now famous breed of yellowtail called "Burioh" that matures in two years and is resistant against red tides. After picking up slack in tough times, shipments exceed 2 million fish annually that are exported to 30 countries.



Yellowtail has traditionally been sold in a wholesale manner within

Japan. In an environment where wholesale businesses are gradually declining, the cooperative found ways to extend sales to individual consumers. It was in this context that Takashi Inoue from the Ministry of Internal Affairs and Communications first made his way into Nagashima Town in April 2015 as participant number one of the regional revitalization human resources assistance program that seconds a talented and ambitious national government official to municipalities with populations under 50,000.

Mr. Inoue, who became Vice Mayor of Nagashima Town in July of the same year, always had a penchant for rural districts. He would visit various areas around the country every weekend at his own expense while serving at the ministry in Tokyo, and used his experiences and network that he made from those in projects in Nagashima Town. With the basic premise of combining internal and external resources for the town's benefit, Mr. Inoue first set his eyes on establishing the first corporatized fishery cooperative in Japan. With that set, he recruited Takashi Doi, a personal friend and one of the most successful employees of Rakuten (a major Japanese e-commerce and internet company), to help kick off and run the e-commerce site "Nagashima Continent Market" that proved itself to be a more profitable operation than wholesales. What came with the new variety of jobs was an influx of talent that came to the town to competently fill them.

Mr. Inoue also began marketing activities to attract tourists with fresh seafood, partnering with a major tourism company. Through an unprecedented agreement with the local government, Hankyu Travel International Co. Ltd. established a local branch within the town's municipal office and began monthly roundtable discussions that involved locals and representatives from the fishery cooperative, farmer and commerce associations, and others to design tourism tailored to accentuate the area's strengths. The meetings yielded numerous ideas, such as showing tourists how to fillet yellowtail right on the harbor, adding unique desserts that pair well with newly created local specialty dishes, and running PR videos on local bus lines that showcase the unique and careful yellowtail breeding process. Based on these discussions and various pieces of advice, from seasoned professions at Hankyu Travel, the town promptly initiated an aggressive trial and error process to improve its goods and services.

These kinds of bold moves should not be expected to bring profits immediately. One of the keys was the team's ability to work through trials and errors. As a result of the arduous dedication, Nagashima Continent Market's dining area managed by the fisheries cooperative was selected as number one in customer satisfaction among more than 1000 domestic tours that Hankyu Travel International offered and enjoyed more than 4,000 tour package visitors in 2017. Due to this success, various lodging facilities are in the making, funded entirely by private capital.



Nagashima Town has no high school, college, or other higher educational institution, and high school students are forced to attend school far outside of town by taking an hour-long bus. This kind of burden has generally kept families from having more than one child, and most youth move out of town when presented the opportunity – not the situation a town wants to find itself in when attempting regional revitalization. With advances in its successful yellowtail industry, however, are positive effects that reverberate to the rest of the district.

Pairing well with the natural appeal of a booming local economy, the so-called “Yellowtail Scholarship” was created as a zesty side dish by the town’s leadership in an effort to keep its local talent. The fund generously pays off educational fees for students who return to Nagashima Town to work within ten years of graduating high school, and in order to keep the fund sustainable, Mr. Inoue added three features that would remain after his two-year tenure.

First, as a part of the partnership between the town and Kagoshima Mutual Shinkin Bank, the scholarship is to feature incredibly low interest rates for loans that also help reduce administrative overhead for the town and make costs easier to estimate down the road. Second, residents and local companies are also to directly contribute to the fund. The rationale behind the move was that if local talent continues to leave, businesses and the entire town hurts. Many companies voluntarily made schemes that contribute one yen per yellowtail sold (initiated by the Azuma Town Fishery Cooperative) that have raised millions of yen. Third, Mr. Inoue set the course so that small amounts of taxes are collected from those not only the fishing industry, but all residents in order to ensure flexibility for the unpredictable future. Many residents even voluntarily picked a separate tax scheme for themselves that directly contributes to the fund, and many other companies and cooperatives have simply donated millions of yen total.

Just like yellowtail fish that returns to its original home area upon maturity, the town hopes for its younglings to be able to see the world and contribute to their hometown when ready. We can already see its success. Using the yellowtail scholarship as a springboard for other initiatives, Nagashima Town has begun addressing other aspects of regional revitalization including job creation, utilization of its vacant houses, and higher education. Simple talks have materialized to cooperation with local credit unions, remote access high schools, Keio University, and Tsuji Culinary Institute.



I was impressed with this case example, partly due to the leadership's initiative in actively establishing and deepening its relationship with outsiders, integrating resources and skills from inside and outside of its town. I hope that others realize that with the right drive, every district has potential to do likewise.

Lesson #21

Schemes to retain and develop local talent can be an entrance to establishing relationships with those outside of the immediate district that can tie into revitalization activities that cannot be done by the local government alone. Actively involving the local community and companies drives it home.

Fukuoka Prefecture

Umiterrace-Buzen

Adding value by integrating processing, sales, and food establishments

Although easier said than done, the key for regional revitalization and implementing **Abenomics** (Prime Minister Shinzo Abe's policies to revitalize the economy, a three-pronged approach that combines fiscal expansion, monetary easing, and structural reforms) is the effective utilization of local resources and improvement of productivity in local industries.

Modern history is beginning to prove that conventional public-work projects and bringing in foreign businesses have their limits. This rings true across the world, and not only my country. Accordingly, the importance and need for locally based industries including agriculture, fishery and tourism to make their own profits is increasing. My visits to Ama Town in Shimane Prefecture (that succeeded in year-round production of oysters by introducing the cutting edge refrigeration technology) and Mouma Fishing Port in Miyagi Prefecture (that restored fisheries and made profits through giving fishing rights to a company rather than a cooperative) to learn about their unique fishing industry practices were profound in their own way, but here, I would like to take the opportunity to

introduce the successful case of sixth industry fisheries. I present to you the sales and processing facility “Umiterrace Buzen” made by a fishery cooperative in northeast Kyushu. As this is my home district, I must admit with full disclosure that I am particularly proud of this fine example in regional revitalization.



Umiterrace Buzen was started as a project to increase fishers’ wages and attract tourists. Constructed on an used plot of land near the Houchiku Fishery Cooperative, it opened its doors in June 2016. Located on the first floor of this giant facility are the direct sales store where visitors can peruse and purchase goods. The fish processing facilities are located right next door, ensuring the utmost freshness. What is even fresher on the shelves is the fish brought into port the very day. Upstairs, visitors can find the “Fisher’s Restaurant Unoshima-Houchiku-Maru,” which is run directly by the cooperative, and serves delightful seasonal seafood, all taken from the Buzen Sea – specialty dishes feature cuttlefish in spring, pike conger in summer, and blue crab in autumn. All seafood used in the menu arrives directly from fishing vessels belonging to the cooperative, and thanks to their rigid quality control, most seafood is able to be served raw without worry. Before the opening of Umiterrace Buzen, the only way people could enjoy the area’s fresh seafood other than through wholesales was a scraggly operation of sales and purchases of select fish. By integrating direct sales, processing, and even a successful restaurant, the community succeeded in adding value to their products.



Between the opening of the establishment and my visit in February 2017, Umiterrace Buzen had already welcomed 59,500 people visitors to the direct sales shop in the first floor and 37,700 to the restaurant on the second floor. The monthly average net sales were 9 million yen (roughly 83,000 USD) and 5 million yen (roughly 46,000 USD) respectively. Obviously, this success has contributed to fishers’ wages. Consumers are also able to take advantage of low-priced quality seafood. This is the definition of a win-win situation.



A similar successful case is the restaurant “Banya” operated by the fishery cooperative in Hota Fishing Port in Kyonan-town, Chiba Prefecture. I visited this restaurant when I was Chairman of the Special Committee on Regional Revitalization in the Diet (Japan’s Parliament). Riding on the wave of its wild popularity its opening in 1995, the management is currently in the process of opening its third chain. About 600,000 people visit this restaurant annually, greatly contributing to local employment.

Fisheries are an indispensable element of regional revitalization. This is especially true in Japan, but even in landlocked countries, the principles of what makes successful fisheries regional revitalization can be applied to other fields. Looking at success stories like Umiterrace Buzen and Banya that now lead their respective districts towards greater prosperity, one can easily forget the difficulties they faced. In Japan, workers are leaving the fishing industry at an alarming rate. In 2016, the sector had 160,000 employees with an average age of 56.7. Meanwhile, the global seafood production doubled in 30 years, while Japan’s has halved in the same period. Aquaculture accounts for roughly half of seafood production in the world, but it still remains at 20% in Japan’s case.

Taking this reality into account, in order to make fisheries into a growth industry in the country, it is necessary to reinvent the entire business climate of the industry in a way that attracts young motivated people to join and in turn push the sector further via innovative management, technological, and other methods. In Japan, the government recently started taking direct action. The working group in the Regulatory Reform Promotion Council (an advisory council of the Prime Minister) began assessing and analyzing domestic fisheries and is scrutinizing overseas successful stories, comparing them to actions Japanese fisheries have undertaken to date. The working group then turned its attention to specific cases where corporations entered the aquaculture market. There are two methods for this that stand out domestically.



In the above-mentioned fishery restoration project in Momoura Fishing Port in Miyagi Prefecture, a company directly purchased fishery rights for their market entry. In other cases, such as the yellowtail farming in Nagashima Town in Kagoshima Prefecture, a company can become a member of the local fishery cooperative for market entry. The council also identified an increasingly popular method of cutting out the middleman through direct sales, as is the case of Shimane's prefectural fishery cooperative selling its products to Aeon, the largest retailer in Asia. The move is becoming a well-known example domestically as a method to boost fishers' incomes. The takeaway message is that there are numerous ways to go about improving the industry's profitability.

Various districts in Japan are taking on their own fisheries challenges. Although success is not easily achieved, there is opportunity for growth, and I have high expectations for the industry in my country. I myself intend to continue helping those motivated districts and individuals by giving evidence-based policy advice to the Regulatory Reform Promotion Council.

Lesson #22

Fisheries are a local resource that have major potential to develop in Japan. To become a growth industry, movement to sixth industry activities and corporations' market entry are indispensable.

Leveraging local industries

Creating and supporting profitable companies is crucial in revitalizing local districts. One of the tools for this is “RESAS,” which helps users understand the strengths and weaknesses of a given area.

In the beginning of this book, I stated that definition of regional revitalization is to increase the average income of a given area, and in turn, that is to make a profit. Without profitmaking, the sustainable development of a district is not likely. Let us break this notion down further. Making profits in local districts means to garner capital from outside, and preferably, reducing the external cashflow from the inside. Therefore, sustainably profitable districts create an export-type industry using their local resources to gain outside wealth. One caveat that comes with this is that the district in question should be careful not to fall into the traps of conventional investment promotion. Naturally, attracting companies from the outside, especially manufacturing plants, may offer quick remedies for employment. The guest also may purchase goods and services locally necessary for its end products, and many reasonably argue that the economic effects are better than having nothing. Regional districts always have better options available, however. These companies’ performances are swayed by outside factors that municipalities cannot control, and the direct benefits they bring are often simply the salaries they pay to employees and the local purchases they make. Genuine revitalization relies on native resources, native innovation, and native branding. As Prime Minister Shinzo Abe stated, “Japan itself cannot be restored without regional revitalization.” It becomes crucial to empower regional industries and improve their productivity through native innovation and branding.

In order to make districts themselves see sustainable earnings, it is also important to foster local enterprises that are foundations of the district to become core business of the region at large. Core businesses generally purchase goods and services from the district in which they are rooted, distributes capital gained externally to local businesses as a connector hub, and provide positive ripple economic and employment effects to the district. In other words, regional core businesses are profitmaking machines that are essential to revitalizing an area.

In April 2015, the Japanese government released “RESAS” (the Regional Economy Society Analyzing System), a powerful tool that allows users to easily analyze their local economy. Using the function specifically reserved for local government employees, municipalities can identify regional core companies and companies that have potential to become them and sort them by district and industry type. I hope that Japanese policymakers in local government take advantage of this incredible tool to analyze their respective strengths and weaknesses and in turn use this vital information to make coherent and sophisticated strategies for economic growth.

Their sales channel development overseas, introductions of new technology and work-style reform among other examples make regional core companies useful study cases for smaller local businesses. In theory, they play a dual role of both economic engines and district leaders. To make these organizations more relatable, I present to the reader the cases of “Charmant” in Sabae City and “Yanagiya” in Ube City in the hopes that they serve as examples for leaders and policymakers across the globe.

Fukui Prefecture

Charmant

Breaking old customs to transform the district from just manufacturing to manufacturing and vending

Sabae City located in Fukui Prefecture has a population slightly below 70,000 and claims approximately 85 km² of land. The city is clearly not large, but has a reputation as the “town of glasses” whose share of glasses-frames exceeds 95% of the entire country’s production.



The production of eyewear frames started here as a side-business for farmers more than 100 years ago, and domestic demand after World War II boosted not only sales but also the technology and skill level of the industry. In the 1980s, local makers succeeded in establishing the world’s first mass production of titanium glasses frames, and Sabae City has since earned its reputation overseas as a high quality and technologically advanced production site. Above all, the company “Charmant” is a corporation that boasts annual sales of 17.3 billion yen (roughly 160 million USD) that provides paychecks for 1,784 employees (571 employees in Japan as of 2016). As a company ranked in the top five frame manufacturers in the world, it has direct sales stores spanning across 12 countries and sells its merchandise in more than 100 countries through its agencies.

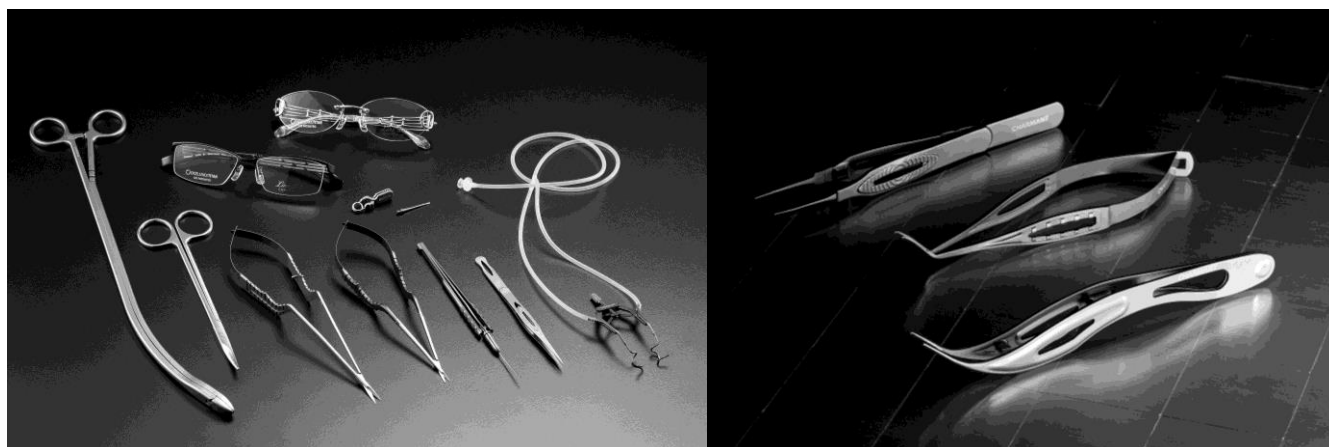
Charmant began manufacturing smaller components of frames in 1956, but after acquiring superior technology and manufacturing skills, seized the opportunity for rapid expansion when the eyewear market was transforming from plastic to metal frames. It established its first direct sales store in 1975 that provided glasses made entirely on its own. It was a gamechanger. In those days, frames were generally sold through wholesalers, and one of the results of the risky expansion was the ability to quickly improve its products from heeding the voices of its customers in its stores.



In 1980, the eyewear company started exporting its products to countries in

Asia, and in 1982, it established a subsidiary firm in America that became a kickoff point for gradually organizing production and sales networks in the global market. Charmant eventually became a world leading integrated glasses frame provider that has six design studios globally and sells more than 7.3 million frames annually in over 100 countries. Overseas sales currently account for two-thirds of its proceeds.

In 2009, the company's technology development division succeeded in its next-generation frame material branded as "Excellence Titanium" after eight years of joint research with the Institute of Materials Research within Tohoku University. Until then, manufacturers typically borrowed from research developed in other industrial fields and applied them to frame production, but Charmant took the initiative to develop new metals to provide more comfortable, durable, and cost-effective eyewear for consumers. Another case of the company defying conventional industry practices.



In the same year, Charmant released its precision titanium laser coating technology (which won the *Japan Minister of Education Award* in 2014) after a five-year joint research project with Joining and Welding Research Institute (JWRI) within Osaka University. By applying this technology to Excellence Titanium, the company created a unique frame with unprecedented design, durability, and comfort. The product became a hit after it caught attention from celebrities. In particular, Yoshinori Ohsumi – Professor Emeritus, Tokyo Institute of Technology -- wearing the

product in his interview as a recipient of the Nobel Prize in Physiology and Medicine in 2016 garnered the public's eye.

To not just survive in a tough market but to thrive, Charmant boldly transformed itself from a manufacturer to a maker, researcher, and distributor, expanding its sales channels overseas and adding value to its products to compete against discounted Chinese counterparts. As a result, the company has become a leading regional core company that provides its districts with employment and external capital. It did not stop there. Charmant entered the medical equipment market in 2012 at the request of a professor from Kitasato University School of Medicine who shares their hometown with Charmant and wanted to use light, safe high-grade titanium as opposed to the conventional stainless steel for medical procedures. The company began selling surgical instruments made of titanium for ophthalmological and brain surgery by utilizing its technology developed with Osaka University initially intended for eyewear. Its hometown Sabae City supported the company's dive into the medical equipment market, new marketing activities, and further establishment of global sales channels by utilizing regional revitalization related subsidies. Efforts were showcased in 2015 when Charmant participated the world's largest medical sector trade fair, "MEDICA." Using the opportunity as a springboard, it closed deals with 30 leading trading companies to sell its new products. As Japan faces a significant excess of imports over exports in medical equipment, these developments are monitored with great expectations.

With roughly 30 manufacturing plants in the area that produce medical related equipment, Charmant is in the beginning phases of organizing to lead technology transfers and guiding engineers for the district to become more profitable. Sabae City is also preparing itself to come out with more innovative ways to support manufacturing companies in a way that distances itself from conventional frameworks of government administration.

Kaoru Hirokawa, Chairman of Charmant, described the secret behind his company's continued successes as "...Our corporate culture to propel forward, inspired by curiosity and issue awareness." Hyakuo Makino, Sabae City's mayor, declared that "Sabae [City] must keep moving forward. There's no other way to make it other than to keep challenging ourselves."

The spirit of this this municipalities' people – both the public and private sectors – inspires me greatly. I hope to keep an eye on the activities and further developments of Sabae City as an outstanding example of regional revitalization led by a core company.

Lesson #23

The creation of a regional core company that can provide employment and external cash inflows will increase the economic power of the district entire. The local government should recognize that continued support for such a company guides the entire district to revitalization.

Yamaguchi Prefecture

Yanagiya

An omnivorous company's challenge to address new demands through its long-accumulated expertise



Prime Minister Shinzo Abe expressed his devotion for Japan's regional revitalization in his general policy speech of the 192th parliamentary session in 2016 as follows:

“Crab fish cake is taking the world by storm. Not known to many, it was a small local company that invented the machine that easily processes crab fish cakes and claimed 70% of the global market share. This fish paste shop was established 100 years ago and through adopting various ideas and methods, reinvented itself as a manufacturing company. It has developed food processing machines one after another, not only for fish paste but also for tofu and confectioneries and has expanded its sales channels to connect with world famous food producers through its superior technological prowess. Its motto is *to endlessly challenge itself and consistently be the global leader*. From its small corner of Japan in Ube City, it has not ceased challenging itself on the world stage. The spirit to progress forward and be the best. The courageousness to lead the global market with skills. As long as people like them continue their challenges, Japan can continue to grow. Ladies and gentlemen, let us aim at being number one in the world, with confidence and without hesitation.”

The company cited in this speech is Yanagiya Machinery Co., Ltd. located in Ube City, Yamaguchi Prefecture. It started as a fish paste shop in 1916, and after developing a kneading machine, it became a machine manufacturer which designed, manufactured and sold the fish paste product manufacturing system. Its crab fish cake manufacturing machine developed in 1979 can reproduce the texture of expensive crab with more economical fish meat which to this day still has a big demand in Japan, and as Prime Minister Abe said, currently accounts for 70% of the world market share. It is no exaggeration to say that Yanagiya has created the global market for crab fish cake.



21 countries in 5 continents produce crab fish cake, among which 19 countries predominantly use Yanagiya's machines for production. In addition to this, the company has developed various machines tailored to the needs of its clients and consumers at large using its seasoned knowhow for foods such as tofu, seaweed, confectioneries, and breads. Its successful challenges include developing machinery for various industries including pet foods, cleaning agents, and paints.



Also, unknown to most, it is Yanagiya that helps bring smiles to millions in Spain each Christmas. Although the traditional baby eel dish "angulas" is celebrated in the country, the actual eel are astronomically expensive nowadays. A Spanish seafood manufacturer approached Yanagiya, and the Japanese company did not let them down. After developing a machine that makes imitation baby eels at 1.24 USD for 100 grams, compared to the eye-watering 100 USD for 100 grams of actual eel.

After 100 years, Yanagiya has grown to have 4.04 billion yen (roughly 37 million USD) in sales in FY 2015 and has 160 employees as of April 2016, and received the "Science and Technology Award" from the Ministry of Education, Culture, Sports, Science and Technology (2007). It was also selected as one of the "100 global niche top companies" by the Ministry of Economy, Trade and Industry (2014). It now stands as a proud leader in its district as the regional core company and has an established reputation.



I had the opportunity to speak with Yoshio Yanagiya, the third-generation president of the company. I learned that his organization was deep in the red and operating in crisis mode until they succeeded in developing the crab fish cake machine. Sales from it buoyed them, but Mr. Yanagiya said that the pain and hardship that the employees went through is engrained in the company culture and continues pushing them forward to this day. With passion, he claimed “...Yanagiya was able to grow and prosper because it’s an *omnivorous* company that doesn’t restrict itself to just one product. We’ll continue to endlessly challenge ourselves as a company that can help with various customers’ problems. Local companies need to be omnivorous and flexible to support regional employment and survive.” This is the spirit of regional revitalization that Japan needs.



Japan’s *Regional Future Investment Promotion Act* was enacted in June 2017. This law is meant to select around 2000 “Regional Future Leading Companies” that are influential to each regional economy, have potential for growth, and play a central role in value chains of their respective areas. Calculations for selections are objectively made via analyses of regions’ trade both internally and externally, employment situations, cashflows, and other elements. The selected nascent companies can receive proactive support from the government in terms of human resources, financing, information, and at times even regulation exemptions.

In December of the same year, the selected regional companies were announced. They were split in two groups: the first were those calculated as described above using corporate data and specified indicators, and the second were those that were recommended by municipalities and were successfully chosen as potential leaders of

their regions based off of the company's business characteristics (growth prospective, uniqueness) and management (excellence of managers and/or management approaches). As these are public expenses, very careful monitoring and proper checks and balances are required for this system for it not to become a simple financial support mechanism for private companies. It is my hope that this policy and those like it nourish local industries in an integrated approach of offering specific skills and resources from both the public and private sectors to create engines of local Abenomics.

Lesson #24

Local companies should not focus on just one product, but rather be *omnivorous* to survive and support regional employment.

Aomori Prefecture

Aomori Indigo Industry Cooperative

The creation of a new local industry through the synthesis of traditional and modern techniques

Many Japanese were inspired by astronaut Naoko Yamazaki who went to the International Space Station in the space shuttle Discovery in April 2010. Her depiction in the Japanese Experiment Module "Kibo" (meaning *hope* in Japanese) wearing a vivid blue polo shirt is famous in my country.

The shirt dyed with indigo was chosen by the Japanese Aerospace Exploration Agency (JAXA) in a competitive bid due to not its brilliant color, but because of its naturally antibiotic and deodorizing characteristics. The special method for this dye, called "Aomori Indigo," was developed by Aomori Indigo Industry Cooperative after innumerable trials and errors.



The color itself is branded as "Japan Blue," and traditionally relied on an arduous process of drying, fermenting, and maturing extracts of Tadeai (*Persicaria tinctoria*) leaves. The method relies on seasoned skills of

artisans which made mass production seem virtually impossible. Shortages of successors of the technique has been a problem. Enter Aomori Indigo Industry Cooperative to save the day.

The cooperative developed a powder that allows any material from cotton cloth to leather to be dyed in eight different gradations by applying digitalization and data management to the dyeing process after learning the trades of traditional artisans. The new coloring technique takes one twentieth of the traditional process in time, and people began realizing that mass production may be achievable.



The digitization and data management approach that makes tedious conventional techniques obsolete also opened the doors to employ local young staff. I had the chance to speak with the cooperative's newly employed young women who take pride in their work. Seeing them have rewarding jobs made me feel at the core that this is a great example of regional revitalization.

Hisayuki Yoshida, Representative Director of the Aomori Indigo Industry Cooperative, explained how the "Aomori indigo" dyeing method finds its roots in a research project at Hirosaki University in which he participated at the request of a friend. Mr. Yoshida had the idea to grow indigo plants in an unused rice field. The initial rationale was that the vegetation would beautify the bland landscape with beautiful pink flowers and may somehow lead to commercial opportunities as there was no business that worked with indigo anywhere in the vicinity. He officially began his research in 2003 using a subsidy from Aomori City.

In 2006, four companies from different industries within Aomori City, including his owned garment company, saw the potential indigo had and jointly established the cooperative to contribute each's unique skills and resources. Through a trial-and-error process, they broke down the conventional notion that indigo always produces a dark blue hue, and found a technique that allows dyeing to be done in eight different color gradations ranging from dark to sky blue.

They also managed to adroitly address the problem of color fading that commonly came with synthetic indigo. In a test run by the Japanese Industrial Standards held in the same year, their product received the highest score in 14 among 17 tests that track color fading. While other dyeing methods may create problems of blue ink dripping from shirts in the rain or an entire load of laundry turning light blue in the washing machine, Aomori indigo manages to retain its beautiful color on whatever it dyes.

あおり藍産業協同組合の取組事例(青森県青森市)

〔取組の概要〕

- 青森産藍を原料とした製品の産業化・特産品化を目指し、平成18年9月に設立。
- 組合設立以前から10年に渡る研究を経て、従来のすくも式[※]に代わるパウダー式を開発し、染色に必要な時間を1/20に短縮。
- 染色濃度を数値化し、染まりやすい布地から染まりにくい皮革製品までコンスタントに8色の染め分けを可能とし、量産化の目途を開いた。
- 大学や他業種との連携により菓子(フィナンシェ、マカロン等)・茶の食品分野、消臭剤の日用品分野など、順次、応用分野を広げ業容を拡大。

[※]すくも式・藍葉を乾燥させた後に熟成・発酵させる伝統的な「すくも」を用いる技法

〔具体的取組〕

平成22年

- ・抗菌・防臭性などが評価され、JAXA(宇宙航空研究開発機構)の船内着コンペで採用
- ・山崎直子宇宙飛行士が着用



平成26年

- ・NYファッションウィークでの三越伊勢丹HDS主催「NIPPONISTA」出展
- ・三越伊勢丹新宿店にて企画展開催

消臭スプレー・フィナンシェ等、他分野へも応用



平成28年

- ・日本航空新JAPAN PROJECTの一環として、JAL機内にて「あおり藍」を練り込んだフィナンシェを提供

スペースシャトル「ディスカバリー」に搭載されたボロシヤツ

As stated in the beginning of this chapter, this technology made in Aomori City through a simple notion was rocketed into space for the world to see. The business practice looks simple and easy in hindsight, we must keep in mind that it started from scratch. It does not take much of an imagination to picture the extraordinary efforts and determination it took for Mr. Yoshida and the cooperative to find their success.

In my view, the best aspect of the story is that it has yet to end. Through partnerships with a university and other industries, the group is further expanding the scope of their business to include confectionaries, teas, deodorants, and others. It may seem like a mismatch, but we need to keep in mind that indigo was traditionally used not only as a dyestuff, but also as an ingredient in cosmetics, drinks, foods, and other items that were essential for everyday life back in the day. Because of its deodorizing, sterilizing, and mothproofing properties, indigo was even used for cloth under which samurai wore their heavy armor.

The antibacterial and deodorizing spray using Aomori indigo received the “Tohoku Economic Bureau Director Award” in 2015. French style financier cakes that include Aomori indigo powder were served in Japan Airline flights due to its abundant polyphenol, high anti-oxidative, and hypocholesterolemic qualities. A joint research project featuring Tohoku Medical and Pharmaceutical University is being conducted to verify just how much indigo has of these great properties. It can be said that the application of this plant to businesses outside of dyeing is the synthesis of Japan’s regional tradition and modern technology.

As regional revitalization is the theme at hand, it would be irresponsible of me not to mention that the Aomori Indigo Industry Cooperative is busy making their contributions to its home district. One of the ways they are doing this is through calling for farmers who wish to cultivate indigo, providing them with seeds and lessons for how to best grow and harvest the plants. As the process is less strenuous than growing rice, many elderly farmers in the region have begun switching over to indigo.

As Mr. Yoshida identified, the indigo plant was never cultivated in Aomori Prefecture in modern history. By 2014 though, the prefecture ranked 4th nationally out of the 47 for the plant’s production volume. The prefectural government supported the local initiative by designating indigo as a regional resource, allowing opportunities for project subsidies.



One can assume that traditional dyeing methods using indigo would eventually die out without the cooperative's initiative. The practice of evolving a region's customary techniques to modern versions through partnerships with private firms and universities (and not just finding successors in a climate without natural demand for it) for commercialization is gaining traction in Japan. Paying too much respect to a tradition and eventually allowing it to disappear is simply a shame. Utilizing it to improve the average income of the home district while paying homage to its roots is a far more desirable outcome. This is also one of the core essences of what makes Japanese regional revitalization.

As an old Japanese proverb goes, "The dye from the indigo plant is bluer than the indigo itself." It just may be that someday, this "Aomori indigo" that emerged from a synthesis of a diminishing tradition and modern technology may lead Aomori Prefecture to exceed the indigo production volume of Tokushima Prefecture, the current champion grower of the plant. The 202 Tokyo Olympic and Paralympic games that will attract global attention features a Japan Blue emblem. The future will shine a brighter color than the lightest of the eight gradations of the powder's dye.

Lesson #25

Applying digitization and data management to traditional industry techniques allows for new methods independent of artisan skills, preserves cultures in a new way, and develops districts' local industries.

Tokyo

Hamano Products

Comprehensive manufacturing and care facility developed by a small factory



Hamano Products Co., Ltd. is located in Sumida Ward, Tokyo. Many may have an image of Tokyo bursting with new skyscrapers, hurried businessmen in suits, and various forms of cutting-edge technology on every street corner, but the company quietly sits in an old district that still has numerous small manufacturing plants.

Representative Director Keiichi Hamano and his employees cheerfully greeted me with great energy when I visited the company in September 2016.

Hamano Products has a respectable performance record in metal processing, its main business. What makes the company a case study is its proactive stance in planning and development of initiatives through academic-industrial collaboration, its support and investment in startups, and other unique business activities. Outside of its direct business performance, the most notable quality of Hamano Products is its cheerful and fun atmosphere in which all of its employees partake.

18 years ago, the company was composed of just Mr. Hamano and one employee, but the family has expanded to 40 members. Like many cases I would eventually hear while touring Japan, the inspiration and drive that created what Hamano Products is now, according to Mr. Hamano, was the pain and hardships that he endured. The company's facilities built by the previous president were destroyed in June 2000 by a fire in the neighborhood – without the means to produce, the only thing awaiting the president was destitution.

At the darkest hour, Mr. Hamano's community came to the rescue. The landowner of the original factory temporarily lent him a greatly discounted factory, and his client offered a different contract until he was able to get back on his feet. Mr. Hamano expressed how he and his company will forever be indebted to his community for saving him in the darkest hour.



These tough times gave birth to a management philosophy that operates his so-called comprehensive manufacturing facility, “Garage Sumida” that operates as part of Hamano Products Co., Ltd. There is no hiding to Mr. Hamano’s deep affection for Japan’s old manufacturing. At its peak, Tokyo’s Sumida Ward hosted 10,000 small factories, but the area now only has 2,800. Most are struggling to keep their place. As manufacturing requires heavy investments and land and facility costs, there are no newcomers to the area in recent times either. Mr. Hamano expressed his anxiety and fears of the situation, claiming, “In most cases, the end product isn’t manufactured in one factory. There are generally several companies involved in the process. We have to keep in mind that the closure of one factory greatly affects other factories too, even if they seem to be in a different business. As more factories disappear, small factories in the district have to cooperate in order to survive. Hamano Products carefully coordinates with other businesses and undertakes a variety of projects for everyone’s mutual benefit.”

Interestingly, Garage Sumida supports the kickstart of startup companies, but has no intent to increase the number of small or medium-sized companies. Startups are offered use of the Hamada facilities as a laboratory of sorts for their cutting-edge research and development and produce concrete prototypes of products they hope to manufacture. Mr. Hamano and his staff assist in the process while taking in their research and technology. If and when Hamano Products is not able to capably handle some part of the prototype construction or research on their own, partner firms are called in when appropriate. Garage Sumida not only gets involved hands on in the process, but also connects multiple players. This mutually beneficial process cannot be mimicked by rural factories or companies without their own plants.



Seeing them in action truly makes one realize that in order to survive, small and medium sized enterprises need to cut off their dependencies on large corporations and add their own value by leveraging their local resources. In Tokyo's case, the local resource is information and technology. On top of having a network of professionals in various industries, Garage Sumida is equipped with state-of-art digital tools such as a 3D printer and laser cutter, its staff are familiar with design and manufacturing, and the company as a team supports the product development process for both individuals and businesses. The place is a genuinely ideal launch site for entrepreneurs who have a brilliant new idea but do not know how to go about making their prototype.

In September 2016, the company made an alliance with the venture support company Leave a Nest. In December the following year, it held a grand reopening after renovations where it announced plans on inviting entrepreneurs from the rest of Asia and assisting 20 to 30 startups at a time. Expectations are high.



I had the opportunity during my visit to speak with Hikaru Miyazaki, then Vice President and Director of Challenergy Inc. that was working with Garage Sumida. His company began focusing on wind energy after the great Tohoku earthquake of March 2011. The "vertical axis Magnus wind power generator" model managed to omit propellers and can thus theoretically provide stable levels of energy even in typhoons on remote islands in Japan and developing countries. "We're testing the system in Okinawa Prefecture right now, and we're seeing great results so far," he said with a beaming smile. I was impressed and inspired by the youth, energy, and of course contents of Mr. Miyazaki's description of Challenergy's projects, and saw it as a great challenge that can easily expand overseas.

Japan's manufacturing industry in its heyday brought in a new era in history. Supporting it and doing the heavy lifting underneath what the world saw were smaller companies and factories, and many of those craftsmen, technicians, and artisans remain today as buried treasures. For the Japanese economy's continued sustainable growth, it is indispensable to utilize these resources but combine them with new technologies and industrial networks so as to create products and services based on contemporary needs and continue innovative practices. I myself plan on fully supporting Hanamo Products and its affiliates as my own personal challenge.

Lesson #26

To cut off dependence from large companies, effectively use regional resources, and add value, small and medium sized companies should collaborate wherever possible and appropriate, and take advantage of new ideas and technologies.

Shizuoka Prefecture

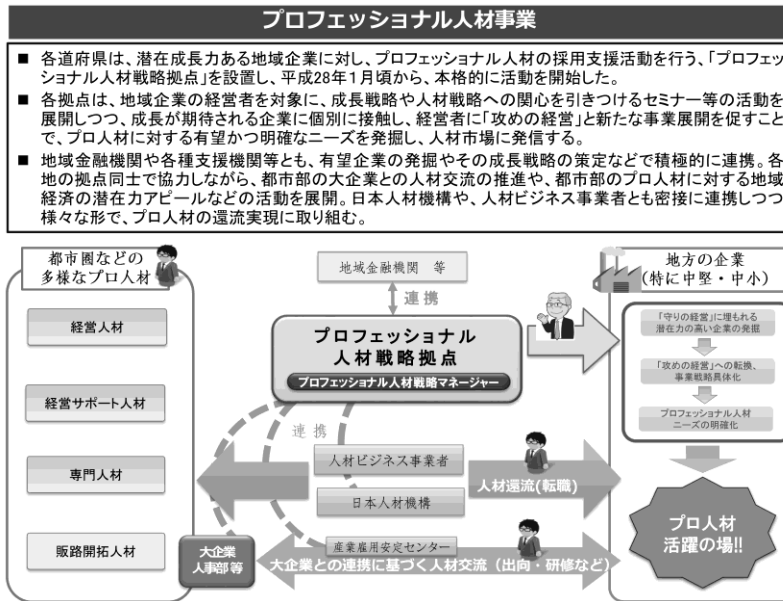
Okitsurasen

Sustainable profits through acquiring top level professionals and ensuring gender balance in staff

At the foot of the famous Mt. Fuji in Shizuoka City (Shizuoka Prefecture) lies a company named Okitsurasen that continuously strives to improve its workstyle and technological capabilities. Established in 1939, this small firm with around 80 employees surprises many when it reveals itself as an industry leader in the stainless screw market. As stainless steel is notable for its corrosion resistance, great strength, and adaptability for recycling, the material has become common in buildings and household electronic appliances.



The company began manufacturing stainless steel screws in 1967, but started to intensely focus on this portion of their business since 1980. After years of effort, it eventually became the largest domestic provider for this important industrial component in terms of production volume. Among the astounding 7,000+ types of screws annually manufactured in their factory, 3,000 of them are types the company can quickly produce and promptly deliver upon customer orders. It was also Okitsurasen that succeeded in the first mass production of screws made of titanium alloy, a substance initially believed to have too high of tensile strength and toughness to work with on an industrial scale for small parts. The company recently kicked off initiatives for productivity improvement which I would like to present here.



First, Okitsurasen took advantage of the government’s high-skill human resources matching program to hire a seasoned employee with experience in production management from a major manufacturing company. The program operates through offices located in each prefecture, identifying successful companies and marketing towards them professionals who can help solve their various business challenges. Since its official start in January 2016, the program made over 3,100 placements after receiving 23,000 requests in a span of a little over two years. Just like Okitsurasen, a factory called Misuzu-Seiko in Nagano Prefecture also succeeded in improving its productivity through using the government’s human resources matching program. Misuzu-Seiko was recommended to employ a quality assurance professional in their fifties who had worked for a large electronics manufacturer. After the new star player came in, the company was able to optimize its problematic heat treatment manufacturing process and hit their target production volume. The greatness of the human resources matching program is that it not only provides seasoned experts, but that it helps identify the shortcomings of local businesses and address it directly. In short, it plays a key role in regional revitalization. It is my hope that local companies can take advantage of these government programs, and foreign governments will consider similar initiatives.



The second change that Okitsurasen implemented to improve its productivity was modernizing its gender balance. Although a simple concept, braving the tides to change company (and ultimately the country’s) culture is no easy feat. Factories in Japan are classically male dominated workplaces, and Okitsurasen was no exception. Although

women composed one third of the entire staff, they were all assigned to office work before 2012 when one newly employed in accounting expressed her desire to attend practical training in the plant. Today, the company actively hires skillful and potential laden women for factory work, who are indispensable in the factory. Logically speaking, the pool of hires for competent employees doubled. Also, improvements to facilities that help some employees in the end positively affect all employees: after discussions with management, the plant implemented a mechanical lift that can raise heavy containers, accidents were reduced after a state-of-the-art grinding machine was brought in that also improved precision, speed, and efficiency, and new resting lounges helped the productivity of all factory staff. Maternity and paternity leave, childcare assistance, flexible work hour systems, and paid vacation were also introduced. The productivity improvement that resulted from this in the long run was an unintended side effect for the company. More than half of the employees at Okitsurasen are women, which the company proudly told me.

I saw firsthand how confident, bright, and positive the female employees were, even when speaking with their CEO – generally a frightening ordeal in conventional Japanese companies. More than anything, to me, watching their interactions highlighted the skillfully established company culture that many would envy.

Highly skilled labor in local small and medium sized companies are one of my country's greatest advantages. Their continued efforts to increase productivity and technological capabilities and their new determinations to improve work culture make me hopeful for Japan's future.

Lesson #27

For small or medium sized companies with high technical abilities, taking in different types of professionals and ensuring gender balance will become increasingly important.

Okayama Prefecture

Maniwa's CLT and biomass power plants

Using forest resources responsibly and without waste to create a profitable district

Not many are aware of CLT. Yet in Japan, experts say that it has the potential to dramatically change forestry. An abbreviation of "Cross Laminated Timber," CLT is a paneled wood product made of sawed timber adhered in a way that the directions of timber fibers are crossed at intersecting angles.

Maniwa City is located in the Chugoku Mountains in the center of Okayama Prefecture, and is making efforts to revitalize itself through both CLT and a wood biomass power plant by using its abundant forest resources in a way that does not produce waste. I had the honor of visiting their new CLT plant and wood biomass power plant facilities.

CLT has excellent thermal insulation and earthquake resistant properties and weighs just one fifth of concrete. In addition to this, processing is relatively simple which also helps shorten time required for construction. The technology was developed mainly in Austria from the mid 1990s, and today is used in many high-rise buildings. In Japan, the wooden panels were first used for a three-story company dormitory in Kochi Prefecture and is

incorporated in public housing after disasters in the same prefecture. These buildings using CLT are still rare in my country, but one can conversely say with confidence that the market for the material here is only going to expand. Concomitant to this development are future demands for lumber growing and restoration of Japan's forests that were previously neglected due to cheap imports. The Ministry of Land Infrastructure, Transport Tourism (MLIT) in 2016 articulated CLT usage standards through a public announcement based on the Building Standard Act to promote the utilization of the material. In Japan where earthquakes are numerous, building standards are carefully regulated – MLIT's message was one of great importance to the budding industry.

I visited Meiken Lamwood Corporation that constructed Japan's very first large scale CLT specialized plant in 2016, and today has an annual production capability of an incredible 30,00 m³ that leads the industry domestically. It comes as no surprise that the president of the company, Koichiro Nakashima, is also Chairman of the National CLT Association.



After seeing the CLT plant production line, I visited the "Maniwa Biomass Power Plant" just on the other side of the road. As the name suggests, this is a biomass power plant that uses lumber as its fuel and commenced operations in April 2015. The roots, so to say, of the operation is notable. Ten forestry and lumber related companies and organizations including Meiken Lamwood, the City of Maniwa, and the Maniwa Forestry Cooperative pooled together an investment of around 3.6 billion yen (roughly 33 million USD) for its construction. Its capacity is a whopping 10,000 kWh, one of the largest in the country, that can provide energy to 22,000 residential homes. The plant collects unused lumber and scraps of wood from large timber operations, and breaks them into chips to use as wood fuel. For sustainable operation of the facilities, the fuel must be constantly supplied at a rate of 150,000 tons annually. This may seem like an unrealistic amount, but as there was already a massive quantity of wood scattered across the mountains and timber operations continue, most agree that the plant has helped clean up the surrounding mountains. A unique system of underground pipes carry the unusable wood chips from the neighboring CLT plant to the power plant, and the power plant's heat vapors are even directed to the CLT plant to dry their products. I dare others to find a more perfect virtuous cycle that makes full use of lumber.

The power generated at the plant is sold to an electric power company using Japan's electric power fixed price purchase system for renewable energy. Annual sales amount to approximately 2.3 billion yen (roughly 21 million USD), which exceeded expectations. The biomass power plant and its related industry have created around 50

jobs, and the biomass tour visiting around the Maniwa Biomass Power Plant attracts 3,000 industry related tourists every year.

80% of Maniwa City is composed of forest. As lumber is the city's greatest resource, it is no wonder why both the public and private sectors saw an opportunity to collaborate. The greatest aspects of this story, however, are that the district has succeeded in utilizing their natural resources without waste, contributed to cleaner energy, and linked their initiatives to an innovative business model. The scheme is an advanced one in terms of regional revitalization.

It is my hope that Maniwa City continues to lead the domestic industry in CLT and biomass power generation, and other districts can find unique solutions that address multiple issues as they have.

Lesson #28

Produce a virtuous cycle of skillfully and responsibly utilizing resource without waste to become a niche industry leader.

Okinawa Prefecture

Kumejima's deep seawater facilities

Using deep seawater to build a sustainable and self-sufficient community

There has been a good amount of buzz around the usage of deep seawater. In Japan, the stuff is scooped up from 16 different locations, among which the largest amount is taken from the southernmost location on Kumejima, Okinawa Prefecture.

Kumejima is the fifth largest island in Okinawa (composed of multiple small islands), located 100 kilometers west of the capital of the prefecture, and has a population of just 8,000. The main industry here is tourism that takes advantage of the island's beautiful sandy beach called "Hate-no-Hama" and coral reefs. Picturesque island life is not all that the district has, however.

Deep seawater has gained traction in recent years as an up and coming local resource. Heroic amounts are taken from over 600 meters below the surface level 2.3 kilometers off of the coast. I knew I had to witness it firsthand.



I could not help but notice the sun blazing over my head when I exited the airport and stepped foot on the gorgeous island. My first destinations were the Deep Seawater Institute (a facility that works on ocean thermal energy conversion), a land-based oyster culturing facility, and a sea grape culturing facility. To fit into the definition of deep seawater, the liquid needs to lie at least 200 meters below the surface. The water is characteristically cool and is incredibly pure yet eutrophic, containing plenty of minerals. The facilities that work with the water was made in Kumejima because the beautifully upright island has deep ocean floors right on its shores.

The Okinawa Prefectural Deep Seawater Institute opened in 2000 and continues to promote research and development of the usage of deep seawater. It also proactively transfers their findings to the private sector, and aims to make the liquid a main resource for businesses in the district. For example, deep seawater is now used to naturally wash away viruses resulting from the culturing of Japanese tiger prawns and to culture sea grapes, whose demand is also growing. The institute is experimenting with using the water to cool and nourish soil for leaf vegetables like spinach to be grown in off seasons as well.



“G-O Farm,” one of the partner companies in the district, caught my attention. The firm is working towards creating the world’s first land-oyster culturing system that produces virus-free clean, safe oysters by utilizing deep seawater. The purity of the cool liquid is used from the earliest stages of reproduction and feed. Kumejima is an ideal location for this regional revitalization as phytoplankton, the main food for oysters, requires plenty of sunlight for photosynthesis.

The company began researching for its clean oysters in 2012, concluded its trials in 2014, and is currently experimenting with mass production methods. If successful, the company plans to supply their products directly to oyster bars in commercial complexes and department stores, as well as to wholesale groups and overseas. In addition, the company develops and produces cosmetics containing mineral-rich deep seawater and produces the bottled mineral water. Kumejima’s deep seawater clearly has a variety of uses, as the 140 employees in the industry that yielded 2.5 billion yen (roughly 23 million USD) in 2016 sales show.

Deep seawater is also now used in the energy field. Using thermal energy conversion technology, Kumejima’s technicians generate electricity by taking advantage of the temperature difference between the surface seawater kissed by the sun (annual average temperature of 26 degrees Celsius) and whirling deep seawater (with an annual average temperature of 9 degrees Celsius). In cooperation with Saga University, a private company commissioned by the Okinawa Prefectural Government started operations in 2013 with an initial 100kW of output. Differing from solar or wind power, it has a merit of continuously and stably generating electricity 24 hours a day.

The facility has attracted the attention of Caribbean countries and other tropical and subtropical island countries, and has received 7,100 visitors from 61 countries during the five years since its inception. Deep seawater used for power generation maintains its low temperature and does not change in composition during the generation process, therefore making it available for reuse in agricultural and aquatic purposes as well. Seeing this and citing other reasons, the company has now ambitiously set its target to ultimately have a 100MW output capability, which will reduce costs due to the economy of scale principle.



Kumejima has created and fostered various businesses related to this magic liquid. Of the many benefits, people are claiming energy independence is a possibility for the island. In order to expand production of cosmetic goods, see more clean culturing of prawn and sea grapes, and create more renewable and stable energy, the volume of deep seawater intake must drastically be increased. The island currently takes in 13,000 tons, but industry leaders have their eyes set on taking in 100,000. This will be no easy feat, however.

The population of Kumejima has decreased by 1,500 in one decade between 2005 and 2015. To counter this, the island is actively working towards drawing in more permanent residents and offering study abroad opportunities for high school students. Fostering their local industries and creating jobs for new immigrants within this process is indispensable.



Lessons from Kumejima's style of regional revitalization are applicable to not only island district across Japan, but many places overseas as well. The model develops a budding industry, creates jobs, and pushes the island on the path to sustainability and independence. It is my hope that this type of model spreads not only throughout my country, but to the rest of the world as well.

Lesson #29

To truly make an island attractive (other than its natural beauty), establish industries that use local resources, offer employment opportunities, and can lead to the district's autonomy.

Gunma Prefecture

Den-en Plaza Kawaba

Japan's leading *Michi-no-Eki* (roadside station and rest area) with a 70% repeater rate due to its customer-comes-first policy

The "Den-en Plaza Kawaba" is an award-winning roadside station in Kawaba Village, Tone County, Gunma Prefecture. Although the village itself has a population of only 35,000, it receives 1.8 million visitors annually, and this station has more than earned its tremendous reputation.

Although a district once known for silk and agricultural, like many in Japan, the rise of synthetic fibers and other developments have worn away at its traditional industries and caused young people to leave the village in droves. With no outstanding regional resources to speak of, Kawaba Village decided to promote a unique form of tourism that advertised the slogan, "agriculture plus tourism" for its regional revitalization.

At first, tourists came with the opening of the village's ski slopes, but the visitors had no places to purchase souvenirs, no restaurants at which to dine, and overall, no place to drop their vacation induced spending. The idea for the "Den-en Plaza Kawaba" that officially opened in 1998 and solved these problems began with requests from a group of proud locals to establish direct sales facilities for their agricultural products and processed foods. As with most initiatives like these, the village operated the plaza with a deficit at first, and times were tough -- but in comes the key person of revitalization.

Shoichi Nagai, who was previously employed at a local company, was chosen to assume the post of president for the plaza in 2007. With his presidency came proactive and fundamental reforms beginning with an upheaval of municipality culture that emphasizes how public employees are of higher societal rank than other locals in the private sphere. In short, Mr. Nagai prompted the city to actively provide better services to locals and visitors. Born with this was the concept "unique local products for local consumption."

During my visit, I could not help but awe at the magnificent facilities within the plaza. Upon entering, the guest is welcomed by a splendidly grand and sprawling garden where the interweaving green lawn connects the various buildings, visually accentuating a pristine pond in the middle where Japanese carp show off their brilliant colors in the warm sunlight. With no tall buildings nearby, nothing obstructs the wide view of the sky. The scenery instantly allows the visitor to feel comfortable. Facilities include a farmers' market, a bread factory, and quaint restaurant. The original direct sales shop daintily displays fresh vegetables and juicy fruits produced right nearby.



Behind the scenes, IT reduces various burdens initially placed on producers and streamlines facility management. For example, sales information of all agricultural products are constantly transferred to producers who can deliver their goods in timely manners and amounts according to the situation in the retail establishments. In the bakery, when a customer chooses a product and puts it on the dedicated tray in front of the cashier, the price is automatically calculated based on its shape, omitting the need for staff to remember prices and manually type them in the cash register. After just one visit, it was understandable how and why 70% of customers are repeaters. Both the services and marketing are continuously improved so that customers do not lose interest.

The spirit of self-help and various initiatives of the villages are seen in other forms too. In 1981, Kawaba Village established a unique partnership with Setagaya Ward of Tokyo. One element of this partnership includes what is now a tradition of fifth graders in elementary schools across Setagaya visiting the village on field trips. During their stay, children use the Den-en Plaza Wakaba for not only lunch and shopping purposes, but to study how society works.

Experiences in greenery and nature are very valuable for children from big cities, and through these activities, the districts are able to forge connections and build the foundations of mutual assistance down the road. As the tradition and partnership has been passed from parent to child, if and when a large fire or other catastrophe befalls one district, the other will rush to its aid. This is now a proven concept.

Among the more than 1000 roadside rest area shops in the country, this “Den-en Plaza Kawaba” has made a name for itself and makes 2 billion yen (roughly 18 million USD) in annual sales. Although the management’s operational policy is very simple – to provide the good local products to customers – the spirit of the new service industry here, efficiency through IT, and hard work are what truly make it shine.

Lesson #30

Change modes of thinking to “customer first” policies by putting yourself in the customer’s shoes, constantly improve services, and conduct marketing based on simple concepts so that customers become regular clientele.

Shimane Prefecture

Nakamura Chaho

Expansion overseas through utilizing local culture

Many would not expect a traditional tea shop established in regional Japan more than 130 years ago to open a direct sales store and a café in Southeast Asia, but I hope to illustrate here the example of how one succeeded in its quest to share Japanese tea culture internationally and expand its market.



The tea shop in question is “Nakamura Chaho,” and hails from Matsue City in Shimane Prefecture. I truly admire the spirit of Hisao Nakamura, the fourth-generation president of the family run business who bravely advanced the company’s reforms without ruining the tradition and culture that his ancestors created.

Matsue City is the home territory of Fumai Matsudaira (1751 – 1818), a feudal lord of the Matsue Clan who is to this day famous as a tea aficionado and founder of the Fumai school of thought in tea ceremonies. Because of this, the culture of enjoying Japanese tea and confectioneries is deeply rooted in the district. Although Shizuoka, Kagoshima and Mie Prefectures account for 80% of tea production in the country and are the most famous as producers of the beautiful green leaves, Matsue is one of the three major confectionery producing sites, holds one of the three major domestic tea ceremonies, and is one of the biggest consumers of Japanese teas and confectionaries.



Founded in 1884, Nakamura Chaho has managed to preserve its longstanding customs and the taste by constantly managing quality control and never compromising on the types of merchandise offered. However, sales of tea leaves, the main product sold by the business, had seen decreases year after year. One of the options to counter this was to expand sales channels to outside of the prefecture to major cities within Japan, but Mr. Nakamura quickly realized that the move would upset the preestablished business network of the industry with which he has great relationships. Making a firm resolve, Mr. Nakamura made preparations to expand to overseas markets.

Entering new markets is never a cakewalk, especially when they are overseas, and especially when the business is small. After multiple twists and turns, Nakamura Chaho began business operations in Thailand. It was not a smooth ride from there either. I was told that one of the first setbacks was when their counterpart in Thailand did not properly store a mass shipment of tea, resulting in a bulk return and frustration. With the assistance of good business partners, however, Nakamura Chaho succeeded in opening their first business to consumer (B2C) direct sales shop “Chaho” in Bangkok. The founding company manages the shop’s products and quality, where one of the popular drinks is a uniquely made powdered tea adjusted to locals’ tastes. Connected to the shop is a small café where customers can enjoy a variety of Japanese tea. As one of its marketing activities, Chaho holds events that allows guests to experience Japanese teamaking and shares the country’s culture.

138Hopping on the trend brought about by the infusion’s health and beauty benefits, Chaho was able to sell its exclusive teas to celebrities and those with affluence, and after the queen of Thailand participated in a Japanese tea ceremony in 2009, the drink became even more popular within the upper echelons of Thai society. A decade later, the Japanese company has three shops in Thailand and is expanding its business to Vietnam. With steadily increasing exports, overseas sales now account for 20% of total proceeds. Nakamura Chaho succeeded in global sales by showcasing and cleverly leveraging Japan’s culture. This success is derived from Mr. Nakamura’s intuitions that he

gained back from his high school days of studying abroad in the United States and his belief that if properly marketed, Japanese tea can sell well in foreign countries.

The lessons here remind me of another business that successfully utilized Japan's traditional culture for international business. I vividly remember "Iwachu" in Morioka City of Iwate Prefecture. The company developed a new dyeing method to make the region's famous "Nambu" ironware brighter, then sold their newly colored products to enthusiasts in Europe. Corroboration of Iwachu's success is how their ironware is used in a café in New York's Museum of Modern Art (MoMA).

The common themes that tie the two institutions together is how both Nakamura Chaho in Matsue and Iwachu in Morioka adhere to the basics of their practices and never cease to care for their respective traditions. They merely add some creativity and arrange their product lineup based on the taste and lifestyle of their foreign markets they target. Behind this simple notion is perhaps their impending sense of existential crisis that if traditional goods such as tea and ironware are not able to sell, they will not be preserved altogether. The spirit of conserving tradition and drastic reform seem to be a magical combination for smaller enterprises striving to break out of their domestic markets.

139It was gently raining when I made my visit to Nakamura Chaho. As I softly sipped on my cup of rich hot tea in the ceremonial room in the back of the store listening to Mr. Nakamura's story, I could not help but think of the need for international standards for powdered teas to correctly represent my country's traditional culture. There are surely countless other Japanese practices that can successfully be introduced to foreign countries as well, and vice versa into Japan.

Lesson #31

Preserve the basics of your country's traditional cultures and present them in a way that appeals to the tastes and lifestyles of target markets in foreign countries in order to successfully share them overseas.

Shopping District Revitalization

Striving towards making profitable towns where good jobs draw in people and people create better jobs

In most places around the world, shopping streets are hallmarks of local districts and the center of regional economic revitalization. Rural Japan is no exception. We increasingly witness that the problem of gradually vanishing small stores in these shopping streets make local leaders around the globe scratch their heads. It is in this situation that Japan has a need to propagate **Abenomics** (Prime Minister Shinzo Abe's policies to revitalize the economy, a three-pronged approach that combines fiscal expansion, monetary easing, and structural reforms) to every corner of its country, and to do this, it is crucial to not only build a cycle of good jobs that bring in talent that in turn create better jobs, but to also have a town itself that acts as a foundation for these causes and has a unique appeal.

Many municipalities in Japan are pushing towards making their towns more compact to keep up with demographic trends while also preserving and actively utilizing unused capital such as vacant houses, empty stores, and traditional old houses. How effectively and efficiently districts use this type of unused capital greatly sways profitability, but the process is not as simple as it may seem. Within this landscape, the greatest roadblocks in many cases are unfavorable administrative systems and local policies.

Before my appointment as Minister, as Chair of the Special Committee on Regional Revitalization, I made numerous visits to rural areas that had been making efforts to revitalize their respective districts. The voices I heard were telling of these obstacles. "If we can use this vacant store, we can make people notice the unique appeal our district has, but the landowner doesn't want to lower the rent," or "These ugly worn down houses should be renovated as part of our effort to draw in more tourists, but we just don't have money for that" were common phrases I heard. Responding to these voices, I emphasized at the national level the importance of effectively utilizing these unused resources in regional areas with a focus on vacant stores, vacant agricultural land, and run-down houses. The logic was reflected in the Revised *Town-People-Job Comprehensive Revitalization Strategy* (Cabinet Decision, December 22, 2016) and the *Town-People-Job Creation Basic Policy 2017* prepared when I was Minister.

As an example of this sophisticated policy package is how we began building incentive mechanisms for regional revitalization subsidies to specifically urge the utilization of vacant stores, while simultaneously making it easier for owners of the vacant stores and houses to be excluded from fixed property taxes if they can prove inoccupancy and cooperate with the process for the next utilization of the property. To help urge the utilization of unused farmland, we recently revised the *1971 Act on Promotion of Introduction of Industry into Agricultural Regions* in order to facilitate the introduction of businesses that actively employ local resources that already exist in rural areas, including farm stays, corporate satellite offices, ICT-related industries, biomass-related businesses, and industries related to **continuing care retirement communities (CCRC)**, and allow them to uniquely use abandoned farmland.

It takes no university professor to understand how simply making legal and budgetary maneuvers is not enough to lead to truly making towns sustainably profitable. Every successful district, especially those introduced in this segment, was driven by the tireless efforts and passion of key community leaders to achieve their accomplishments.

I present in this section excellent cases selected among many from the visits I made during my time as Minister to share the knowledge and experiences of those who succeeded in revitalizing their communities' shopping streets. It is my hope that these examples provide valuable lessons for those engaged in similar challenges.

Aburatsu Shopping Street, Nichinan City Revitalization through a public-private cooperation

油津商店街(宮崎県日南市)の取組事例

【取組の概要】

- 日南市では、「行政」と「民間から登用した専門人材」が一体となったマーケティング戦略による地方創生を展開。
- 油津商店街再生を請け負うため、「商店街に4年で20店誘致を」という明確なノルマを課し、月額90万円で「テナントミックスサポートマネージャー」(サボマネ)を全国公募。2013年7月に333人の応募の中から木藤亮太氏が就任。
- あわせて、市外から外需を獲得し新しい雇用を生むため、企業との協業事業やマーケティング業務などを担当する「マーケティング専門官」として、2013年8月に田鹿倫基氏(元リクルート)を登用。
- 小さなイベントの継続実施や、かつて市民の集いの場だった喫茶店をリノベーションする等、市民の関心を集め、商店街に参加するきっかけづくりを行う。さらに、木藤サボマネや商工会議所OB等が中心となり、地域とともにまちづくりを行う株油津応援団を設立、事業に継続性を持たせる。
- その結果、店舗やIT関連企業のオフィスなど、商店街の29の空き店舗活用が実現(2017年3月現在)。アーケード通行量は、事業開始時の2.5~3.0倍程度に増加。
- IT関連企業については、2016年4月にオフィスを開所したポート株式会社を皮切りに10社が進出予定。雇用の増に伴い、商店街の利用等が増え、消費にも貢献。
- その他、伝統的建造物が多く立ち並ぶ豚肥地区においても、「まちなみ再生コーディネーター」を全国公募し、地域経済活性化支援機構の支援を受け、古民家2軒を宿泊施設に改装するなど、取組を展開。



喫茶店のリノベーション
「ABURATSU COFFEE」



スーパー跡の空き店舗を活用した
多世代交流モールの整備

建築設計: 水上哲也建築設計事務所, 写真: 鈴木研一



商店街の大型空き店舗を活用した
IT関連企業のオフィス



豚肥地区の古民家

I first present the case of Aburatsu Shopping Street in Nichinan City, Miyazaki Prefecture. In short, the city hired a private sector professional for a monthly salary of 900,000 yen (roughly 8,300 USD), a pay higher than that of the mayor, with one clear mandate: bring 20 shops to the shopping street in four years. The quota was fulfilled before the deadline.

The results were immediate. After the regional revitalization project was implemented, the foot traffic within the shopping arcade increased by 2.5 to 3.0 times. The case garnered a well-deserved spotlight, and there is not a single soul in the world of Japanese regional revitalization that is not familiar with Aburatsu Shopping Street's success. Through my site visit and discussions with various players, I myself came to understand the value of making their case a model for regional revitalization – it became my go-to example in lectures on regional revitalization that I held in every corner Japan when I was appointed Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy. Once broken down, we find that there are three essential points in regional revitalization:

- 1) Keep in mind that regional revitalization equals increasing the average income of a given district;
- 2) Harness the indispensable spirit of self-help. Each district must on its own realistically analyze its strengths and weaknesses and formulate their own way of making profits through their unique challenges;
- 3) In order to make profits, take advantage of tools such as RESAS and study facts and figures of regional

economies through an **evidence-based policy making (EBPM)** lens.

The methods in the project behind Aburatsu Shopping Street's success satisfy these three requirements. In order to demonstrate the mechanisms behind the venture, I re-interviewed Kyouhei Sakita, Nichinan City's mayor. In the following dialogue, I hope that the reader understands Mr. Sakita view that simply hiring a competent and seasoned expert to lead regional revitalization efforts falls short of true revitalization. According to him, the public sphere must put its weight behind the champion and its private sector allies.

Fireside Chats on Regional Revitalization: "Regional Revitalization through Profitable Town Planning"

Mayor of Nichinan City, Miyazaki Prefecture

Kyohei Sakita

The Bold hiring of business-savvy private sector talent by the municipality's leadership paired with the support of administrative officials with deep knowledge of the district garners the cooperation of the community and facilitates the revitalization of the town's central economic area

Nichinan City provides the model case for shopping street revitalization and usage of vacant stores

Yamamoto: I've seen many revitalization projects focused on the epicenter of a city use local taxes to physically build or redevelop community and commercial buildings, and as a result, they end up being caught in a web of unseen costs. Once you're in, there's no getting out. On the other side of the spectrum, I see what Nichinan City did with its vacant stores and shopping street as a model for regional revitalization. Can you tell me a bit about the background of your town's shopping district before you began your revitalization project?

Sakita: That sounds pretty familiar to me. Nichinan City's shopping street was a classic dead mall area that we see a lot of in Japan. Other than a department store called Yamakataya, stores were run down, barely surviving, or just abandoned altogether. This was a serious concern of mine long before I became mayor. Even I knew that towns can't thrive with consumption through just roadside shops and that it's important to have a core economic area of a town that is interlinked with other parts of the municipality through forms of transportation. The problem then in my view was how to build up that core. My predecessor had already decided to construct a large new commercial building as a way of stimulating the local economy, but I was anxious about the plan partly because there were voices that it was wasteful and would ultimately abandon the pre-existing shopping street. After what might have been too much mulling, I decided to go with measures to revitalize vacant shops.

Yamamoto: So you decided in the end that simply constructing a big building wouldn't lead to profitmaking. Could you share with me the reason why you went out of your way to hire someone from the private sector to address the problem of vacant stores? A lot of people assume that bringing in someone external would cause friction with local government officials or more conservatively oriented old-timers in the shopping district. How did you avoid this?

Select talent through an open recruitment process



Sakita: I feel like this may be the most important point of today's discussion. I personally know that local government employees in Japan are very talented; I'm not saying this to toot my own horn, but I was once a prefectural official as well. What they really lack though, is business experience. In the case of Nichinan City, we ended up hiring Ryota Kito for a position called Tenant Mixed Support Manager and Tomoki Tajika as our marketing specialist. It was understood that local government staff just didn't have their specific skills and experiences. On the other hand though, I want to stress that simply hiring talented private sector people doesn't automatically lead to success. When people from other municipalities come to our town for site visits, I notice that their first thought is that having someone like Mr. Kito on their payroll will magically revolutionize their town. Hiring the right talent is important, but it's more important to proactively pair that with administrative staff familiar with the district and foster their teamwork.

Yamamoto: Was it controversial to pay a whopping 0.9 million yen a month to hire these experts?

Sakita: Of course I instantly received harsh criticism. A monthly salary of almost a million yen is higher than the 700,000 yen (roughly 6,400 USD) given to the mayor. TV stations gobbled it up though, and we ended up receiving 333 applications from around the country for the jobs. We wrung the number down to nine for the final screening, but it was tough. They were all brilliant. I personally believe that because we made such a bold hiring decision, we were able to hire such excellent talent.

Yamamoto: In brief, the job should offer great benefits and the posting should be thoroughly publicized.

Sakita: I'd certainly say that it isn't enough to put the job posting on the town hall's website or local papers.

Yamamoto: I see. Can you tell me the specifics on the cooperation between the municipality and the newly acquired private sector talent?

Effective public-private cooperation is key

Sakita: I can't blame them, but the owners of shopping street's vacant stores were somewhat skeptical about our plan and hesitated to lend out their property. The town tried projects in the past to revitalize the street, but it goes without saying that they couldn't produce good results. A lot of these store property owners were burnt out and had zero desire to try again because years had passed since their businesses had closed. If someone from the private sector came from out of town on their own and tried persuading them to take a risk and lend them their store, there's no way they would listen. Japanese people are weak to government officials though. Because the outsider was accompanied by trusted local administrative staff who promised to make their very best effort, we were able to start our work. This combination is very important. Mr. Kito himself claims that part of the reason why these burnt out shopkeepers had faith is because the local government showed how serious it was about this project. I know he's worked on revitalizing shopping streets for years, but he said the government's determination, dedication, and trust in him was the most important and precious support of all. As their first order of business, Mr. Kito and the administration sent the message to the community that this was our last chance.

Showcase your on-going process to incite interest and support

Yamamoto: I'm guessing you came up with a number of means to get the community involved. What obstacles did you run into when trying to get the shopping street interested?

Sakita: The number of vacant shops filled with new tenants was zero in the first year, and just two in the second. Our goal was 20 within a four-year span, and we ended up getting 29. The result is nice on paper, but the process wasn't smooth at all. You can imagine how much we were sweating after half the time elapsed until the deadline we set. One of our glimpses of success came when we started holding events as a part of what I call the "idol system." Just like rising stars have small dedicated fanbases at first who support them, we made a platform online and in town to show how our efforts and progress. Residents started paying attention our activities as we advertised our small cases of success and gradually became involved. This was a gamechanger. I feel that public administrations often only take the time to announce results once they're complete, which oftentimes nobody notices anyway, and don't care to share the growth and excitement of it all with their communities. Even the stores that had deep roots in the shopping street that previously considered closing down were lifted up by community members who took a new interest and started purchasing their products. The up and coming IT company, *PORT*, that you visited while in Nichinan City, saw this newly generated sense of community and decided to toss out other candidate sites and make an office in our town. I remember telling them at the time "if you choose us, you'll be part of a groundbreaking example of success in a few years and be drowning in visitors." I said it in all seriousness, but everyone gave it a warm chuckle.

Yamamoto: Well, I think it's incredible that your words came true. The president of *PORT* made quite a bold decision too I see.

Sakita: It seems like he was initially looking into choosing a prefectural capital at the very least.

Yamamoto: Right. I heard that the cooperation from members of the shopping street helped sway him though.

Sakita: The shopping street was at rock bottom at the time. It was partly thanks to that though that people were motivated to take that extra step. Some were irritated at how much Mr. Kito was being paid, but we were able to convince them to a certain extent that investments in human resources are much cheaper than physical construction.

Yamamoto: Did the owners of the shopping street accept lowering the rent?

Sakita: There weren't any issues on that front. We all had faith that once the properties were rented out, things would go well. How that property is passed on to the next tenant is still a complex problem though.

Motivate and involve staff



Yamamoto: I'm wondering why you set the deadline for your shopping street revitalization goal to four years.

Sakita: I don't blame you for wondering that. It was pretty risky for me, the mayor, to set the target within a four-year limit because the deadline coincided with my election. I often said to Mr. Kito that we were in the same boat and that if we sank, we sank together.

Yamamoto: You were Mr. Kito's employer on top of being the mayor. I can just imagine that he was extra motivated from seeing your determination.

Sakita: I think it's important that any given municipality's leader closely backs up the external talent if they're to replicate this model of regional revitalization. There are many reasons for this, but one in particular is that many rural administrative staff can feel discontent with the idea of an outside hire barging in and running the show. One of the ways I dealt with this is holding biweekly lunch meetings and where we had a relaxed atmosphere for all of us to get to know one another while also discussing the project.

Yamamoto: I see. How did residents react after the four-year project was concluded?

Sakita: There isn't a single person now that claims that the 900,000 yen a monthly salary was wasteful. Mr. Kito has a great reputation, and in city council or town hall meetings, there are people who vocalize that they need to hire more outside people like him.

The administration's job is to analyze and control the project's capabilities



Yamamoto: Do you have any advice to other municipalities and shopping streets struggling in regional revitalization? What should they be aware of?

Sakita: Private sector specialists aren't magicians. If I had to say one thing, it may be this. It's really important to understand the external hire's abilities and limits. I'll give a very clear cut example. Do you remember the run-down old house in the castle area of Obi you visited? We're making plans to convert it into a Japanese-style inn using private sector funds without relying on government subsidies, and in order to do that, we hired a financial specialist, Koki Tokunaga. He's incredible, but lacks basic renovation designing and architectural knowledge. People expect him to know everything, but we had to sit down and make plans to set aside budgets to recruit local experts to fill the gaps. The municipality has to assess each player's capabilities and control the gameplay in order for everyone to win.

Yamamoto: That's an incredibly good point. One of the reasons why I like the case of Nichinan City is because your target was clear and simple, which is very effective strategically. You ask someone to accomplish a task and you don't interfere with their methods, but at the same time you provide the maximum support for them. I feel like this is a key in profitable town planning.

Sakita: The target should be clear. For the details on how to accomplish it, there should be flexibility during the project and make changes as necessary.

Yamamoto: This might be a change of topic, but I for one always stress that the essence of regional revitalization is to make profits, and that the spirit of self-help is essential for that. How do you feel about that?

It all begins with planning a profitable town

Sakita: The municipal government of Nichinan aims to make a self-sustainable and independent shopping street. That is, a shopping street that can manage its own affairs without help. As a basic requirement in order to accomplish that, it has to be profitable and take its own initiatives. There are some people who argue that the town should hand out money to families having their third child as a way to fight population decline. It's a problematic solution. Childrearing parents have to have sufficient incomes in order to ensure residents don't leave to big cities, or handouts would just be a waste of precious funds. This principle applies to agriculture, fisheries, and commerce too. If we can make a profitable foundation, people will come on their own without coercion or carrots. One of the unique features of Nichinan City's shopping street is that we actively work towards bringing in IT companies. Not only are they profitable on their own, but with a workplace nearby the shopping street, employees can conveniently dine and shop in one area.

Yamamoto: That makes complete sense. Do you have any proposals on national regional revitalization policies?

Sakita: I would say the sharing of good examples could be done a little more proactively. The government often speaks of horizontal expansion, but many people on the ground don't realize how difficult it is. What should be horizontally expanded is the lessons learnt from success stories. I'll say this again, but many people who come to Nichinan City for a site visit go home assuming that hiring someone like Mr. Kito can automatically solve all of their problems. To be frank, most local governments struggle with budgeting. Most of the municipal funds need to be directed towards essentials like welfare and education, and it's difficult to justify new expenses for what could be a risky investment. There would ideally be subsidies that can be put towards things like that, but it could be tricky because there are some municipalities that can make good use of it while others that would only waste the money. It would be a bureaucratic nightmare if the system is inappropriately implemented.

Yamamoto: We're on the same page here. I think subsidies for regional revitalization should be allocated if and only if they'll lead to more profitmaking for the region. They should be appropriated only to the municipalities that really understand the purpose of the subsidy and how to effectively use it.

Sakita: If subsidies are granted to municipalities that can effectively use them, I hope that the lessons from their projects are spread throughout the country. I also want to point out that getting the private sector involved is useful in making that subsidy lead to profitability. And I'm not just talking about hiring another Mr. Kito. There's a private group called the "Aburatsu Yotten" that works with our Aburatsu Shopping Street and receives government money but has also taken out their own bank loans. The bank rigorously checks the organization's management and, in a way, keeps them in line. The same goes for the home renovation project in the Obi area I was discussing earlier. Because the project is partly funded by a bank loan, the bank keeps a close eye on whether or not it will be profitable enough to get their returns. It makes the entire business plan more polished, which is great. Local governments often kick off a project and get busy with other tasks, so this system to keep the project in check can be an easy mechanism for a path to success.

Yamamoto: I see. Do you use crowdfunding?

Sakita: Yes we do. But for big projects that require several tens or even hundreds of millions of yen, we understand that crowdfunding can only collect a portion of the necessary capital. In these bigger projects, we use it more as a tool to inform residents of the progress, like in the "idol system" I talked about earlier.

Yamamoto: Did the Obi area project you were just talking about use crowdfunding?

Sakita: Not for that one. We did crowdfunding to build a guesthouse made by university students in the shopping street though. The initial need for a guesthouse was the shortage of hotel rooms while a prefectural baseball team was in town for training, but the idea itself came from a group of students at Nagoya University who had a vision to provide fun lodging for only around 3,000 yen (roughly 27.5 USD) per night with a bar and open area for mingling between locals and visitors. We decided to give our full support for the project and discussed with a bank and venture capital outfit for part of the funding, while also reaching out to more affluent locals to become angels. The renovation of the old property into a stylish modern guesthouse cost about 10 million yen (roughly 90,000 USD), but sales in the first seven months were 6 million yen, calculated at almost one million yen per month. That's a pretty decent return rate I would say. Shops with one million yen in monthly sales are rare in our shopping street.

Yamamoto: And what kind of people stay at this guesthouse now?

Sakita: About 30% are tourists from Europe and America. This took a lot of locals by surprise.

Yamamoto: I'm guessing they advertise through social network services?

Sakita: I do believe so.

Yamamoto: Do you advertise things like the developments in the Obi area when foreign tourists come to your town?

Sakita: During the baseball team's training visit, most of our visitors were naturally Japanese. After the training though, it came as a surprise that foreigners began staying at the guesthouse. We like to think it isn't strange though, seeing the town's variety of tourism resources like surfing.

Yamamoto: That's right, you can surf there. It also crossed my mind that cycling may be suitable for that area too. Sports programs can help bring in more visitors and increase lodging too.

Sakita: The students at Nagoya University I mentioned earlier said that there were many fashionable young adults with various hobbies in their 20s to 40s in Nichinan. I was really glad to hear that. Nagoya is a big city, and students there only associate with other students, but in the countryside, places like Nichinan, everybody is, or can be, involved in things like regional revitalization. It's nice to know that there's a certain appeal to people in my area that can draw participation from outsiders.

Yamamoto: Are young people migrating to your district?

Sakita: In fact, yes. Just the other day, a man who dropped out of Chuo University came to join a strawberry farm, bringing his girlfriend. They got happily married in my district, and the wife is currently working with the town to attract entrepreneurs. As she personally understands the concerns of those moving to localities and is in touch with what that entails, she's been an incredible asset in drawing in younger people to our district. In terms of outflow, I was relieved to see that people in their 20s leaving our town had decreased from an annual average of 300 to 180 in 2017.

Yamamoto: Are young people leaving in smaller numbers because there's an increase in jobs available?

Sakita: IT companies start with five to ten employees and gradually increase the number of staff. I'll admit this sector sees slow increases in personnel, but the economic effects are rippled out later down the road. I'm proud to say that as of April 2018, there are over 100 employees in IT companies, and even though our outflow of people hasn't completely stopped, almost halving people in their 20s leaving is a big first step.

Future issues for Nichinan City

Yamamoto: So. What's the plan for the next four years?

Sakita: Our next target is the Obi area. If our success is limited to the Aburatsu area and its shopping street, the revitalization of Nichinan City could appear to be a fluke. Many point out how the Obi area has more potential than Aburatsu. Two traditional samurai residences have been renovated to become unique lodging facilities, and we plan to renovate another building this year. The entire area is going to be revamped.

Yamamoto: In every visit I make, I cite Nichinan City's regional revitalization efforts as the epitome of self-help, collaboration and leadership, and success. I hope for your continued success, and thank you very much for your time.

Sakita: Thank you very much. I'll be looking forward to your next visit to our town, and we won't let you down.

Kyohei Sakita

Graduate of Kyushu University. Former Miyazaki Prefectural government official. Youngest mayor of Nichinan City to date (began tenure at 33 years of age). Actively promotes collaboration with the private sector, promulgating catchphrases such as "most collaborative municipality" and "Nichinan – where Japan's precedence is created."

Kagawa Prefecture

Takamatsu-City Marugamemachi Shopping Street

Redevelopment of the shopping street into a shopping center

The Marugamemachi Shopping Street, spanning over 470 meters, is located in the heart of Takamatsu City, Kagawa Prefecture. The bustling crowds of the street make visitors skeptical of the city's actual relatively small population of 420,000. This shopping street is nationally famous for its unique approach in revitalization; numerous local governments' development officers make pilgrimages in an attempt to learn what they could take from Marugamemachi's success for their own districts.

The name of the shopping street is derived from the merchants who migrated from neighboring Marugame City to the area when the Takamatsu Castle was built an astounding 400 years ago. In 1988, the period in which Japan was enjoying the peak of its economic success, the city held its 400th anniversary that caught the attention of the nation. It was around the same time that massive suburban shopping centers were built in the area that quelled the bustling of Marugamemachi Shopping Street. Concerns of the imminent population decline and an aging population also fueled peoples' anxiety. In what started as an act of defiance, the shopping street's local union began intensively studying the concept of shopping district redevelopment and organized to revamp their local economy. This is where our story begins.

After ample research, the union decided that on top of each store's best efforts, the organization would add elements required for everyday life – housing, medical, food, restaurant, sales of goods etc. – into the shopping street

to create a one stop center for people's needs. Initiating their comprehensive strategy by establishing a 60-year fixed-term leasehold, the shopping street established a new system in which a private company specialized in town development manages all of the land usage rights, and proactively searched for appropriate tenants for each property. The separation between the ownership and usage of the land enabled the division of the shopping street into seven blocks (each with its own theme and planned sales operations that mutually benefited one another) and to make a cohesive visual design.

Under the town development company's management, organizers were able to appropriately zone housing, open a hospital, develop the marketplace, and create a public plaza. With their sights set on the next 100 years, the leadership is aiming to develop a compact city safer for the elderly by motivating residents to live near the city center once again. Their first step to achieve this incredible goal has been working towards banning bicycles and automobiles from entering the shopping street.



I was personally able to stroll around the shopping street. The crowd was bearable thanks to the weekday ban on transportation devices from entering. As I took a 360 degree view of my surroundings, I found quaint residential facilities structured on top of shops facing the street including condominiums and nursing facilities. There were even medical institutions, and upon visiting them, it sank in that this community is truly thriving as an autonomous entity.

I was also impressed when I heard that both sales and the number of shops continue to grow. One opinion many specialists can back is that a shopping street this lively is difficult to design even in major cities that wield large budgets and the powers of government ordinances. When asked how we can make this a nationwide phenomenon, the first thing that comes to mind is the need for unwavering leadership and the community's dedication. Digging a little deeper, however, I believe that that local districts around Japan can rebuild powerful shopping streets if leaders can win over landowners, coordinate interests of various parties to find mutually beneficial outcomes, and strategically work towards redevelopment as Marugamemachi Shopping Street did.

Lesson #32

Coordinate and work towards compromises of each party's interests under strong leadership, find appropriate tenants for shops, and work as a community to create an appealing economic city center.

Hiroshima Prefecture

Gaudi House Anago-no-Nedoko

Vacant-house renovation projects that effectively utilize unused property

A number of municipalities in my country are currently working towards what they call the “development of a profitable town” that improves their region's value and overall physical beauty through the effective use of their regional resources. Contrary to popular belief, the term “regional resource” can include not only a district's historical landmarks constructed by those in power such as castles, temples, and shrines, but also any property that provides a window into the lives of people from the past, including old houses. These can be priceless treasures that show how unique a region is and be the source of pride for locals. Onomichi City in Hiroshima Prefecture demonstrates this concept to its full potential – their vacant-house renovation project successfully utilizes the city's newfound regional resources as a tool to draw in new residents. This is how regional revitalization is done.



Onomichi City is a town known for its winding slope ways, stairways, and back alleys engulfed by the beautiful Seto inland Sea and mountains. The physical formation of this unique townscape finds its roots in the Heian Era of Japan (794 - 1185), when Onomichi was developed as the main commercial port of the inland area. Because the town had no conveniently flat land, however, the shoreline was reclaimed since the Edo Era (1603 - 1868) to expand the space where commercial activity can take place. The iconic windy roads and stairways are anachronisms that give the city a unique flavor that both Japanese and Foreign visitors tend to appreciate.

In the Meiji Era (1868 – 1912), the artificially flattened land was newly used for railway. Residential properties were moved to the mountainous area where only temples and shrines had previously been built due to the terrain's rocky nature and religious significance of the foothills. One of the challenges that modern Onomichi faced in their reconstruction was the crooked alleys made during the Meiji Era. Since construction did not account for automobiles at the time, the narrow alleys averaged only a meter in width. Beautiful structures abound, however, in the sloped region called the "Yamanote Area," that has some of the most precious old architecture. The densely placed structures including mossy temples, quaint shrines, holiday houses of wealthy merchants of the time, pseudo-western edifices, and traditional Japanese inns all form a picturesque window into the past. The unique townscape is often featured in movies and has been the food for creativity in novels, but in practical terms, has been known to be a pain. Automobiles are unable to access the narrow slopes and stairs, and due to an aging population and decline in birthrates, the number of vacant houses in the city continue to increase. These abandoned houses have been left unmaintained and rotting. Even real estate companies did not attempt to work with the now ramshackle properties.

Taking note of the issue and stepping up to bat was Masako Toyoda who started nonprofit organization "Onomichi Vacant House Renovation Project" in 2008 to shift the public's view of the vacant houses precious local resources that required renovation. Especially due to her interesting background as an Onomichi local who returned to her hometown after many years, I was hoping I could personally talk with her, but I found her to be absent during my visit. The Director of the NPO, Yaeko Kataoka, was kind enough to chat with me in her place.

I learned that Ms. Toyoda previously worked as a tour guide who was always fascinated by the old townscapes in Europe and their philosophy that emphasizes their preservation. She purchased an old house known to locals as the "Gaudi House" in 2007 in her hometown and, in the next year, established her nonprofit together with kindred spirits in the area that shared the same desire to preserve the townscape. They began wide variety of activities beginning with directly renovating vacant houses, working to preserve and renew various buildings, and supporting people from out of town interested in living in Onomichi's newly renovated houses.

Only one year from their start, they were trusted with the "Vacant House Collective Project" issued by the city to act as an intermediary between the owners of vacant house and new residents who wish to move into them. The project's transfer to the NPO enabled the important facilitation to take place on weekends when city officials were able to enjoy their private time off and potential residents were free. In addition, the organization found greater synthesis with the municipal government by using the city's databases and finding unregistered old properties and matching them with new residents, consulting the tenants every step of the way. By March 2016, the NPO had rifled through 4910 requests for advice, registered 181 vacant properties, and helped solidify 83 contracts for new occupants, contributing to making an ideal environment for younger residents to move into the city. When compared to the ten contracts for new occupants that the city oversaw in a five-year period, the NPO's abilities and effectiveness become obvious.

Other than this now highly trusted core work, the NPO synthesizes their main skills and resources with other demands in the district through leasing their tools, supporting reconstruction projects and post-construction cleaning operations, holding workshops through their "Onomichi Architecture School" to teach DIY and renovation techniques, and helping transport materials to and front areas that cannot be accessed via automobile. The team raises

funds for their activities by holding flea markets where they sell furniture and other goods left in vacant houses, which also omits the need to recycle or dispose of perfectly usable goods.

I was fortunate enough to visit several renovated houses directly managed by the organization. The previously mentioned “Gaudi House” was a large wooden shack built in 1933 that had been left vacant and untouched for 25 years. The deterioration posed a threat for safety, and the building was almost torn down. However, thanks to the fashionable revamping of the house that gave it structural integrity, dark exterior walls, retro decorations, and beautiful arches and curves not seen in mainstream Japanese architecture, the house now serves as a symbol of vacant house renovation in the area. The abode is planned to be used as a rental property for short stays for visitors. Some may wonder why young people may want to move out to somewhere so remote, but my visits to these renovated houses that complimented the district’s atmosphere helped me understand why. Any type of inconvenience that this smaller city may have are displaced by the relaxed ambiance and gorgeous slopes and stairways that fill every nook and cranny of the city.



Not all renovated buildings look like the Gaudi House, of course. The Onomichi guesthouse “Anago-no-nedoko” features a long and narrow townhouse like those that fill the shopping streets of the city. The unique architecture symbolizes the golden age of the district when it was prospering as a port town. *Anago* means “salt-water eel” in Japanese, while *nedoko* roughly translates to “bed.” Anyone who witnesses this unique building will appreciate how appropriately it was named. The guesthouse is the first business by the NPO that is turning a profit – the team renovated the building from scratch, giving it a café, shower room, kitchen, bar, and open living room area that are connected by long skinny corridors. The second floor has come back alive through comfortable dormitories featuring bunkbeds. Although the guesthouse does not offer amenities such as towels, pajamas, and toothbrushes, visitors can stay for only 2,800 yen (roughly 26 USD) a night. There is also a parking area for bicycles outside. The lodging facility has proven itself as an oasis for both weary travelers and as a place for vibrant interactions between locals and outsiders. I learned that staff are at times overwhelmed by the number of visitors who are there to learn about the revitalization project itself.

Above all, I learned firsthand the importance of townscapes and their preservation during my visit to Onomichi. These buildings which were miraculously unharmed by natural disasters and war are incredible regional resources that if tapped into correctly, can yield great regional revitalization effects. In Japan, there are a number of districts that are taking this challenge of renewing old houses and preserving townscapes – projects for renewing traditional thatched roof houses in Shirakawago, Gifu Prefecture, tiled houses in Ouchi-jiku, Fukushima Prefecture, and samurai residences in Obi, Miyazaki Prefecture, are all worthy of studying and appreciating. It is my hope that municipalities consider strategic and sophisticated utilization of neglected resources such as abandoned buildings, shops, and houses before simply demolishing them.

Each country supports their regional districts in different ways. The Japanese government has subsidies for regional revitalization, and various publicly funded organizations support regional economic activities. With the revision of The Real Estate Specified Joint Enterprise Act, small-scale real estate businesses are emerging, crowdfunding has become more prevalent, and preferential treatment of fixed property taxes have been altered to reduce incentives for owners of vacant shops to aimlessly abandon their property. These buildings are troublesome if not utilized, and precious if utilized. That is what the Onomichi Vacant House Renovation Project teaches.

Lesson #33

View historical buildings such as old townhouses and dilapidated stores as regional resources, strategically renovate them, and utilize them for profitmaking as well as for cultural preservation.

Okayama Prefecture

Kojima Jeans Street

Town development led by the private sector – the birthplace of Japan’s jeans

Kojima in Kurashiki City, Okayama Prefecture, is famous as the home of Japan’s jeans movement. As the reader most likely knows, jeans were not always common in Japan. It was in the 1960s that they were widely accepted forms of fashion in my country.

Ajino Shopping Street in the center of Kojima that fueled much of this fashion craze, however, had been what most would see as a ghost town until around 2010. With tactical regional revitalization, the street has reinvented itself as the “Kojima Jeans Street” and attracts more than 150,000 visitors annually including foreigners as the mecca of Japan’s jeans. Prime Minister Shinzo Abe even cited this street as a model of regional revitalization in his speech on administrative policies in January 2017. Why (or rather how) did this street change in such short period of time?



When I visited Kojima Jeans Street, the first thing that came in sight was the pair of jeans fashioned as a banner overhead to welcome me. The footway was painted a gentle denim color, and I later learned that this color pattern is used in the JR Kojima Station, buses, and taxis to represent the district's proud industry. Surely, this is not the only reason why the number of tourists has increased.

To summarize why, then, may be best represented by the strong sense of crisis that local jeans makers and the chamber of commerce and industry. "Now is our only chance," they were quoted as saying. "If we don't change, Kojima and all of our businesses along with it will disappear."

The district of Kojima was originally an island where salt farms prospered in the Edo Era (1603-1868). Cotton found itself as the crop of choice afterwards, as rice cultivation was not too suitable for the area. This was the foundation of the Kojima textile industry. Locals prided themselves on their quality socks they made during the Taisho Era (1912 to 1926) and school uniforms they made in the Showa Era (1926-1989). In its peak, Kojima was making 90% of the country's school uniforms (although it still makes roughly 60%). Cotton is king here.

It was in the 1970s that the district began producing jeans. The area thrived from side businesses that came from the craze as well. Once the fire died down, however, came along with it Ajino Shopping Street's decline. Stores that once competed to sell quality jeans at cheaper rates closed down one after another, factories that used to offer tours were no longer in operation, and tourists who came from afar to see the birthplace of jeans were reportedly disappointed and confused.

Hisao Manabe, President of Japan Blue Co., Ltd. (which produces the celebrated Momotaro Jeans) was well aware of this crisis. After ensuring he understood the situation and surveying various opportunities, Mr. Manabe established the "Kojima Jeans Street Promotion Council." Among the council's initial activities were the renaming of the street to the now beloved "Kojima Jeans Street" and a branding campaign that entailed persuading local jeans

manufacturers with no experience in retail to open shops in vacant stores of the street. The negotiation and approval process for obtaining the permission to use these vacant stores was grueling. Many property owners of the vacant stores had little faith in the movement and had hoped to retire without risking what little they had. I learned later that Mr. Manabe had visited each and every one of the skeptics to carefully convince them that his vision had promise. There are more than 30 unique jeans shops that line the avenue today, but knowing the effort and hopes behind the success made me truly appreciate the shopping street's beauty.

The level of skills and resources necessary for a renewed jeans industry has accumulated in the area since textiles first found their roots in the district. Spinning, yarn twisting, dyeing, and sewing have all been passed down and improved from generation after generation since socks were shipped out in mass numbers from the town. Finding and reallocating human resources and renewing them with improved distribution logistics, combining them with contemporary methods such as stone-washing for producing trendy looks, and cutting-edge marketing techniques are the secret to the district's success. Underneath it all is the spirit of self-help and resolute effort.

High-quality Japanese jeans produced in Kojima have gained a good reputation in France, Holland and Germany through steady sales channel development. The area is witnessing a growing number of tourists from Europe and America who take the time to visit the homeland of their favorite pair of pants. The highest quality pair of handwoven and dyed by natural indigo go for 200,000 yen (roughly 1,800 USD), but cannot be purchased at the moment because of the number of preorders.

The spirit of the local jeans manufacturers, chamber of commerce and industry, and their leadership is admirable to say the least. Without relying on subsidies or administrative bodies, they were able to turn around the town's shopping street and make a new name for the region that stokes pride in locals. If there is a more fitting example of regional revitalization that harnesses the power of local resources through the spirit of self-help, I would be pleasantly surprised.

Lesson #34

One route to regional revitalization is through not just local production, but local sales as well as exports overseas through branding the district itself – this can lead to related business's success too, such as a new tourism industry.

Mie Prefecture

Okage Yokocho

A theme park composed of an entire district

Okage Yokocho is a unique alley that serves as the gateway to the heart of the Ise Shrine complex in Mie Prefecture. I would like to take the time to introduce this classic regional revitalization project of which even many young locals may not be aware.



Businesses around Ise Shrine first prospered in the In the Edo Era (1603-1868). Mass transportation networks were built up to interconnect major cities during the time, and the shrine welcomed crowds of worshippers as the country's most sacred Shinto shrine (believed to be the spiritual home of the sun goddess Amaterasu) with a history dating back to the 3rd century. The breakneck economic growth speed and advent of automobiles after the Second World War, however, greatly changed the nation's transportation and taste in leisure activities. With it began the district's decline. By the end of the Showa Era (1926-1989), visitors to the inner areas of Ise Shrine tended to move directly from the parking lot to their next destination after paying respect to the shrine, skipping over the quaint little shops that offered traditional foods and goods.

In an attempt to change their standing, one company took leadership. Akafuku Co., Ltd., is famous domestically for their *Akafuku Mochi* (sweet bean rice cakes, a specialty dessert of the Ise area). As an established Japanese confectionary store that started its business more than 300 years ago, its flagship store proudly sits near Ise Shrine. Unable to ignore the slow decline of the region, Akafuku Co. took a series of bold investment steps that began 35 years ago and gradually escalated. The first was opening a traditional tea house in 1985 next to its flagship store. In synthesis with this, it began construction and maintenance projects after dismantling its own old office and acquiring nearby property. Akafuku assisted other organizations in the area with their reconstruction and business operations as well with the assumption that it takes an entire region's effort to truly bring about economic success. By 1993, the company spearheaded the opening of "Okage Yokocho" alley featuring 27 stores that command visitors' attention.

It may technically be called an alley, but Okage Yokocho is not small by any means. The site now covers 1.3 hectares of land and offers people traditional townscapes of Ise Road that symbolize 18th and 19th century architecture in the background of traditional recreation and games of the period. Many refer to the area as a theme park of sorts, but visitors need not pay to enter and roam. Tourists buy souvenirs, walk around eating local delicacies, and have firsthand cultural experiences unique to the region.

It takes no specialist to identify how this project brought visitors back into the region. The annual number of tourists to the gateway into Ise Shrine was roughly 200,000 in 1985, but by 1994, the area was receiving 2 million

sightseers. Today, the number has increased to 5 million and brought with it more prosperity than the region has ever seen.

When I visited Okage Yokocho and the surrounding town, one of the individuals with whom I talked was Fumihiro Hashikawa, President of Isefuku Co., Ltd. His company runs a restaurant that replaced a vacant traditional Japanese inn (clever utilization of vacant stores was one of the undertakings of the project). Mr. Hashikawa was polite and deeply knowledgeable on the history of Okage Yokocho, and I genuinely enjoyed our conversation. Among the takeaways from my visit was just how much the residents of the area cared for their district. Their spirit of self-help in creating a thriving hometown was immeasurable.

A festival auspiciously coincided with my visit to Okage Yokocho. The alley teemed with residents who passionately celebrated their history, culture, and potential that their future has. Watching in awe, the first thought that came to my mind was how I sincerely hoped that the next generation of locals is able to inherit not just the prosperity that their predecessors gave them, but the spirit to take matters into their own hands.

Lesson #35

A common avenue to success in Japan features a prominent leader lighting the fire under a district to unite and fully harness local resources that includes a region's history and townscape.

Iwate Prefecture

Shiwacho Ogal

From Japan's Priciest Snow Dump to the Foundation of Profitability

"When asked what town planning is, I answer without hesitation that it is increasing the value of real estate." These are the words of Masanobu Okazaki, the key leader behind the Ogal Project. As previously stated, I myself define regional revitalization as "raising the average income levels of rural areas," and in turn, that is to say generating wealth. Mr. Okazaki and I share a common vision.

The venue I would like to introduce here is a spacious area in front of an old-fashioned train station in Shiwa Town. Shiwa has a population of just 33,000, and is centered in the cozy bedroom town in Morioka City in Iwate Prefecture. The naming of the Ogal Project derives from combining the terms *ogaru*, which means "to grow" in the local Iwate dialect, and *gare*, which means "station" in French. Uniquely enough, the space consists of office buildings, a library, farm-to-table establishments, a volleyball gymnasium, a hotel, new houses for sale, and a nursery school, truly amalgamating the public and private spheres to create an awe-inspiring community.



Intimate cooperation between the public and private sectors to develop Shiwa town, dubbed the Ogal Project, began in 2007, with the most recent facility opening in April of 2017. Property values rose for four consecutive years from 2012 (featuring a rate of 3.94% in 2015, which was the second highest in the prefecture), and 250 jobs were created. Questioning their success would be foolish.

The project's roots can be traced back to 1988 when the town requested to the central government to open a railroad station. Japan Railways (JR) set terms including assurance of usage by passengers and began operations in 1998 after heavy construction. In preparation for this, the town purchased 10.7 hectares of land in front of JR Shiwa Central Station for 2.85 billion yen (roughly 26 million USD) in 1997. The problem lies here. Since the local government experienced budget constraints shortly afterwards, the land was not effectively utilized, and came to be ridiculed as "the priciest snow dump in Japan." This was until the hero of the Ogal Project showed his face in 2007.



Mr. Okazaki who had recently returned from living in Tokyo proposed to then Mayor Fujiwara a public private partnership (PPP) to develop the land. Fujiwara, who had studied PPP at Toyo University Graduate School was quick to hop on board. He in turn initiated a partnership with his alma mater and like clockwork helped build the grounds for growth that placed the concept of “a town where people, goods, culture, and capital circulate throughout the course of the future” at the lotus of the project. What came next is fascinating.

In February 2009, the team composed the first public private collaboration master plan in the country. The construction of the Ogal Plaza (completed in 2012), one of the main facilities, which was carried out by an SPC (Special Purpose Company - a company established for the purpose of fundraising, among other goals), which borrowed land from the local government, calculated the number of tenants and corresponding sizes and costs for the buildings, and executed the physical construction. The town later purchased the library to offer to the public. The entire synchronization of strategies and goals effectively cut costs.

Then, in June of the same year, the Ogal Shiwa Corporation was formed, entirely financed by the municipal government. It was mandated with promoting private sector activities and stipulating guidelines for physical designs (in order to create a winning aesthetic environment in the face of intercity competition), which the local government was ill prepared to do on its own. In turn, the town provided the social infrastructure that went hand in hand with the corporation’s endeavors. Public facilities such as libraries that are economically unprofitable on their own attract visitors and support private tenants’ businesses, while the town reaps property and sales taxes – these revenues are then used for administrative purposes. Japan witnessed the creation of a genuine “foundation for profitability.” We sometimes hear in recent years how public facilities such as libraries support private sector activities in attracting business and customers, but it is no exaggeration that Ogal pioneered this movement.

紫波中央駅周辺地図



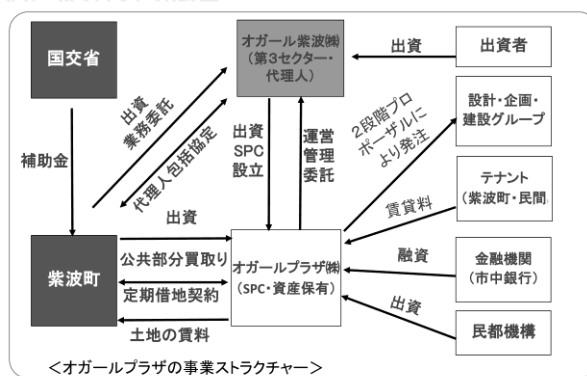
1

The library and volleyball gymnasium of the town are the hallmarks of Ogal. The library was created in part to contribute to agriculture, the main industry of the town. In addition to the abundant information related to

agriculture sealed in the building, the library also dispatches staff, in cooperation with the Rural Culture Association, to community halls in various places to offer lectures to farmers who find themselves too busy to make physical visits to the institution. It also holds events in collaboration with Japan Agriculture (JA) Iwate Chuo in order to find new recruits into the agricultural industry and facilitate exchanges among producers. In part thanks to these highly commended programs, the library became a renowned and award-winning institution.

The volleyball gymnasium, on the other hand, is a training-specialized facility. It has floors used in official international games and features specifications that will be used in the upcoming volleyball games in the Tokyo Olympics and Paralympics in 2020. One of the advantages of the court is that volleyball receives less attention than some major sports that are overemphasized, and the town saw little competition in attracting professional teams for training sessions. When teams come in for training, such as when the national men’s volleyball team came for an intensive training camp session in 2017, players and staff spend money on lodging, food, and entertainment.

オガールプロジェクト概要



(資料)オガールプロジェクト(一部改変)

Although Shiwa Town itself has a modest population of only 33,000 people, the Ogall area is said to have almost reached one million visitors in 2017. This project has not come close to losing momentum either. Those involved proudly claim that the opening of the Ogall Center, the latest building that finished its construction in 2017, is just the start of the project’s endeavors. They understand that their current business model is not permanent and are zealously evolving with the times. With their challenges only in the beginning phase, I am truly excited to see what the future holds for this project and town.

Lesson #36

Make the most of the private sector’s unique ideas to lay the foundation of a profitable district; reach for the stars while keeping in mind the conditions of supply and demand.

Oita Prefecture

Kiyoshima Apartment

Boosting tourism demand through the arts

In Beppu City, a city known internationally for its hot springs in Oita Prefecture, there stands an apartment where up-and-coming artists gather from around Japan.



The relationship between this Kiyoshima Apartment and regional revitalization may seem questionable at first. I will start this section with sharing what I learned while sitting in a circle in the apartment's atelier with its residents and the representative of an NPO called the "Beppu Project" that supports the apartment and its dwellers.



Kiyoshima Apartment began as a boarding house built soon after the end of World War II. Under the auspices of a new owner who hoped to contribute to an active town by drawing in energetic young people, the apartment became the venue for the Beppu Modern Art Festival in 2009 that featured a risqué theme of mixed-bathing. In a surprise move, the apartment was left without dismantling, and due to many artists' affinity for it, was accepted to be used once again as a boarding house and art studio. When I made my visit, Kiyoshima Apartment was host to nine artists who came from various corners of the country.

Although one can make the argument that the once abandoned building's renewed function as an abode alone serves as a function of regional revitalization, there is more. The non-profit "Beppu Project" is at the center of exciting developments in the region.

Beppu is celebrated for its countless hot spring, its *Jigoku* ("hell" in English) *Tour* where tourists can view scenic bodies of naturally colored boiling mineral water, and other cultural resources that attract many tourists. After analyzing the rosy picture, however, the municipality came to a realization that the tourism industry there relied heavily on the elderly, group tours, and men. This had to be addressed with sustainable solutions, and it was here that NPO Beppu Project stepped in to offer art resources to target young demographics and draw in more female tourists. The other arm of Beppu Project was to develop the city as an arts center to diversity the regional economy.

Kiyoshima Apartment rents out rooms for a monthly fee of just 10,000 yen (roughly 90 USD) through a one-year contract. A total of 120 artists have stayed here (including short stays) since its reopening in 2009 who have supported each other in various ways and have formed a tight knit community. Most of their achievements have not been in the public spotlight, but little stories here and there keep up the momentum. The city's initiative in 2016 and 2017 to feature baths and its amusement park gained traction in national news, but the conceptual blueprints behind this project were made by none other than an artist residing in Kiyoshima Apartment.

The residence hosts various events that serve as a venue for exchanges between artists and locals and a way to introduce art to people who otherwise would have no contact with it. I heard that standup comedy by one of the residents in particular has been a big hit with the neighborhood.

Using art for regional revitalization is not unprecedented. An example that comes to mind is Nao-Island in Kagawa Prefecture. With the help of Benesse Corporation, a major Japanese company that focuses on correspondence education and publishing, the entire island revolutionized itself into a massive art museum. Albeit on a smaller scale comparatively, Kiyoshima Apartment represents a seed for the city's potential.

Without mincing words, the apartment itself is dilapidated and grungy. It is my understanding, however, that many artists do not thrive in pristine conditions. The young artists I encountered in this apartment all had promising twinkles in their eyes that assured me that the next generation will thrive. I have faith that the residents of Kiyoshima Apartment will one day find their true success, just as Beppu City will in diversifying its tourism into the world of art.

Lesson #37

Opportunities abound when organizations commit to town development and attracting target demographics to create new demand in industries such as tourism.

Washington DC, U.S.A.

Georgetown

Area management utilizing the Business Improvement District (BID) system

Many districts in Japan actively partake in area management to create an attractive town. "Area management," in this case refers to activities revolving around the private sector proactively working towards town development and management in a specified locale. The practice has been adopted throughout the country, especially in centers of big cities, commercial areas of rural towns, and residential areas of suburbs.

In practice, many find difficulty in successful area management due to the difficulty of consensus building among stakeholders and the necessity of stable operation funds. In many parts of Europe and America, the **Business Improvement District (BID)** system is used as a form of area management. Initially a Canadian concept from the 1970s, the principle entails collecting small amounts of revenue from mainly business and property owners to maintain, clean, and improve the district based off of national or regional laws. After introduction to the United States in 1980s, the model spread to Australia, New Zealand, South Africa, and then from the early 2000s, was adopted by the United Kingdom and Germany. Now, this system is fairly popular worldwide.

Among the now 1,000 BIDs in operation around the country, I made a visit to the Georgetown BID in Washington DC, USA, in May 2017. There, I saw how the leaders had overcome the two biggest hurdles of area management – building consensus and securing operation funds.

Georgetown is a student town which has preserved the historic townscape of the 18th and 19th centuries, boasting quaint brick architecture. The district has snugly concentrated more than 470 shops and restaurants and features high-class boutiques and ornamental cafés on both side of its stone-paved lanes. The Georgetown BID's NPO was established in 1999 and works mainly in the area around the crossing of Wisconsin Ave. and M St. I learned that their initial task was street sweeping and security, but their current scope of work has expanded to include the animation of public space, improvement of foot traffic, enhancement of the townscape, and management of tourism sites in cooperation with the city government. The shops lined along with the streets I visited were unique and beautifully designed and decorated. The sidewalk was clean and inviting. As I visited on a Sunday, the streets were crowded with people and bustling with activity.



In Washington DC, the law (Code of the District of Columbia) permits any association of businesses to establish its own BID. If 51% or more of the property owners in a certain district agree to a proposal, an association can submit the application that ensures a certain percentage of additional taxes are levied on top of fixed asset taxes for additional income to fund BID operations. Upon the city's approval, operations can begin.

The amount taxed for Georgetown's BID is just 0.1545 dollars per every 100 dollars of rateable value of property. This system allows for faster and smoother area management plans than in Japan, especially with a mechanism that allows property owners to determine their own tax amounts with a simple majority; in my country, unanimity is generally required to carry out public plans. In addition to the structure, I found the leadership of Joe Sternlieb, CEO of Georgetown BID, and his communication methods with the property owners play an important role in the organization's project development. During my visit, he dropped in various shops and had personal conversations shop owners and employees, sharing with me as well the challenges of addressing and repurposing vacant stores. I learned of his practices as a BID staff to find win-win scenarios – one of which was approaching property owners of vacant shops and showing them the economic data of the surrounding area and persuading them to make improvements in order to both beautify the townscape and raise the store's property value. These continued tedious efforts have helped achieve the scenic town that Georgetown is today.



To cope with the increase in foot traffic, especially on weekends, the BID consulted with the city to shut down specific unused automobile parking spaces on the road on Saturdays and Sundays in order to use the areas as sidewalks. This measure is relatively new, having taken effect in 2016, but the spirit of the community's devotion moved me. BID staff install barricades at 4:00 in the morning on Saturdays and remove them at midnight on Sundays (BID staff are currently discussing with the city to install barricades more suitable for the surrounding landscape in efforts to not create eyesores). None of these efforts are in vain. The street was incredibly crowded during my visit, but I had no trouble with the traffic.

Mr. Sternlieb's negotiation skills certainly deserve praise, but the city's cooperative nature and efforts should not be overlooked either. In its own move to match the BID's efforts, the city began using unused parking spaces on the road for open cafés and rental bicycle station, and installed chairs and tables in unused public spaces to provide visitors with oases of relaxation.

Naturally, there came several issues. For example, it is difficult to persuade large-scale property owners, including national chain stores, which account for 50% of the BID's revenue, to take a vested interest in the townscape. Some challenges are similar to those of town centers in Japan – for example, the property owners are senior citizens. Their potential successors do not live in the area, and certain property owners feel the additional taxes are unjustified.

To advance re-development, there exist similar issues throughout the world, such as consensus building among stakeholders and the necessity of stable operation funds. As it seemed to me that the mechanisms of Washington DC's BIDs were effective in addressing these issues, I directed officials in Japan upon my return to look into how my country can adopt at least parts of this practice.

Earlier in 2016, my country held an expert roundtable on Japanese BIDs. The interim report published in June of the same year includes the following propositions:

“[There are the issues such as]... the difficulty of consensus building among parties concerned in the area and the necessity of stable revenue sources to carry out area management activities (such as BIDs).”;
“In order to address the relevant issues and implement a form of area management with high public utility, a mechanism to collect revenue that involves public participation and approvals by local government is necessary.”

As a concrete example, Osaka City introduced the Osaka BID system to the Umekita Advanced Development Area in 2015. The city collects the taxes from property owners in the area via the shared costs principle articulated in the Local Autonomy Act, delivering the revenue to the designated area management organization. This Osaka-version BID system is carefully monitored as a pioneer case, and many note that there is room for improvement; for example, operations require a unanimous consensus, which slows down and limits the project. Use for the collected revenue is also limited to public space management such as measures against illegally parked bicycles.

With this and other factors in mind, the Cabinet Office made thorough examinations and decided that a new system is to be created allowing municipalities to collect new revenue and direct them towards area management organizations if more than two thirds of the district’s business owners comply. Projects that can draw from the collected funds include regional revitalization activities that attract visitors that improve the area’s economy, and is articulated in the Amended Regional Revitalization Act enacted in May 2018.

I watch with hopeful eyes what success stories will come about from town development using these new abilities.

Migration, Satellite Offices, and CCRC

The excessive concentration on Tokyo, the country's capital, is a dangerous phenomenon that leads to degraded environments and standards of living, decreased qualities of services, increased risks during major disasters, and outflows of young workforces from rural areas

Correcting the wrongs of the over-concentration on Tokyo still makes government officials scratch their heads. The Tokyo Metropolitan Area (encompassing Tokyo, Saitama Prefecture, Chiba Prefecture, and Kanagawa Prefecture) saw an increase of 119,779 residents in 2017, continuing a trend of population growth for 22 consecutive years. To break it down further, Tokyo received 480,000 people even though only 360,000 moved out. These numbers are concerning for Japan as a whole. The “surplus” of residents has increased as a trend, and when analyzing the numbers of newcomers into the capital, we see that more young people are choosing Tokyo over their hometowns. Those between 15 and 19 years of age composed 26,713 of the newfound Tokyoites, and those between 20 and 24 composed an astounding 70,853. As a whole, the population of the Tokyo Metropolitan Area as of October 1, 2017, is 36,439,000, accounting for more than a quarter of the entire population of Japan. Most of those migrating to the Tokyo area come from key regional hub cities that are relied on economically by poorly represented prefectures. It is also worth mentioning that many youths living in more rural areas are flowing into these regional hub cities.

Taking heed of this situation, my government is making attempts to balance out the inequalities and favors given to Tokyo by creating a new “flow of people” from the Tokyo Metropolitan Area to local districts. These initiatives include the establishment of sophisticated regional revitalization related subsidies, taxation measures to strengthen the foundation of these regional areas' economies, transfer of government agencies to local districts, promotion of professional human resources in localities, increasing specialized scholarships for specific jobs in regional companies, regional revitalization internship projects, supporting the creation and maintenance of regional satellite offices, volunteer associations in rural areas, and promotion of certain types of migration. Details will be articulated in the following sections of the book, but the government is also taking new measures to reform universities from a regional revitalization standpoint as well. One aspect of this is the promotion of regional universities and development of regional satellite campuses in conjunction with the barring of student number increases for universities in central Tokyo.

The harmful effects of this overemphasis on Tokyo are detailed in “Town-People-Jobs Long-Term Revitalization Vision” approved by the Cabinet in 2014. The gravest issue that arises from an overpowered Tokyo in my opinion is related with national risk. The inflow of the most able workforce demographic into the capital (which has a lower birthrate than rural areas) leads to an accelerated population decline in the entire country. The next largescale disaster, in this case an earthquake, to hit Tokyo is calculated as having a 70% chance of occurring within the next 30 years does not help either. On top of this, there are questions on whether or not Tokyo is able to appropriately handle this bursting population. Exasperatingly long commute times, high housing costs, and shortages of childcare and elderly care services are finally coming to people's attention. Work-style reform recently became a key political issue, but not many have properly addressed the deteriorating quality of life (QOL) in the metropolis in comparison with the countryside of Japan.

With this in mind, I decided to establish satellite offices for central government ministries and agencies in cities outside of prefectural capitals and initiated transfers of government related agencies to local districts when I was appointed Minister. As a former government official who worked in the Ministry of Finance myself, I am well aware of the questionable work environment and room for improvement for Kasumigaseki, the political and bureaucratic center of Tokyo. I would like to begin this section of the book with examples of Kamiyama Town and Minami Town in Tokushima Prefecture that initially gave me the idea of satellite offices for central ministries and agencies.

東京一極集中の課題①

○ 東京圏においては、過度の人口の集中により、通勤時間が長い、住宅面積が狭い、借家の家賃が高い、待機児童が多い、自然災害リスクが高いといった課題を抱えている。

一日当たりの通勤等時間

都道府県	時間(分)	都道府県	時間(分)
宮崎	49	山梨	60
鳥取	51	長崎	60
鳥取	52	徳島	62
福井	53	群馬	64
大分	53	三重	67
愛媛	53	岡山	67
新潟	54	熊本	67
青森	55	岐阜	67
山形	55	福岡	68
高知	55	滋賀	68
鹿児島	55	広島	69
山口	55	和歌山	70
熊本	56	宮城	71
秋田	56	茨城	72
石川	56	愛知	74
長野	56	京都	77
香川	57	大阪	80
北海道	57	兵庫	84
沖縄	58	奈良	89
岩手	58	東京	93
佐賀	58	埼玉	96
福島	59	千葉	98
静岡	59	神奈川	104
富山	60	平均	65

※平成23年社会生活基本調査より作成

一住宅当たり延べ面積(持家)

都道府県	面積(m ²)	都道府県	面積(m ²)
富山	177.03	静岡	131.66
福井	173.29	茨城	131.13
山形	168.01	山口	129.40
石川	162.51	熊本	129.26
秋田	162.04	和歌山	128.78
新潟	161.50	愛知	127.94
鳥取	159.22	愛媛	127.56
鳥取	156.46	大分	127.35
岩手	154.60	広島	125.16
長野	154.37	長崎	123.66
青森	150.10	北海道	121.53
岐阜	148.23	宮城	120.11
滋賀	147.43	福岡	119.10
福島	146.37	兵庫	118.56
佐賀	144.97	鹿児島	118.28
岡山	140.01	京都	114.30
山梨	138.86	千葉	110.29
香川	138.31	鹿児島	109.54
徳島	138.05	埼玉	106.96
三重	136.36	沖縄	104.28
熊本	134.24	大阪	101.58
宮城	133.85	神奈川	98.60
群馬	133.08	東京	90.68
奈良	132.03	平均	122.32

※平成25年住宅・土地統計調査より作成

借家のモデル家賃(月額)

都道府県	モデル家賃(円)	都道府県	モデル家賃(円)
青森	43,847	山梨	49,742
秋田	44,382	新潟	50,464
宮崎	44,637	富山	50,559
高知	44,922	三重	50,599
鹿児島	45,338	福井	51,324
大分	45,952	長野	51,351
和歌山	47,225	茨城	51,683
鳥取	47,317	岡山	51,731
山口	47,338	熊本	51,931
徳島	47,406	福岡	53,150
鳥取	47,582	奈良	53,543
岩手	47,584	広島	53,764
熊本	47,730	宮城	53,862
愛媛	48,009	滋賀	55,716
山形	48,031	静岡	56,982
群馬	48,119	愛知	57,695
佐賀	48,355	京都	59,356
北海道	48,517	大阪	61,325
石川	48,744	兵庫	62,526
福島	48,747	千葉	62,832
長崎	48,892	埼玉	63,609
沖縄	49,253	神奈川	74,866
岐阜	49,378	東京	88,339
香川	49,649	平均	52,211

※平成25年住宅・土地統計調査より作成

モデル家賃：1畳当たり家賃に1住宅あたり居住室の畳数を掛けて算出。
 1畳当たり家賃は、都道府県別に集計した調査サンプルの家賃合計額を全数で除して算出。1住宅当たりの居住室の畳数は、住宅数合計額を全数で除して算出。

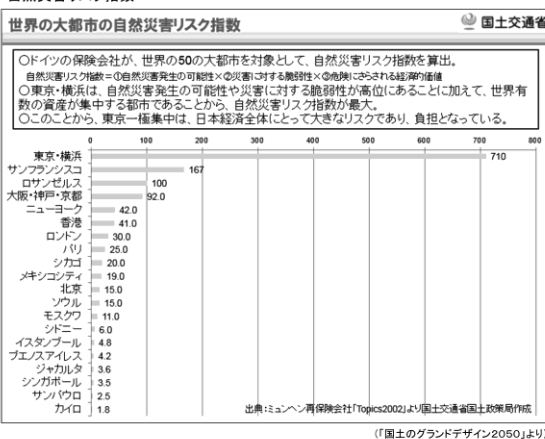
東京一極集中の課題②

保育所待機児童数

都道府県	児童数(人)	都道府県	児童数(人)
青森	0	徳島	60
山形	0	京都	64
新潟	0	山口	65
富山	0	三重	101
石川	0	熊本	126
福井	0	鹿児島	144
山梨	0	奈良	175
長野	0	静岡	189
鳥取	0	岩手	194
広島	0	愛知	202
高知	0	熊本	233
宮崎	0	滋賀	339
香川	3	茨城	382
和歌山	4	福島	398
長崎	4	宮城	425
群馬	5	神奈川	465
愛媛	16	兵庫	715
佐賀	18	福岡	797
大分	20	大阪	801
岐阜	23	埼玉	897
秋田	33	千葉	1,246
岡山	35	沖縄	1,977
鳥取	38	東京	8,327
北海道	46	合計	18,567

※保育所等関連状況取りまとめ(2016年4月1日・厚生労働省)より作成

自然災害リスク指数



Tokushima Prefecture

Mountains, Seas, and Satellite Offices

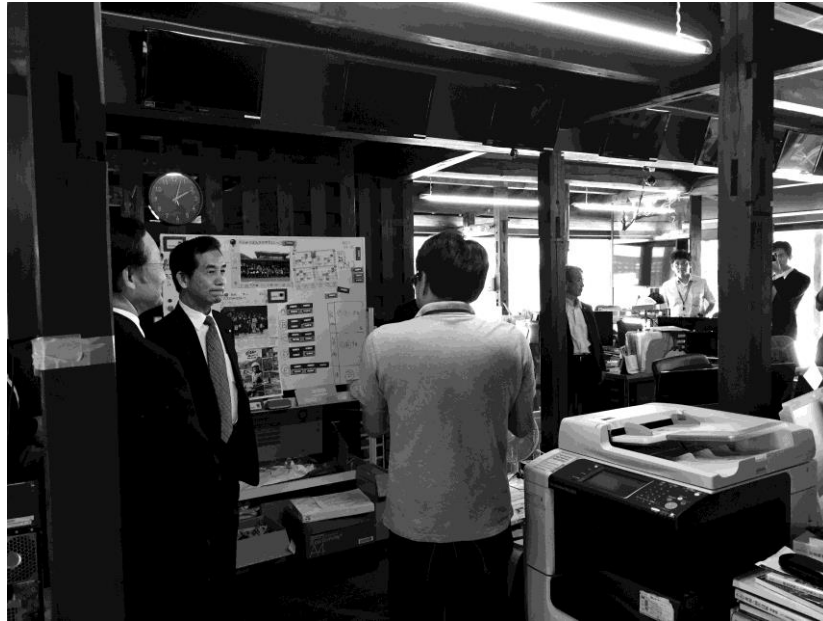
Creating a new lifestyle through making work compatible with private time

In Tokushima Prefecture down south, there are two small towns that had long suffered from a decreased birthrate, aging, and outward migration. The regions are Kamiyama Town (with a population of 5,300), a quaint ancient settlement surrounded by sprawling mountains where residents are comforted by the soft sounds of rivers, and Minami Town (with a population of 7,100), which faces the Pacific Ocean and proudly protects its beaches where sea turtles come to spawn. Both towns are appealing their relaxed beautiful environments and zealously making efforts to have companies establish satellite offices in their regions. Their focus is IT companies.

Kamiyama is an inland town roughly 45 minutes away by car from its nearby hub, Tokushima Station. The municipality launched a relocation and exchange support center in 2007; most of its operations are conducted through an NPO called Green Valley that supports new residents' transitions, actively works towards bringing satellite offices into the town, and promotes business startups. Its first big success was in 2010 when the cloud-based contact management service provider Sansan established its satellite office in the Kamiyama. In 2013, the town opened a common use office called the "Kamiyama Valley Satellite Office Compound," a renovated garment factory. It also constructed a lodging facility in front of the office compound that allows people to experience flexible work and lifestyles on a trial basis.

I was pleasantly surprised to see what kind of workstyles employees had during my visits to Sansan's satellite office called the "Kamiyama Labo" and Plat Ease (an IT company working in the video industry)'s satellite office called the "Engawa Office." Plat Ease's office here is a renovated old Japanese style house. When I walked in, there was of a young man sitting in a hammock and working on a laptop computer - if the reader knows anything about traditional work environments in Japan, they would be in awe. I learned that the CEO of the company provides employees with living quarters close to the office as well in order to maximize their work-life balance and improve productivity. The idea itself is not native to Japan, of course. The CEO had visited Silicon Valley and was impressed enough by their unconventional offices to bring the style back to his own company.

Meanwhile, Minami Town is located in the south-east part of Tokushima Prefecture. It serves as a port town and is known for its numerous temples. The town started its activities to bring satellite offices in 2012. Its first success case was when it landed an IT security firm called CypherTec. Building on the victory, the town renovated an old house from the 1930s to open a facility called "Ebisutei" in 2015 that serves as a venue for mingling with locals and experiencing life at a satellite office. Seeing growing demand, the town then constructed its own office to handle new residents and placed an experienced specialist in the field to manage it.



Motoharu Yoshida, President of CypherTec, is originally from Minami. This helped the town win the satellite office of course, but the municipality's leadership and partnership with Mr. Yoshida was the real recipe for success. With the town's backing, Mr. Yoshida established "Awae," a public startup to address local issues like population decline. Its office is a fashionably renovated public bath built 110 years ago. Its employees are visibly happy as well. Mr. Yoshida is an advocate of the "half-X half-IT" motto where "X" means personal time – this is everything from childcare, farming, fishing, and surfing. He hopes that his employees are able to enjoy their personal lives just as much as their jobs, and that balancing the two are mutually beneficial.

Satellite offices in rural districts offer great benefits to companies. Many employees themselves do not realize the amount of stress that accumulates from living in a big city and staring at a computer for hours on end. Case in point, CypherTec's employees who work in the satellite office with the half-X half-IT mentality are much lower rates of quitting. The company also had difficulty hiring solid talent in Tokyo due to the extreme competition in the labor market, but in the regional area in Tokushima, they were able to find employees partly thanks to the media coverage of its unique activities. CypherTec employees in Minami Town are happily integrated in the community and voluntarily teach IT skills in local schools.

Tokushima's Prefectural government is part of the equation as well. Needless to mention, robust telecommunication is indispensable for satellite offices. The prefecture established one of the most advanced communication infrastructures in Japan by installing high-speed broadband networks in every district of the prefecture. Tokushima was also ranked as the top in cable TV penetration rates as well.

I fully understood from my visit how and why the new residents who have come to Kamiyama and Minami have integrated so well in their new communities. I chuckled when I learned that town elders have deep conversations with newcomers and listen to their worries, and at times scold them. Such exchanges between outsiders and locals, even within Japan, play an important role in successful relocation.

Lesson #38

Draw in satellite offices through incentives such as abundant nature, unique lifestyles, and a sense of community.

Wakayama Prefecture

Shirahama Town Business Office

A stellar example of a win-win relationship between migrating company and the local district

Shirahama Town, located in the southern tip of Wakayama Prefecture, has a population of approximately 20,000 people, an ideal climate (annual average temperature of 17 degrees Celsius), and has an abundance of nature featuring crystal clear seas, green mountains, and cool rivers. Local tourism resources include the domestically famous Shirahama hot springs and Shirarahama beach, and drawn in by these are loads of tourists. There is no shortage of resort facilities, holiday houses, and companies that specialize in recreational activities. The picture is rosy from the outside.



The town has suffered from population decline, however. The most painful aspect is the outflow of its youth to bigger cities. In order to keep a check on this phenomenon, in 2004, the municipality began proactively inviting companies to settle within its borders and offer attractive job opportunities. In the same year, the town established the “Shirahama Town IT Business Office” by renovating old recreational facilities to create an environment exclusively for IT companies to be tenants. At the time of my visit in 2017, all eight office rooms offered were occupied. Among them, it was arguably Salesforce.com, inc. that had the greatest presence. This company is Japanese subsidiary of the American IT giant that provides cloud services including customer management and sales support solutions throughout the world.

According to what I learned, the company informs its clients that its cloud services enables them to work anywhere in Japan with the same capacity and manner as if they were in Tokyo. To demonstrate the fact, the company opened a satellite office in a remote location far from their Tokyo headquarters. It chose five prospect

locations in western Japan, and eventually selected Shirahama Town due to its accessibility (the office is three minutes away from the Nanki-Shirahama Airport by car, which has three round-trip flights a day to and from Haneda Tokyo International Airport), environment for employees to thrive (a warm climate, beautiful landscape, and numerous delicacies), and appropriate conditions for work made by the local government (e.g. free Wi-Fi around the town arranged for disaster prevention). As virtually no office building for rent existed at the time, Salesforce decided to settle into the Shirahama Town IT Business Office. Together with them, four partner companies also decided to move in, thus creating what some locals refer to as the “Salesforce Village.”



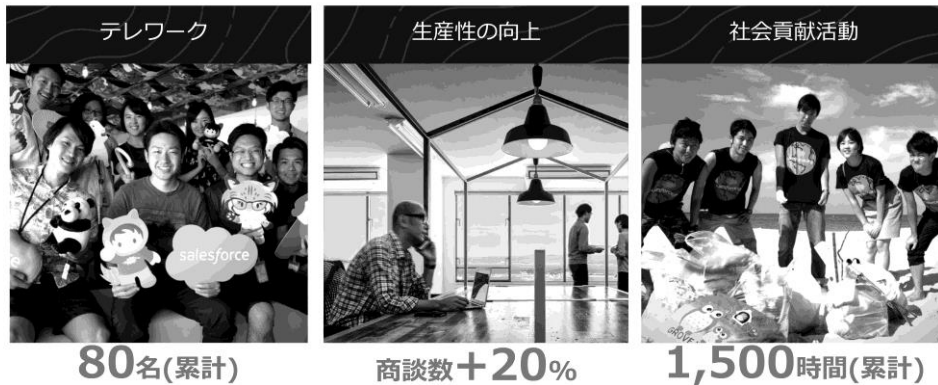
Salesforce’s Shirahama office works with its clients in the same way that its Tokyo counterpart does via email, telephone, and other methods of telecommunication. The fresh environment for its employees seems to be doing its job – since the opening of its office in October 2015, Salesforce Japan has remarkably increased its number of successful business deals by 20%. As the office’s work hours are fewer than Tokyo’s, one can make the argument that the Shirahama office is more productive as well.

Takao Yoshino, the head of the Shirahama office, used to spend two hours every day on his grueling work commutes in Tokyo. After moving to the calm Wakayama town, however, he only needs to spare 10 minutes or so in his car to reach his office. As the employees now live in a small and tightknit community, they report that they are not lost emotionally in a concrete jungle. Having a work environment featuring abundant nature has even made people stop working overtime, something highly necessary in a country like Japan where many office workers stay unnecessary hours.

白浜オフィスの実績



地域と密接に繋がりながら生産性高い働き方



In my conversation with Mr. Yoshino, I was deeply impressed by the fact that his employees spend their newfound leisure time participating in beach cleanup volunteering, teaching local children programming, and other ways that have integrated them even deeper into the community. Within these activities, allowing children to come in contact with IT is significant. Japan greatly lacks IT related education, and young minds soak up knowledge very quickly. It was pleasing to hear that heeding the voices and hopes of parents in the area, Salesforce now provides programming education to school teachers so that the information can be passed down to the region's next generation. The company has already become an important player in the community.

I quietly listened to the belief that in Tokyo, employees are seen as replaceable pieces within a massive organization, but in Shirahama, each and every Salesforce employee was acknowledged as an individual. This in turn, I learned, compels employees to feel responsible for their actions, and helps them take pride in their work and roles in their new society.

Due to the success of its satellite offices it hosts, Shirahama Town continuously receives requests of visits by government officials. It decided to make a second municipal business office by utilizing national regional revitalization subsidies, and is in the midst of formulating a "workation" scheme that allows companies to send employees to its town for a period of time to work while enjoying the town. Sophisticated usage of satellite offices help accomplish workstyle reform, productivity improvement, and regional revitalization all in a bundle.

Salesforce has internally marked Shirahama as a place where its employees are able to take three month shifts in rotations to continue their work from Tokyo in a refreshing environment and make and accomplish new goals. In harmony with these corporate activities, the Shirahama Town is actively improving its hospitality environment. In Japan, there are numerous districts that can offer high quality of life in this new era when work transcends both domestic and international borders. I believe that bringing satellite offices to these areas will greatly contribute to regional revitalization. It would be a wasted opportunity not to.

Lesson #39

The benefit of skilled employees coming to local districts lies not only in productivity improvement; the collaboration between new residents and locals can bring advantages to both sides if properly facilitated.

Hiroshima Prefecture

DreamArts

Headquarter functions transferred to local districts helps secure talent and hedge risk

In Japan, the government is actively taking policy measures to counter population decline and softly correct the wrongs of domestic migration into Tokyo by creating job incentives and helping to improve productivity in rural districts. In addition to this, the central government is making moves to urge companies to transfer their headquarter functions outside of metropolises by offering tax incentives.

DreamArts Corporation, a company that provides IT solution services for largescale companies and organizations transferred a part of their headquarters' functions from Tokyo to the sixth floor of the "Orizuru Tower," a new landmark building in Hiroshima Prefecture in December 2016. I made a visit to Hiroshima to see their office and R&D center, and was instantly surprised by the creative space full of love for the prefecture. Zelkova, mountain cherry, and other woods natively grown in Hiroshima were luxuriously used for their entrance construction, reception table, work desks, and balcony, and the prefecture's designated traditional art *Bingogasuri* (a form of dyeing and weaving) covered work spaces and cushions on sofas. *Otake* (a traditional method of making paper with a 400-year history) was lavishly used along the walls of meeting rooms. The office's balcony offers a panoramic view of Hiroshima's iconic Atomic Bomb Dome, National Peace Park, and the calming Hiroshima townscape. A hammock was even set up for employees to relax.

Over next few years, the Hiroshima office will host 100 employees as the company plans to increase the number of engineers there. I learned that the unique office space is geared towards bringing out creative juices of engineers. Although not detailed in this book, I also made a visit to "Taneya," a regional core company in Shiga Prefecture that also featured a unique and creative office with startling differences from counterparts in Tokyo. In Japan's local districts, office environments are gradually changing.



My visit to Hiroshima was especially memorable. As Minister in charge of Civil Service Reform, I faced extreme difficulty in securing a cabinet decision to install satellite offices of central ministries and agencies in local districts. Seeing DreamArts's success and its happy employees made me burst with emotions of happiness and confidence that workstyle reform and improved regional economics truly can be attained through strategic satellite office establishment.

After touring the office, I talked with the DreamArts's president, Takaaki Yamamoto about the reasons behind the move of HQ functions to Hiroshima. The first and most obvious that I learned was that he himself is a Hiroshima native. The following three reasons were worthy for other corporations to note.

The first reason was location. DreamArts has regional bases in Tokyo, Hiroshima (the older "Hiroshima Laboratory" was built in 2001), Okinawa, Ishigaki Island, and Dalian (China), but as the geographically placed in the center of these, it is in an optimal location as the second head office for future overseas development. The second reason was for employing IT talent. Finding the right employees in the tight IT engineer job market is difficult in Japan, especially in Tokyo. This trend is only expected to continue. In Hiroshima, however, there exist talented and eager engineers who never made it out to Osaka or Tokyo. Offering an appealing job in their hometown is a win-win for both the company and the prospective employee, especially since there are IT professionals who had to return to Hiroshima from Tokyo for one reason or another, such as caring for a parent. The third reason is the necessity of Business Continuity Planning, or BCP - the process of creating and updating systems of prevention and recovery to handle potential threats to a company. Compared to Tokyo, Hiroshima has fewer large earthquakes and is advantageous when it comes to managing customer information in cases of emergencies. In this age of cloud technology, it has become much easier to build up IT-function backup mechanisms called Disaster Recovery (DR) in case of emergencies, but the most important factor in BCP during these disasters is having the right personnel with necessary skills at time of crises. I learned that proactive defense in business continuity does not only entail physical resistance to natural disasters and other emergencies, but also finding, nurturing, and maintaining the right talent. In Japan, we are reminded of this when we see some organizations still struggling to get back on their feet after the 2011 Great East Japan Earthquake even though they endured no physical damage.

Another reason why I selected DreamArts as my site visit destination was their “Active Utilization of Professionals” project that helps match job seekers with appropriate jobs. It consists of DreamArts’s so-called “strategic centers” placed in various prefectures helping push local companies to better manage their human resources procurement in cooperation with local organizations and recruitment firms. The project began in January 2018, and as of April 2018, it oversaw the signing of 3,138 contracts and replied to 23,741 requests for advice around the country. It was especially successful in Hiroshima, and the DreamArts Hiroshima HQ itself was able to hire three professionals through the project. I was able to personally speak with two of them.

One worked for a major brokerage firm for nine years. He had extensive business analysis and system planning experience and had even served as a manager for three years. Since joining DreamArts, he has been engaged in business reform support consulting and marketing and planning for products to be sold in markets in North America and China. His reason for changing jobs was simple: Hiroshima offered a better childrearing environment than Tokyo.

The other new employee with whom I spoke had been working in software development in a major manufacturing firm for more than two decades. His resume includes the development of Android-mounted applications and software vendor management and managing a large team for four years. At DreamArts, he leverages his expertise by leading new product development of smart devices and oversees development projects and quality management. When asked why he changed jobs, he told me that at DreamArts’s Hiroshima HQ, he was able to enjoy both his work and private life thanks to the area’s living conditions and proximity of his home to the office.

Mr. Yamamoto, the president, also spoke enthusiastically about finding the right talent. “In Tokyo and the surrounding metropolitan area, hiring IT professionals is pretty hard. The population density is approaching its limit, and we can’t stop its rapid aging. Local districts though, actually tend to have diamonds in the rough. Hiroshima especially is great because it’s a big enough city even though it has a good amount of nature and a nice climate. It’s the optimal environment to research and develop new technology for firms like ours. I’m hoping to continue taking in top-level IT professionals who want to move or return to Hiroshima and help make it an area known for talented engineers. I’m also planning on opening the office up to local universities to accept interns. We’ve got tons of plans moving forward. Local districts are where the future lies.” I was impressed by his words and attitude.

Albeit biased, I found that this conversation and lessons from my site visit to Hiroshima synthesized well with my own beliefs. In the *Town-People-Job Creation Basic Policy 2017* (Cabinet Decision, June 9, 2017), the government describes the overconcentration of people and resources on Tokyo as follows:

“The disadvantage brought about from the overconcentration [on Tokyo] far exceeds the advantages... it engenders numerous problems in daily life such as commute times, housing prices, and the provision of nursing and elderly care services. Further disbalances towards Tokyo may increase the risk of damages brought about by catastrophes such as a large-scale earthquake near Tokyo.”

As IT businesses in most cases are free from geographic constraints in terms of work, the industry is one of the most suitable for transfers to local districts. I hope that other IT companies follow the examples set by DreamArts

and make successful moves from Tokyo. To further push this movement and help make smooth transitions, it would be wise for the government to support these activities in any way it can.

Lesson #40

The benefits of bringing IT professionals to local districts is threefold: it creates a better working environment overall for the office and community, brings in more professionals that are in high demand, and prepares districts for times of crises.

Yamanashi Prefecture

Country House Keisetsuryo

Offering a taste of unique rural life

Yamanashi Prefecture is accessible from the heart of Tokyo and is gaining popularity among people who wish to spend their private time in the countryside. The trend is not a product of coincidence.

I visited Minami-Alps City and Nirasaki City in December 2016 to learn about the prefecture's activities regarding migration and issues surrounding holiday homes. In Minami-Alps City, I had a look around a popular community farm that offers lodging called "Kleingarten" (which means "little garden" in German) which had been created as in an attempt to utilize abandoned farmland. Although a fascinating case study, I would like to focus on the country house "Keisetsuryo" in Nirasaki City in this section for reasons explained below. Keisetsuryo is a members-only lodging facility that allows people to experience country life in Japan and interact with local people to learn about their ways of life. Opened in 2016, the facility is a renovated house where Nobel Laureate Satoshi Omura (category: *Physiology or Medicine*, 2015), a local hero, was born and raised. Dr. Omura used the house as a pseudo training camp where his fellow researchers and his students of Kitasato University lodged and studied together for countless hours. It was his wish that the house be used for revitalizing his hometown and a spot where people from big cities can come learn about his local culture. It has been a success thus far.



I had a chance to converse with lodgers of both Kleingarten and Keisetsuryo. The stay is not like going to your average hotel. Participants come fully prepared to engage in agricultural activities surrounded by abundant nature under the guidance of seasoned farmhands. “It’s beautiful,” one Kleingarten lodger excitedly told me. “You can even see Mount Fuji in the background!” The number of participants who hope to move there after retirement are not few. One had already migrated permanently. Both facilities serve as trial residences for people who are seriously considering a move to the countryside and looking for active lifestyles. Some of the programs they offer are hiking, cycling, and various events to mingle with locals, all of which are highly praised by visitors.

Activities that encourage the mingling of visitors and new residents with locals are more important than they seem. They not only facilitate a safer community and better understanding for a new era for local districts, but also often act as the trigger for maybe-movers to become new residents. Simply providing houses for people to move is insufficient. Dr. Omura’s wishes that his childhood house, which later became an important supporting facility for his career, be used for regional revitalization and integration purposes deserves praise and appreciation.

The Nobel Laureate’s contributions to his town did not end there. After he took the post of Chief Director of Joshibi University of Art and Design (a private women’s school for fine arts), Dr. Omura established the “Nirasaki Omura Museum” near his childhood house, placed his personal collection of paintings by female painters, and donated the entire set to Nirasaki City. On top of this, using his knowledge of geology he acquired back in his student years, he located a natural hot spring nearby and opened the “Takedanosato Hakusan Onsen” which is now a popular bathing destination for tourists. Many including myself are stunned by his broad knowledge and expertise, generosity, and contributions to his district.

Although it was not initially in our schedules, the stars aligned, and I had the opportunity to meet Dr. Omura in the Nirasaki Omura Museum during my visit. It was truly an honor. We blazed through a myriad of topics, but one that left a particularly strong impression was his view on growing up in the countryside. He pointed out how most Japanese Nobel Prize winners actually hail from local districts, and not big cities, and according to him, children should grow up in the countryside or at least experience rural life during summer vacations or long holidays. Upon

my return to Tokyo, I decided to take a gander at the statistics. Among 25 Japanese Nobel Laureates, I found that just one of them had spent their junior high school and high school in Tokyo. Memories of my own childhood of running around the hills and fields in rural Fukuoka Prefecture came back to me out of nowhere, and I could not help but smile from knowing that I had a kindred spirit in Yamanashi Prefecture.

Lesson #41

Create incentives for long-term residency through opportunities to mingle with locals and showcasing the attractiveness of rural life.

Tottori Prefecture

The Forest's Kindergarten - Marutanbou

Where opportunities for childcare in abundant nature attracts new residents

Children in Tokyo and other metropolises are often confined to small spaces with sparse or zero nature. Seeing kids who attend Marutanbou running around in the forest would surely cause envy.

Marutanbou, "The Forest's Kindergarten" as they call it, is located in Chizu Town, a cozy locality in the eastern part of Tottori Prefecture. Founded by Saeko Nishimura, the childcare facility is unique to Chizu and attracts new residents who come from both inside and outside the prefecture. I visited the site as it was an impetus for the region's regional revitalization efforts.



Ms. Nishimura, now the Representative Director of Marutanbou, was not originally a local of Chizu. With the support of her family, she opened the facility in 2009 based on her philosophy that mountain villages make ideal places for raising children. The idea of modern outdoor nurseries are attributed to Denmark in the 1950s where children would freely roam forests for a good portion of their day, rain or snow. Marutanbou ensures that professionals keep a close eye on the kids. They rarely interfere with the children's playtime, but facilitate in other ways the children learning to cooperate and learn lessons that help them grow up to be responsible and caring adults.

Chizu Town has a small population of just 7,000, which is one of the reasons why the municipality has an intimate relation with the residents. Together, the community appropriated a budget to actualize ideas that help the town. It was Ms. Nishimura's idea of starting the kindergarten in 2009 that won the vote, and I learned that the town began its contributions by paying for one of the professional staff when the facility opened. With the town's unique activities came media attention. Applications for the kindergarten gradually increased, and Ms. Nishimura eventually established the non-profit organization "Chizu Town Morinoyouchien (*the forest's kindergarten*) Marutanbou" in 2011 to help open another similar kindergarten called "Sugibokkuri." Furthermore, Ms. Nishimura opened an avant-garde school called the "Shinden Sudbury School" which has no teachers, curriculum, tests, nor evaluations, and is based off of the core principles of Sudbury Valley School in Massachusetts, USA, that students should learn and grow up unrestrained. Shinden Sudbury was operated only on the weekends when it opened in 2014, but started weekday classrooms in 2015 due to popular demand. Their philosophy is to respect students as individuals (roughly 20 who range from the age of six to 18) and foster a place for dialogue in abundant nature.

According to Ms. Nishimura, children at these schools do not require physical education classes as they get exercise on a daily basis without being told to, have strong immune systems, are able to independently make mature decisions, and have significant problem solving and communication skills. Hearing the buzz, the number of new residents to Chizu have increased as parents who hoped for this type of education for their children began applying. As of mid 2018, 24 children from 20 families have moved to the area from places that include Australia and Singapore. Some of these families decide to stay in the town even after their children graduate. The number of staff in the educational facilities has increased, and Marutanbou created ten new jobs in 2017 alone. This is a significant number for a town of just 7,000. I even learned that the number of vacant houses in the town previously caused by population decline are beginning to decrease.

Japan is a mountainous country with countless untouched forests. Ms. Nishimura's NPO was able to tap into an obscure local resource in an innovative and sustainable way to help raise the next generation and contribute to regional revitalization. The case has brought curious government officials from foreign countries as well who hope to learn from the exercise. Jumping on these developments as any industrious regional revitalizer should, Chizu Town has begun marketing forest bath powders and forest therapy.

I have always been one for child raising in relaxed rural areas. My visit to Chizu was one that taught me not only new elements of regional revitalization, but also allowed me to see alternative forms of nurturing the future of Japan to create strong, independent, and responsible individuals. I greatly appreciated my time here.

Lesson #42

Responsibly use natural resources like forests for long-term childrearing and as an element of improving the community and regional revitalization.

Ishikawa Prefecture

Share-Kanazawa

Where mixing cultures and people of different generations created a local community that enables everyone to play a role in their society

The Japanese government's *Comprehensive Regional Revitalization Strategy* articulates the following notion as an important element of regional revitalization:

“...To fix the disbalances and overemphasis on Tokyo, it is important to promote the migration of not only the youth, but those of other generations to the countryside. For this purpose, we will forward the plans of ‘communities that transcend retirement’ [or Japanese **continuing care retirement communities (CCRC)**],’ which help develop localities into districts that appeal to middle-aged and senior citizens as their new hometowns where they can interact with locals, lead healthy and active lives, and receive medical and nursing care as required. The horizontal development of appropriate case studies will be studied for further developments of this notion.”



The plans set forth in these “communities that transcend retirement” are significant for three reasons: (1) they fulfill senior citizens’ wishes, (2) they promote populating local districts, and (3) they help ease the population burden with which the Tokyo Metropolitan Area struggles. It is a demographic fact that the capital and its surrounding areas are rapidly aging, and this problem will only continue to accelerate – the number of Tokyoites above age 75 is expected to increase by about 1.75 million in the span of one decade from 2015 to 2025.

As one unfortunate result, there is a concerning shortage of employees in Japan’s medical and nursing sectors. This trend is not likely to be corrected without intervention. Some reasons why the proposed “communities that transcend retirement” plan is distinguished for the elderly participants are: (1) they move into their CCRC facilities while they are still in good physical condition, (2) they actively participate in social activities such as community service and engage in lifelong learning, and (3) they integrate into their new communities and lead a healthy and active lifestyle that is compatible with everyone, including younger generations. It is a soft policy approach that creates win-win situations for everyone.



The Japanese government provides an array of support mechanisms in the form of information (through general information, guidebooks, and administrative assistance), physical (through relevant government offices organizing and sending professionals), and financial (subsidies and loans). As of July 2017, government-organized support teams are active in 16 municipalities. The number of projects across the nation that are not utilizing this resource are countless, but I would like to introduce one municipality that is receiving the help of the central government through one of these support teams.

My visit to “Share-Kanazawa” in Kanazawa City, Ishikawa Prefecture, led me to believe that it is one of the most appropriate representatives of Japanese CCRCs. “Busshien,” a local NPO, has developed and runs a mixed community of people of different ages that welcomes the elderly, university students, and disabled persons to all live together. As Japanese culture traditionally puts an emphasis on personal space, has various biases on ages, and operates on family bases, successfully creating this new community that takes individuals out of their comfort zone is significant.



The community, opened in 2014, is located in the outskirts of the suburbs on a small hill around 6km southeast of the local hub, Kanazawa Station. Claiming 3.6 hectares of land, the area provides a comfortable residential environment that includes 32 houses geared towards geriatric care replete with home-care services. They come with vegetable gardens where residents showcase their collaboration. The community also has eight houses (two of which include art studios) with low rent for students on the condition that they conduct 30 hours of volunteer activities a month, and facilities for disabled children (3 buildings and 4 units). For those who wish to work, offices are integrated in the living complex, and the nursery school lets younger parents feel at ease while they work. The facilities even include free hot springs, an art gallery, various restaurants, a bar, kiosks, and a dog park.

I was pleased to learn that inhabitants proactively participate in the community development as well. I saw the elderly and disabled persons work at the kiosk, and smiling students volunteering with caretaking needs. The smiles on their young faces showed just how much they have bonded with their community.

Share-Kanazawa was initially not built as a facility for the elderly, but as a community facility for disabled persons to interact with society at large in a way that they could have fulfilling work lives. Senior citizens are just one of the categories of residents, but life there appeals greatly to them. They have their own wooden 1LDK homes that allow them to live with their pets, get exercise from gardening which also offers them organic vegetables, and mingle with their neighbors. Those who wish to work in the community find jobs as staff in the hot spring facilities, or restaurants. Others flexibly offer their time volunteering, and enjoy sipping on Japanese rice wine at night. Seniors who require care can receive professional services from annexed buildings that provide both daycare services and home-visits. The monthly fee is 120,000 yen (roughly 1,100 USD) for rent, basic care services, and consultation fees. I was happily overwhelmed by the energy of the happy senior residents during my visit.

I also had the opportunity to talk with Ryosei Ohya, Executive Director of Busshien, the NPO that operates the facilities. I learned that Busshien had been active in Hakusan City for over five decades in their quest to fulfill appropriate services for the disabled. Since 1998, the NPO has been actively involved in civil society and town development projects including a beer brewery.

Mr. Ohya believes that his personal experiences greatly affects his organization's activities. After graduating from university, he worked as a teacher for disabled children in Hakusan City before going off to volunteer in the

Dominican Republic as a member of the Japan Overseas Cooperation Volunteers (JOCV) organization. After returning to Japan, he made use of his newly acquired skills in town development and regional revitalization. As a strong advocate of putting JOCV's methods towards Japan's regional revitalization. He claimed "1,000 volunteers return annually to Japan from their services abroad. It's a waste not to utilize their abilities at home [for regional revitalization]. They have highly trained skills from the 120 skill categorizations JOCV designates, are internationalized, and have philanthropic passion that you just can't get anywhere other than volunteering in developing countries."

I was impressed and could not agree more. As regional revitalization requires strong leaders and experience, Japan Overseas Cooperation Volunteer returnees are likely to be successful in revitalization efforts at home, especially in the fields of community building and improving CCRCs. Mr. Ohya continued on to profoundly discuss the difference and relationship between quality of life and life expectancy, life purposes and caregiving, and labor force participation of the elderly, all from both subjective and statistical perspectives. Our vibrant conversation made me think back to the importance of **evidence-based policy making (EBPM)** as opposed to using intuition and biases in the creation and sustaining of communities for seniors. I was reaffirmed that since true CCRCs are not retirement homes, but rather communities for active seniors that offer quality lives, proper data about health and life satisfaction should be appropriately utilized.

Lesson #43

One aspect of successful CCRCs is controlled chaos – mixing age groups and cultures in a way that brings out the best of everyone is difficult, but adding boosters to the equation such as community oriented facilities (like hot springs) and help of experts (such as former overseas volunteers) is effective.

Aichi Prefecture

Gojikaramura (The "After-five Village")

A forest community that thrives with the support of people from various age groups

Something that I find myself asking more and more as I age is, "what brings joy to people's lives?"

One that I see universally is when humans are needed by others. This is the joy that people receive when they are able to help others, and have a specific role in society on which others depend. My thought on this principle changed from a fuzzy notion to a deep belief after my visit to "Gojikaramura," or roughly translated, the *After five PM Village*, a small neighborhood in Nagakute City, Aichi Prefecture.

As the name indicates, this community physically resembles an old Japanese village where the facilities for the elderly that include special nursing homes and day service centers are renovated traditional homes. Other buildings such as the kindergarten are made of native woods, and the property is surrounded by a beautiful deep green forest.

Gojikaramura finds its roots in the construction of its kindergarten by the mayor of Nagakute City, Ippei Yoshida, in 1981. Community leaders named the neighborhood with the philosophy that after 5PM, people should be spending their time relaxing, not toiling away for their companies. Sustainability is a core principle as well. The buildings were made without having the cut down trees, and living in harmony with the surrounding forest is emphasized by residents. Just like how the community at large lives in synch with nature, so do the inhabitants with each other. As the facilities' official staff are not able to spend all of their time watching kindergarteners roam around the dense woods, senior residents watch over and play with children. It was the kernel of new friendships between the elderly and the kids who now spend their time together outside of school hours. Seniors are reinvigorated by the kids and have more life purposes, while the kids gain pieces of wisdom. I watched the children's beaming faces as they fed rabbits in the elderly facilities and could not help but smile as well.

This form of community bonding did not happen on its own. Gojikaramura has an organization called "Kinezuka Sharing" that encourages retired locals to use their experience and know-how for volunteer activities. The photographer who recorded my visit there and the guard who guided the traffic were proud members of this organization.



The specialized nursing home in Gojikaramura generously uses wood for its walls, floors, desks, and chairs, and the large windows are positioned for seniors to watch over children playing outside in a comfortable manner. The internal architecture features curved corridors and other touchups that give a relaxed homely feeling unseen in offices and hospitals.

This idea of a mixed community is similar to the philosophy previously explained in Share-Kanazawa – both are known examples of advanced CCRC models in Japan. They are incredible projects in which the elderly, local volunteers, children, and professionals mutually depend on each other, help community members, and are overall important members of society.

As the birthrate falls and the population ages in my country, the interconnectivity within communities are fading. It is in this situation that mingling of age groups across the spectrum and proactive involvement of people

from different backgrounds with the support of the entire district brings about a holistic form of regional revitalization.

I took a breather in a renovated house originally built over 200 years ago that now serves as one of the community's public spaces. I sat on the balcony and listened to children playing in the background as I was nostalgically reminded of old village landscapes in my own hometown. More than anything, it was heartwarming to think that this type of community may someday be the norm.

Lesson #44

An aspect of regional revitalization that is an added merit to profitmaking is creating a community where people of various age groups and backgrounds can not only coexist, but also support each other.

Hokkaido Prefecture

Sweden Hills

Mixing various hidden potentials of a town to make it profitable

Tobetsu Town in Hokkaido has a friendly population of 17,000 and is located 25 km northeast of the metropolis capital Sapporo. It takes only 35 minutes or so by train or car, and many have made the trip to visit Sweden Hills, a small district in the town developed by the private sector three decades ago. The area introduced the idea of a CCRC prior to the central government's initiative and is one of the few districts that has seen an increase in population while the surrounding area suffers from a decline.

The development sits on 364ha of property, half of which is a golf course. Two third of the other half is covered by forest. The architecture is designed to blend in with the abundant Hokkaido nature. The electric wires and telephone cables are installed underground for both safety and aesthetic purposes, public gardens thrive on every block, and uniform Scandinavian-style homes stand along rows of white birch trees. Anyone visiting would not believe that they are in Japan.



Used houses to range from 20 to 30 million yen (roughly 180,000 to 275,000 USD), which is comparatively affordable. 300 families reside in the community, many of whom were happy to leave the hustle and bustle of big cities. Occupants range from senior citizens living by themselves to nuclear families with small children, totaling 770 residents as of February 2016 when I visited. I sat in the Sweden Interaction Center, a public space where people come to mingle, and listened to Miyasaki Miyaji, Mayor of Tobetsu, discuss his beliefs of regional revitalization and CCRC. He himself moved to the area after he retired from Mitsubishi Corporation (Japan's largest trading company) and was elected mayor due to his experience from the private sector. From the onset, his vision of what was required for regional revitalization was clear – Mr. Miyaji declared that he hoped to “Increase the sources of income and make the town more profitable.” He set out to change the agriculturally based region to a more diversified economy while increasing the population. Looking around, one can see how he succeeded. Seeing his charisma firsthand helped me understand how effective of a leader he is as well.



To strengthen other industries, in partnership with leading private sector organizations, the town opened a roadside station that sold value-added local products (“Scandinavian Roadside Station Tobetsu” was later opened in September 2017), began promoting renewable energy utilizing its abundant local resources such as wood biomass and earth thermal, and is now actively inviting companies to invest in various stores in the town along the national highway after revising regulations on how agricultural land in the area can be used.

As the Sweden Hills area currently has no large medical and nursing facility and the town hopes to create a largescale CCRC, the town intends to find private investors and operators to make the entire strip between the JR Ishikarifutomi train station, including the aforementioned road station, into a “Tobetsu Town CCRC.” One of the exciting potentials of the future project is that the Health Sciences University of Hokkaido nearby has more than 3,000 students, some of whom may be integral residents in creating a diverse community.

The group “Yuyu” is also a key player in this town. Initiated by a volunteer group composed mainly of students from the Health Sciences University of Hokkaido (with 500 student members) to help care for disabled children, the organization became a legally registered NPO in 2005, and then a social welfare corporation in 2013 to strengthen organizationally and bolster its abilities. With its special legal status as a social welfare corporation, it provides jobs to elderly and disabled people with a new mission to “create a district where everyone can coexist and thrive.” It works to provide educational and physical support for disabled children, renews old apartments into multifunctional small group homes, operates a popular non-profit café in the Health Science University to raise funds, and renovated ski slopes into a welfare center that also serves as a nucleus of agricultural activities in the area. The agricultural establishment especially piqued my curiosity.



I made my visit to the so-called “Agricultural Community Pekopeko-no-hatake” (roughly translated to *the hungry hungry fields*) to find that it truly was an all-inclusive community. It actively employs disabled people as permanent staff and enjoys support from the entire neighborhood. Local children including kindergarteners come to dip their hands in the soil and help with farming in whatever way they can. The annexed café serves fresh dishes made with its crops, and nearby farms also send their produce for the establishment’s farmers’ market. I met new residents of Sweden Hills during my visit here who claimed that the agricultural community is one of the perks of their new town, as they are able to contribute to its development through their skills they have acquired in big cities.

There is no magic bullet for a successful CCRC. Tobetsu Town seems to have found an equation that works for them through its skillful integration of Sweden Hills, the Health Science University of Hokkaido, and Yuyu. I learned that as mayor, Mr. Miyaji’s first words to municipal officials were “We have to be positive to make this community thrive. Please do not think of reasons why we can’t make something work, but rather reasons how we can make them work.” It is no wonder why he is well respected. Seeing him, his town, every organization that makes the community what it is, and all of their spirits of self-help, I look forward to seeing all of their plans come to fruition in the future.

Lesson #45

Genuinely understanding a district’s potential is crucial in order to advance proper CCRC. Having institutions of higher education and social welfare organizations is a big plus if appropriately integrated.

Maryland, U.S.A.

Riderwood

Successful model a thriving senior community in the United States

The Japanese government is currently promoting towns that support active lifestyles for the elderly where the sun never sets (what some call “Japanese Continuing Care Retirement Community,” or Japanese CCRC) as a function of regional revitalization. The comprehensive plan aims to create and support local districts where the elderly living in the Tokyo Metropolitan Area or other major cities voluntarily relocate to more relaxed countryside areas, integrate with local inhabitants, lead healthy and active lifestyles as part of the larger community, and sustainably receive attention when medical or elderly care is necessary.



This idea comes from the 2,000 or so CCRC sites in the United States. In May 2017, I was fortunate enough to make a visit to the famed Riderwood CCRC to learn what the buzz was about. Before my arrival, I did some homework and learned that the facility is managed by Ericsson Living, a leading company in the American CCRC industry. The model would be unprecedented if implemented in my country.

Ericsson Living was founded in Baltimore, Maryland in 1983 and currently employs 12,000 staff. It cares for more than 22,000 residents throughout the country. The concept came to Mr. Ericsson, the founder, when he was searching for retirement residences for his own parents and found that the only places he could find were catered towards high-income earners. Born from his question of why there were no CCRCs targeting the middle class, he founded a company that today manages 19 CCRC sites near big cities all around the United States.

Riderwood is one of these sites, conveniently located 40 minutes away from the center of Washington DC by car. The facility is one of their large-scale CCRCs built in May 2000 over a field spanning across 120 acres of land (approximately 49 ha) and has around 2,400 residents cared for by 1,200 staff. The community has a club house located in the center of the facility, several fitness centers, restaurants, swimming pools, pharmacies, salons, convenience stores and banks. Residents go to the 300-seat theater for concerts, movies and, musicals, and are

constantly occupied with the 250 featured activities including games, tourism and creative writing. In addition, 50 well attended lectures are given annually through a partnership with the nearby community college – higher education classes cost 75 dollars each for Riderwood residents, and 900 people participate in this program at present. A large-scale medical institution nearby and a smaller one within the facility gives many peace of mind on top of actual care.



I was pleasantly surprised to find some Japanese residents in the community. When I asked them about the level of comfort living there, I learned that candidates must pass health checkups and financial examinations before their acceptance into Riderwood. Monthly incomes and home loans are also taken into account after inspection. Self-reliant residents who do not require living assistance and care are required to pay a lump sum of 130,000 to 600,000 dollars depending on the size of their living quarters before their monthly fees that can range from 1,800 to 3,000 dollars. One resident told me that he is able to pay the expensive fees because the value of his house has increased.

Primary reasons behind why they chose Riderwood varied, but they generally fell into two categories: they themselves or their children and grandchildren lived in the area, and the excellence of the facility. The complete medical services environment offers a sense of safety to its residents as well. Each resident's room has direct communication to the security office, and medical care professionals will promptly come if called. The facility employs five fulltime doctors on top of the 25 to 30 medical specialists who make consultation visits every month. Neighboring hospitals also give priority to its patients living in Riderwood.

These appealing features have helped the facility reach an occupancy rate of 96%, which is fairly high in comparison with the average 91% of similar facilities around Washington DC and the national average of 90%. As the need for assisted living grows for individuals in the facility, the resident moves from complete self-reliant type rooms

(about 1,800 people) to special care type rooms (about 600 people), but almost zero residents move out of the facility when their next stage of life comes. The popularity of Riderwood is reflected in its waiting list that has over 600 names.

Let us analyze this business from a public policy and business perspective. The facility contributes to the state government and regional community by paying fixed property taxes and creating jobs, but never receives financial assistance from the public sector. The company headquarters goes about its operations strategically. Among other data it collects and analyzes, Ericsson Living takes time to carefully study demographics of prospective facility areas to see how many households earn more than 100,000 dollars annually.

From a sheer business perspective, applying this model directly to Japan may prove difficult geographically as the operator requires a massive piece of property before going through the pain of finding residents who are able to pay large lump sums and monthly fees for care services. Riderwood offers many hints and examples for success, however. We should not ignore the clever separation of types of rooms and care depending on the conditions of the resident, the balance of equipment and functions that make for a successful continuing care retirement community, and operation management styles that came from the United States. I hope that my country can learn from this and succeed in making its own sustainable CCRCs.



Universities and high schools

To build globally competitive academic foundations that create vibrant societies and strong workforces, it is indispensable for educational institutions to shed themselves of traditional policies, introduce local industries into their curricula, form industry-government-academia tripartite partnerships, and focus on their strong suits in academia and research

I trust that at this point in the book, the reader understands the grave concerns regarding the overemphasis of resources and people on Tokyo. Let us analyze the phenomenon a little further.

The inflow of roughly 120,000 people to the Tokyo Metropolitan Area (Tokyo, Saitama Prefecture, Chiba Prefecture, and Kanagawa Prefecture) every year is mainly attributed to students and young people who come for school and to begin their careers. When we analyze university enrollment capacity ratios per prefecture (ratio = {undergraduate capacity of prefecture / number of graduates from local high schools who enter university} x 100), we can quickly see significant regional differences. University enrollment capacities for Tokyo and Kyoto are outstanding at roughly 200%, capacities for big regions like Osaka and Aichi are around 100 to 110%, while all other prefectures have less than 100%. Most alarming are Nagano, Mie and Wakayama, which have below 40%. The system is clearly geared towards Tokyo to absorb students from localities.

Regarding where students find themselves obtaining their higher education, statistics show that of all the university students in the country (2.87 million people), 40% (1.17 million people), are concentrated in the Tokyo Metropolitan Area, 26% (0.75 million people) are in Tokyo, and 18% (0.53 million people) are in the heart of the capital, i.e. the 23 wards.

Readers may be asking why. Some say that it is due to false beliefs held by many young people, their parents, and their teachers that students have to attend university in Tokyo in order to succeed and have a stable job. Others believe that Tokyo is just appealing as a global capital. Regardless, the one-way flow of youth from local districts to Tokyo has an underlying reason that we can all identify -- student quotas for university. With this brought to their attention, the National Governors' Association adopted a resolution in November 2016 that puts an urgency on incubating talent for regional revitalization, and requested for me, then Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy, to promote regional universities, help foster and acquire of key leaders in localities, and balance the uneven overemphasis on universities in Tokyo through legislative action.

The following year, I established an expert committee as a private consulting body to actively discuss these issues throughout 14 different meetings, and compiled a report. This document presents concrete propositions such as (1) individual promotion of regional universities that help with district-specific revitalization, (2) acceptance quota lowering for universities in Tokyo, (3) encouraging the transfer of students from universities in Tokyo to local districts, and (4) quality job creation for youth in local districts. Based on these proposals, we began university reform as a new approach to regional revitalization. A detailed law was also enacted to place a ten-year ban on the increase in acceptance quotas for universities within Tokyo's 23 wards beginning in 2018 with an exception for overseas students and mid-career people.

We take a holistic approach in this finding solutions. For regional universities, we advised they shed themselves of traditional educational policies that attempt to mimic Tokyo's schools, analyze and consider how they can use special characteristics and industries within their regions to boost their research and educational programs to specialize in certain fields, and form trilateral partnerships composed of in industry, government, and academia to make globally competitive institutions.

Within my expert committee's deliberations, I took note that certain members pointed out how Japanese universities tend to disregard their surrounding areas' changing industrial structures and not always respond to their regions' needs that universities and research facilities generally fulfill, such as specialized training for certain sectors, research and development in partnership with the private sector, and niche research. I thought I agreed.

In my field research throughout the country, however, I encountered several universities that brilliantly managed to reform themselves and, whether or not it was intentional, powerfully contributed to their districts' regional revitalization. I would like to present these cases below and hope that they serve as examples for those in any part of the world with an eye on education as a factor in their revitalization efforts.

Yamagata Prefecture

Keio University

Institute for Advanced Biosciences, Spiber; research and development to address global issues and change the future

A small company named Spiber Inc. based in Tsuruoka City, Yamagata Prefecture, succeeded in developing artificial spider silk that even The United States' National Aeronautics and Space Administration (NASA) could not. It came as a bit of a shock to those in the niche research field.

This artificial spider silk called "QMONOS" is a groundbreaking new material with strength and durability four times than that of iron, elasticity higher than nylon, and heat tolerance of over 300 degrees Celsius. This means that if mass produced, metals can be replaced with fiber. The possibilities for future developments are endless. More importantly, however, many point out that this technology can reduce the levels of CO² we emit during the process of making nylon from petroleum, helping to solve a major global issue. The city of 120,000 people may very well be a starting point in global change.

It is Kazuhide Sekiyama, President of Spiber, who led the research and development of this artificial silk. The start was very simple. When he was in his fourth year of undergraduate studies at the Institute for Advanced Biosciences in Keio University, he attended a party held by his laboratory colleagues, he told me. At one point in the night, his boozed lab-mates began passionately discussing spider silk. "It's the dream fiber," they all said. In nature, the stuff is unparalleled in durability and flexibility, and scientists have long gazed at spiders with curiosity and envy. If humans could harness its power, the material is sure to be environment friendly and will outdate a number of materials we all use today. Mr. Sekiyama immediately began his research.

Needless to say, it was no easy task. To produce anything remotely similar to spider silk, it is necessary for one to arm themselves with genetic engineering skills, input genetic codes into micro-organisms, and have the proper knowledge and equipment for its cultivation. In the early stages of his research, Mr. Sekiyama did not even know how to extract DNA from spiders. He strove on, however, absorbing whatever information he could, and enjoyed his first taste of success when he extracted a protein called “fibroin” when he was in his second year of his Master’s course. Just before finishing his graduate studies, he reached a stage where he produced a fiber-like substance of several millimeters that he was able to show people through a microscope.



As he found that research expenses will cost more than 100 million yen (900,000 USD) if he was to continue, Mr. Sekiyama established a private company in 2007 at the age of 24 when he enrolled in his Doctoral course. He struggled. Although the Ph.D student was able to raise 10 million yen from relatives as a startup fund, he was not able to find partners and research assistants. The global recession caused by the fall of Lehman Brothers hit just around the same time, adding to his financial struggles that continuously cut off his research progress. Through continuing his work, he eventually received the spotlight he deserved through winning first place in a competition and received enough stable funding.

Picking up on the momentum, the company slowly started to grow through its research on protein synthesis. The first two major cases of success were Mr. Sekiyama’s partnerships with the clothing brand The North Face Inc.’s outerwear prototype “MOONPARKA” and the luxury automaker Lexus’s “Kinetic Seat Concept.” These led Mr. Sekiyama’s company to set an ambitious goal to replace 20% of the global synthetic polymer market (estimated to be worth roughly 180 billion USD) with their products.



His company, Spiber, took off. In the background of the success, were Mr. Sekiyama's alma mater, Keio University's Institute for Advanced Biosciences (IAB) in Tsuruoka City, and Masaru Tomita, IAB's Director and former teacher of Mr. Sekiyama. Without his school's help, Spider would not be what it is today.

Tsuruoka City is located on the coast of the Sea of Japan and sits in the center of the Shonai region at the foot of three gorgeous mountains. Thanks to its abundant forms of nature and various landscapes, people enjoy swimming in the sea and skiing on the mountains on the same day in the summertime. As agriculture has long been a strong suit of the city, Tsuruoka benefits from strong departments of agriculture in Yamagata University and Tsuruoka National College of Technology. Although arguably not at the same level as universities in Tokyo, the area has a solid intellectual foundation, pool of knowledge, and research capabilities in the field. What also helped were the former policies of Yoichi Tomizuka, a former mayor, that strove for industrial development through academic research organizations. Looking at these, Keio University, one of Japan's leading institutions of higher education based in Tokyo, decided to place its Institute for Advanced Biosciences in Tsuruoka.

Dr. Tomita moved from Tokyo to act as the Director of IAB with the strong belief that Tsuruoka's abundant nature, overall relaxed atmosphere, and different seasons help foster creativity and make for a perfect research environment. He found and brought with him, researchers of from various disciplines including cellular engineering, genome technology, and information sciences to promote a project called "integrated system biology" that no person in the world had ever attempted in order to push on the edge of human knowledge and raise the next generation of creative scientists.

Spiber was not the only institute that IAB helped incubate. Other business ventures that have been under its wings include Human Metabolome Technologies (HMB), a leading metabolome analysis and research company, Salivatech, which aims to implement saliva examination technologies to detect cancer and other diseases in their early stages, Metagen, which assesses disease risks through excrement analysis and aims to stop diseases by improving subjects' intestinal conditions, and Metcela, which is committed to developing regenerative medicine products to deal

with cardiac problems. The Institute for Advanced Biosciences in Tsuruoka is also engaged in joint research projects with roughly 40 domestic and overseas companies, changing the global presence of its district.



One of Dr. Tomita's comments caught my attention. He said that many academics believe that they have to stay in Tokyo to advance their careers, and part of the responsibility to right this wrong is for local districts to take matters in their own hands. I followed up with Mr. Sekiyama about this, to which he gave me a personal anecdote.

The year is 2009. Mr. Sekiyama is consulting with a venture capitalist in Silicon Valley who told him that his project had potential, but that he would never be able to get the right talent on board in Tsuruoka; even in Japan, he was told, it would be difficult. "I'll invest in you if you transfer your business to Silicon Valley." The words made Mr. Sekiyama gulp. As we know, he did not take up the proposal, and several years later when Mr. Sekiyama encountered the same venture capitalist, he was congratulated for his success and was told that it was a very rare case.

In Japan, Keio University is a renowned university. The founder Yukichi Fukuzawa is a prominent figure in my country's history as well, and his writing, "An Encouragement of Learning," continues to inspire generation after generation. Together with "Self-Help" translated by Masanao Nakamura, which emphasized the need for the spirit of not relying on others in a time of political turmoil and a national existential crisis, the two pieces shot to the top of book sales in the Meiji Era a century and a half ago. After seeing their efforts, methods, accomplishments, and future dreams, I truly believe that Mr. Sekiyama and Dr. Tomita live up to the hopes of Fukuzawa and Nakamura.

Spiber strives to not only act as a major international enterprise, but also works towards overcoming global dependence on oil through protein synthesis technology. Reaching for the stars is one of the most important ingredients in recipes for regional revitalization.

Lesson #46

State-of-the-art technology does not necessarily come from metropolises. With the right vision, environment, and resources, rural areas can be the home to groundbreaking technologies as well.

Oita Prefecture

Ritsumeikan Asia Pacific University

A truly global university that flourishes in a local district

Beppu City, a region with a population of 120,000 in Oita Prefecture, has one of the most well-established global universities. Ritsumeikan Asia Pacific University (APU) became a well-known name when the founder of Lifenet Insurance Company, Haruaki Deguchi, was appointed President of the school.

Some may wonder if there really are international students on the campus if they were to stand at the campus's largest hill that overlooks the rural Beppu Bay, a view that embodies Japan's olden days. They would simply have to turn around and take a look to see though that of the 5,900 pupils in the university, 3,000 of them come from abroad. "Abroad," in this sense, is extremely diverse – the foreign students come from 90 different countries. Even the Japanese students hail from different corners of the country. Together, they all study in a beautifully multicultural environment.

Since its establishment in 2000, Ritsumeikan Asia Pacific University has set a target that it calls its "three 50s": (1) the acceptance of international students from at least 50 countries and regions around the world, (2) have a 50% ratio of international students to Japanese students, and (3) have a 50% ratio of international faculty to Japanese faculty. These three factors have been found to create a great synthesis. Oita Prefecture and Beppu City supported the idea and showed their support by donating a large plot of land to Ritsumeikan University, a school headquartered in Kyoto Prefecture. The Asia Pacific campus was not without problems at first. People could not understand the concept of an international university, as it was the first of its kind back in the day. The number of graduates today exceeds 15,000 though, and unlike other international schools popular in Japan today that mainly host students from nearby East Asian countries, the Ritsumeikan Asia Pacific University offer scholarships to people from around the entire world including those from Africa, the Middle East, and the Americas.

Any visitor can see walking around campus that students understand and accept one another in both their studies and personal lives. The alumni network is robust and extends to every corner of the world. At the time when a major earthquake devastated nearby Kumamoto Prefecture in 2016, waves of volunteers rushed in from dozens of countries, and donations flowed in at the same pace.

There is more to the school's success than simply placing foreign students in Japan. I found that overseas students on campus associate not only with Japanese students but also with Beppu residents through their part-time jobs and their host families. The school helps facilitate an environment where people are able to learn from each other academically and culturally in the entire district. The students naturally reciprocate. International students created popular a three-minute video of Oita Prefecture from their unique point of view to their home countries including Thailand, Vietnam, Indonesia and Taiwan.



I visited the campus on a Sunday where students guided me through their favorite cafeteria and library. I also had a chance to talk with some overseas students. My heart warmed as I heard stories of their appreciation for the rigid Japanese language curriculum, how welcomed they felt by the local community, and how they forgot that they were foreigners until they visited Tokyo.

Those who graduate and stay in Japan to work are cherished by Japanese companies as globally oriented, skilled, and linguistically excellent talent that their organizations need. Japanese students who graduate from the university are praised for their incredible communication skills and globally cultured mindsets.

Establishing an unprecedentedly international university in a local city is no easy feat. Ritsumeikan Asia Pacific University succeeded in bringing overseas students, was successful in finding the right faculty, and through various efforts, foster global talent and continue buttressing their worldwide network in cooperation with the local community. All of these elements seem to have been requirements for their success.

I heard that Morihiko Hiramatsu, former Governor of Oita Prefecture famous for his “One Village One Product” movement (a Japanese regional development program founded in the late 1970s), was eager to develop Oita as a hub of Asia and host a university that supports the mission. With successful global graduates creating business opportunities for the region that is now regarded a domestic leader in the field of international education, I hope that Governor Hiramatsu is content with the way his dream unfolded.

Lesson #47

Create a unique university that can attract students from around the world, foster them as global talent with the cooperation of domestic students and the local community, and develop a powerful international network.

Akita Prefecture

Akita International University

Developing talent with a global standard

Akita International University is a small public university in Akita Prefecture that has managed to create in ten years an international education program that ranks as highly as that of the University of Tokyo, Japan's highest ranked institution of higher education.

After Minnesota State University's campus in Akita shut its doors, the prefecture saw the need to establish a new university to not let the academic foundations in the area go to waste, and to continue fostering talent that can succeed internationally in the 21st century. Under the strong leadership of Mineo Nakajima, its first president, the university began educating students with practical abilities such as communication skills and high-level liberal arts studies at a global standard that can compete with the best of schools around the world.



The large campus is engulfed in greenery and has a 24-hour library full of foreign books, a cross-cultural language learning center, a toasty cafeteria, a computer room, and other facilities that help students in their educational and private lives. Students are often seen taking advantage of the large physical training center and have fruitful college careers.

Let us look into the school's recipe for success. Akita International University limits its number of students to 170 or so per year in order to create and facilitate an intimate multicultural atmosphere. Students are not just encouraged to, but pushed to learn foreign languages from one another, and all courses and lectures are given in English. Classes are highly interactive and have fewer than 20 students, and half of the faculty are of foreign nationality. The university punches above its weight and is affiliated with 187 universities across 49 countries and regions in the world. As a host to more than 190 overseas students who live with their Japanese counterparts in dormitories and apartment houses within the university, the school has created a community that is connected directly to the world even though it is geographically located in a rural district.



To graduate from the university, Japanese students are obligated to study abroad for at least one year through the school's exchange program to one of their affiliated universities around the globe. Most students go begin their journeys in their second during the winter to obtain, among numerous other things, 30 credits within their major during their time abroad.

Media outlets began giving Akita International University the spotlight it deserved when Japanese and foreign companies both started sending their HR staff all the way to Akita to interview and hire the university's top students. Unlike most places in Japan, interviews are done in more casual settings without suits as foreign students are plucked for employment as well. Almost 100% of students find employment. The media attention and satisfaction of companies with their new employees have made the school even more popular.

I found during my visit that the school has taken after a lot of what makes European and American universities renowned. For example, unlike most Japanese universities where entrance is the most difficult step with long nights of studying in high school and college days filled with skipping class, Akita International University keeps its students in check and maintains its academic rigor. Obtaining credits is not simple here, and I learned that the library is fully utilized by its students. I thought back to my now fond memories of long nights I spent in Harvard and Cornell's 24-hour libraries. After asking for more details on what makes this university in rural Japan so special, I also found out that the school's entrance exam uses six different criteria to holistically evaluate their candidates, including English language tests. I was impressed.

It can be said with confidence that Akita International University shows piece of the picture of what universities in Japan must become in order to address population decline and internationalization. The university is a pioneer in the realm of regional revitalization as well as it directly links its local district with the world, a feat that not many schools have accomplished (or even attempted). The phrase "two birds one stone" comes to mind, but I would like to think that there are even more birds than what my eyes can see in this institution.

Lesson #48

Even in local districts, universities can foster global talent without compromising its level of education.

Kochi Prefecture

Kochi University

University development featuring cooperation among the private sector, government, and academia

Among the plethora of required actions to help fix the previously discussed unbalanced overemphasis on Tokyo, there is an unbalanced amount of attention on the ban of quota increases for universities within central Tokyo. As a key part of the overall policy goal, it is indispensable to create quality jobs and facilitate youth employment in local districts in Japan and develop regional universities that complement the objective.

The development of regional universities is not meant to create bland unrecognized universities seen in every locality around the world, but rather to create truly unique universities that represent their districts and cooperate with the local government and industries. With this principle, the university can specialize and stand out, industries thrive, and graduates come out with not only diplomas but also real skills. Kochi University may be the best example of this in my country.

In Kochi Prefecture, the population's rapid aging and overall decline is calculated to be ten years faster than other prefectures. The area was also heavily hit by earthquakes and chronically struggles economically. The expectations were high for its flagship university to boost its regional industries through research and development and fostering talent.

The university did not disappoint. In response to these needs, Kochi University strove to become a center for regional revitalization by identifying and leveraging its strengths and special traits. A "Faculty of Regional Cooperation" was unprecedentedly created in 2015 that requires students to participate in practical training projects in various sectors in the region. Cooperation with the community members and finding solutions on how to cope with issues vexing the community are focal points of the curriculum. The program offers students a sense of ownership in their work and a sense of belonging in the society.

When I visited the Faculty of Regional Cooperation, a student kindly shared their practical training experiences with me. The nearby town of Otoyo is making regional revitalization efforts through developing new rice cakes, producing wines, making western confectioneries made with blueberries, opening a café, and topping it all off with a PR campaign through a unique label that represents the town. I was impressed that an undergraduate student was actively contributing to the town's development process, and even more impressed when I learned that four faculty are stationed per neighboring area to work as district coordinators who identify issues for the university to address, research solutions themselves, and actively offer advice for solving them. The knowledge is all passed down to the students.

I had the opportunity to speak with Hideki Kaji, a specially appointed Associate Professor who acts one of the coordinators for the Reihoku district in the northern part of the prefecture. As part of his job description, he plans and leads the "Goishicha Bodyguards" project that works to secure talent for the production of Goishicha tea, a local

specialty that has become increasingly popular. With Mr. Kaji's help, Goishicha has increased in production and the region has even seen some inward migration to help with the project. I learned that outside of their official duties, lecturers at Kochi University join in on extracurricular activities with their students, such as renovating a defunct millet machine found on an abandoned farm. As a community, they developed, brewed, and sold a local millet wine called "Youné." Proceeds go to the locals that helped with the endeavor. This one made me want to be a student all over again and attend the school.



As Kochi Prefecture has long been an agricultural heavyweight, I also made sure to drop by a newly developed form of greenhouse called *Nangoku* (paradise) during my visit. The facility, made with investments from the local agricultural cooperative (JA) and water purifier manufacturer, uses electrolytic hydrogen water to boost the production of vegetables grown with abundant minerals. The project is in its infancy, but a much bigger yield of crops is expected. It was no surprise that Kochi University assisted in this project as well through its research on the electrolysis of water and checking which types of crops are ideal for the process in a partnership with the prefecture, city, local agricultural cooperative, and water purifier manufacturer. If successful, the project will take off.

Universities truly can play great roles in regional revitalization. It is my hope that more universities shed themselves of old policies and practices to become daring enough to develop local industries and address local issues, all while molding the next generation of leaders.

Lesson #49

Create a unique university based on its region to develop local industries and address local issues.

Gunma Prefecture

Takasaki City University of Economics

Bringing back the old arts and culture of the town through local university students' planning and management

"Café Asunaro" is a relaxing café located in the Takasaki Shopping Street in Takasaki City, Gunma Prefecture. Unbeknownst to outsiders of the district, the café first opened in 1957 as the hub of the district's culture and arts. It used to hold classic music concerts, poetry readings, and act as a place that welcomed everybody regardless of their interests. With the change in times that caused small privately-owned cafés to die out, however, so did this one as it closed its beloved doors to the community in 1982.

As the reader can imagine, it made a comeback. The process in how this happened is the focal point of this section. Due to residents' nostalgia and craving of the olden days, Takasaki City was hit with requests to reopen Café Asunaro, and through the city's plan to make it a regional revitalization project that can stimulate the shopping street, make new ties between the local university and the community, the municipality reached out to the Takasaki City University of Economics. With the university's help, the city renovated the old café (which had remained as a vacant shop) to resemble as best as they could the original appearance. An NPO called the "Takasaki Machinaka Education Activity Center Asunaro" was established to operate the café upon its grand reopening in 2013.

The NPO's staff, and the ones who operate the café on a day to day basis and make its future plans, are none other than students of Takasaki City University of Economics. Their roles are not as café employees there to make money, but rather business owners who have full responsibility in shop management. Three divisions were established to make operations run smoothly – the management group works on aesthetics, shop layout, and new product development, while the planning group prepares and executes events, and finally, the public relations group does the establishment's marketing work through magazines and social media networks. The project provides a valuable experience for students in which they obtain practical skills in economics, management, and partnerships with the local community.



As I had arrived to Café Asunaro around noon, I talked with the students at work while feasting on one of their delicious pork tenderloin sandwiches I ordered. In our conversation, I understood that the students earnestly believe that their café is important for the community in multiple ways. Regional revitalization to them was not only raising incomes and making profits for the district, but a way to distinguish the area through its arts and culture. It was a way that people can be proud of where they come from.

After barely being able to finish my giant sandwich, I was asked, as part of their market research, for my opinion on what type of dessert would be ideally served in the café. I thought back to the plump blueberries gifted to me shortly before I reached Takasaki City (from Den-en Plaza Kawabe, previously discussed in the book) and suggested some kind of dish made with locally produced fruit. I could not hold back a sheepish smile as the students immediately began taking notes.

The activities of this revived local icon may serve as a good example of university reform that aims to create a more locality-oriented and unique school. I asked where each of the students are originally from, and surprisingly found that many hailed from Tokyo and other prefectures outside of Gunma. One proudly exclaimed that he had come to Gunma Prefecture for school solely because he was attracted by Café Asunaro and other projects in which the university was involved.

Takasaki City University of Economics succeeded in making its town more appealing to students using new approaches to education that involved local culture and history and cooperating with the community. I hope to see more projects like this not only by Takasaki City's university, but in other regions around my country as well.

Lesson #50

Taking advantage of public universities' traits and flexibilities, allow students to gain hands-on experience in fields such as practical economic and management activities, and contribute to the local community through collaborative projects.

Ehime Prefecture

Nagahama High School

Where the town aquarium is operated by high school students has become a shared property of the district

“Nagako Aquarium” is operated by a club in Nagahama Prefectural High School in Ehime Prefecture. Understandably, this comes as a surprise to many.

The school is located near an estuary that is fed by Hijikawa River in Nanyo District, Ehime Prefecture, and from the back of the campus, one can fully take in the view of the Seto Inland Sea. The first aquarium in Shikoku, one of the four main islands of Japan that houses Ehime Prefecture, made its first aquarium in 1935 right near Nagahama Prefectural High School, and quickly became an icon of the district. Multiple generations of locals had fond memories of the facility, but due to the lack of funding and the deterioration of the complex, it had to shut down in 1986.

Residents began expressing their hopes to revive the institution a decade later, and heeding their calls, the teachers of Nagahama High launched a project in 1999 that used a large vacant classroom to replicate an aquarium. This was the start.



After years of additional funding, gradual construction, and help from the community, the school’s aquarium is now open to the public on the third Saturday of every month. Visitors can see more than 150 kinds of creatures that live in Hijikawa River, the Seto inland Sea, and Uwa Sea, all explained in detail by student club members who are assigned to each glass tank. During my visit, one display that caught my attention was a rare fish donated the school by Sakana-kun, an honorary doctor of Tokyo University of Marine Science and Technology and Japanese celebrity. It would be shameful of me to not express my gratitude once again to the principal, other school

officials, and the student members of the aquarium club for accepting my visit on a weekday during the summer when the facility is generally not open to the public.

I also found out that Nagako Aquarium provides interactive events where visitors can directly touch marine life (without harming them, of course). The facility has become a space for both adults and children to relax and play while also acting as an educational institution for students. As many aquariums do, this one rears numerous species as well, including various kinds of anemone found all around Japan. I heard that students put effort into studying these creatures. So much so that in 2015, a research paper written here that helped unravel the reason why yellow clownfish are not stung by sea anemones won the Prime Minister's Award. Students also participated in the International Student Science Technology Fair held in the United States as Japanese representatives and won fourth place in the Division of Animal Sciences. Starting with a group of teachers who hoped to please their community and the ardent support of the community, this high school of only 100 plus students in a small rural district achieved brilliancy.



It is my belief that national regional revitalization policies go hand in hand with correcting the overemphasis of resources and people on Tokyo. As I have stated, local universities need to change their way of thinking and acting within their communities in order to fulfill this objective. My visit to Nagahama made me realize that the principle applies to high schools as well, especially since these institutions are more interwoven with their communities than universities. Nagahama High School has undertaken a unique and unparalleled project that makes full use of a public icon and concept endeared by the community in an effective, coordinated, and clever manner to truly make it successful.

Lesson #51

Recreation facilities can be a symbol of the community – continue to pass it on to the next generation and find ways to conduct unique and unparalleled activities to, among other things, foster talented young minds.

Conclusion

During my one year in office as Minister, I spent most of my weekends on site visits throughout the country. The motivation behind this was my belief that in order to effectively carry out my duties, I had to familiarize myself with activities on the ground. By the end of my tenure, I had made visits to 303 locations in 133 municipalities across 46 prefectures, and the specific examples given in this book represent just a mere sliver of my experiences and lessons from people of all walks of life across Japan. Through my field research, one of my most vivid realizations was that local districts in my country should not be undervalued in any way whatsoever. Rural areas are replete with hidden potential and economic goldmines waiting to be tapped into. What this should convey to the reader is that local districts need to find what their latent opportunities are without waiting for help and organize as a team to creatively put this potential on the market. Dream big. Think creatively. Ignore international borders. In my country, the government is prepared to fully support challengers with the drive of self-help who strive to increase the average income of their districts.

I owe the publication of this book to many people who helped me in more ways than I can count. First, I would like to express my sincere gratitude to my secretaries who were always there for me during the journeys, rain or shine, while I was Minister: Mr. Takayuki Kondo, Mr. Yoshifumi Ayusawa, Mr. Koichi Miyazaki, Mr. Koichi Kimura, and Mr. Tomokazu Shimohori. This book would not be in your hands without their great devotion and sacrifices.

I also want to thank the individuals across Japan who offered me assistance in my site visits and followed up with their help in the process of this book's creation. They hail from different industries and government organizations and varied in age and background, but all warmly welcomed me to their communities and shared their knowledge. The staff of the Cabinet Secretariat and Cabinet Office also helped me greatly, and I would like to also give a big thank you to the staff who supported me from the National Community Journalism Network established by local magazine publishers throughout Japan.

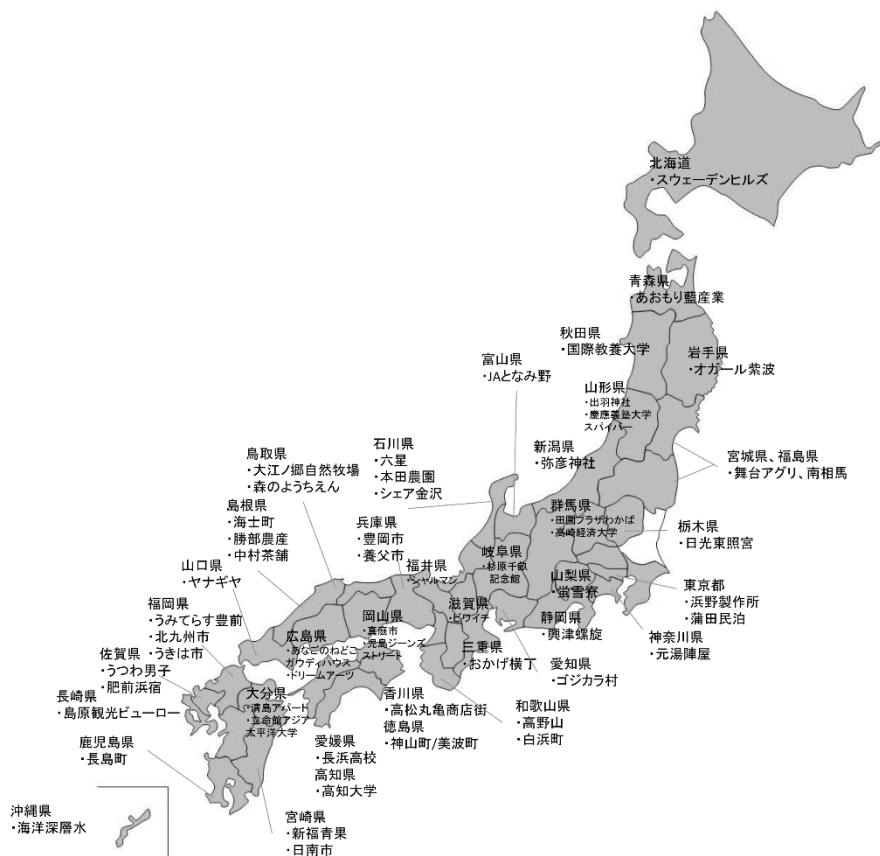
It would be a great honor and make me beyond elated if this book can serve in any way to spread the knowledge of Japan's experiences with regional revitalization.

Sincerely yours,

Kozo Yamamoto

July 2018

「稼ぐ！地方創生」事例マップ





Kozo Yamamoto

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Joined the Ministry of Finance upon graduation from the Faculty of Economics, University of Tokyo. Obtained Master of Business Administration (MBA) from Cornell University. Retired from ministry service after a research fellowship at Harvard University's Center for International Affairs and secondment as secretary to Minister of Finance (Kiichi Miyazawa). Elected to the House of Representatives in 1993 and currently serving 8th term. Was appointed Minister in Charge of Regional Revitalization, Overcoming Population Decline and Vitalizing Local Economy, Regulatory Reform, Administrative Reform, and Civil Service Reform in the Second Reshuffled Third Abe Cabinet. Previously served as Senior Vice Minister of Economy, Trade and Industry, Chairman of the Committee on Judicial Affairs of the House of Representatives, Chairman of the Special Committee on Consumer Affairs of the House of Representatives, Chairman of the Special Committee on Regional Revitalization, Chairperson of the Research Commission for the Establishment of a Tourism Oriented Nation of the Liberal Democratic Party, Secretary General of the Headquarters for Japan's Economic Revitalization, and Deputy Chairperson of the Research Commission on the Tax System (among others).