

# sustainable japan

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## Experts: Making the best use of a declining population

### ESG/SDGs seminar

HIROKO NAKATA  
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Business experts discussed the management of aging and shrink human resources — a long-standing issue in Japan and an emerging one in many other nations — in Tokyo on Dec. 7 at a seminar, “Exploring Opportunities of Utilizing Underrepresented Human Capital in Japan, a Country with Advanced Challenges,” held by the Tuck School of Business at Dartmouth College in New Hampshire.

In his opening speech, Dean Matthew Slaughter warned that the phenomenon will affect many countries.

“I think the privilege that we had in the environment of general economic growth and general growth in demand because of population growth has given way all over the world to a very different scenario, which is [that] in most sovereign nations, prime working-age labor forces are shrinking, not growing,” he said. “So, the dynamic of what individuals are seeking for human capital development and [what] the organizations that hire them are seeking is quite different.”

A society needs a fertility rate of over 2.1 to sustain itself, but an increasing number of nations’ rates are falling below that. According to the United Nations, the rate

for Japan stood at 1.3 in 2021, with China at 1.2, South Korea at 0.8 and the United States at 1.7.

### Fixing labor scarcity creatively

Slaughter said in an interview prior to the seminar that the declining birth rate means businesses “have to find creative and new ways to drive innovation, and in an environment that I think is very different, where labor is becoming more scarce.”

He also said that further female participation is a key to Japan’s labor market. “One of the ways that female labor-force participation really matters is not just the number of worker hours, but it’s bringing diverse ideas and perspectives into organizations,” he continued. “The research is very clear that more diverse organizations — along lines of gender, along lines of age, along lines of race and ethnicity — when those people are brought together and they feel safe and trusted, they can actually really contribute to sounder decision-making, more innovation and stronger corporate performance in terms of revenue, growth, profitability.”

Hiroshi Nakamura, dean for Keio University’s Graduate School of Business Administration (Keio Business School), explained the seriousness of Japan’s labor shortage. Citing data from Teikoku Data-bank, he said that up to 51.4% of companies think there is a shortage of regular



Lixil’s president and CEO, Kinya Seto, discusses its history and diversity efforts. TORU HANAI

employees and 30.7% think they don’t have enough nonpermanent labor, both of which are close to the record highs marked in 2019.

### Decline is top threat in Japan

Nakamura maintained that the population decline is the biggest threat to the Japanese economy, as the population of active workers from ages 20 to 64 is expected to decrease by as many as 11 million by 2040. Therefore, he said, companies need to alleviate the tight demand for human resources by utilizing female workers, those with disabilities and foreign residents — those who have been underrepresented in Japanese society — to improve labor productivity. The types of industries

that suffer from severe labor shortages are labor-intensive ones such as hotels and ryokan inns, restaurants and information service providers, he added.

Amid the declining population, Nakamura said that enhancing workers’ productivity and engagement are also important. “So, my point is that management education is more important than ever,” the dean said.

“Not only the management skill ability, but also the mindset is very important” amid the challenges facing Japan, Nakamura said. Since there are unmet demands in the Japanese labor market, that means the country has opportunities for future business, he said.

At the end of his speech, Nakamura

said Japan could serve as an example for countries with aging demographics at a time when neighbors like China, South Korea, Singapore and Thailand are catching up with Japan’s population shrinkage. “Japan could be a model because we experienced a lot of challenges, problems, and are trying to find solutions ahead of other nations,” he said.

### Working for diversity: Lixil

Following pitches and a panel discussion by Tuck graduates who have expertise with introducing diversity into Japanese organizations, Kinya Seto, president and CEO of Lixil Corp., explained what his company has done toward achieving diverse human capital.

Lixil, a maker of water and housing products that has approximately 55,000 employees in more than 150 countries, had a tough time consolidating its efforts because of its corporate history. It was founded in 2011 by merging five construction material and housing firms, and acquired companies in the USA and Europe in the following years. “But some of those difficulties actually resulted in great inventions,” Seto said. Building on the original diversity that derived from the history of its founding, and additionally making efforts to hire women and make it easier for them to continue their careers, Lixil has been able to develop some successful products.

For example, one of its unique products is a foam shower device, called Kinuami U, that turns shower water into a creamy foam at the flick of a switch. This product was initially appreciated for its innovative feature, but it was later discovered that it also provides significant assistance to people with disabilities and the elderly, further enhancing its value. Another product is its Well Life kitchen, which was designed from the outset to enable users to cook while sitting on a chair.

After the pandemic broke out, Lixil



Hiroshi Nakamura, dean for Keio University’s Graduate School of Business Administration TORU HANAI

accelerated its use of remote work, shifting to a hybrid work model, which contributes to making it easier to balance work and private situations for employees who are caring for children or elderly parents or have physical difficulty with commuting. Seto said in a separate interview with The Japan Times that by doing so, especially in Japan, where the burden of family care weighs more heavily on women, the company can attract competent female workers and thus enhance its corporate value.

“It may be difficult for each of us alone to change the world, or one company to change all of society. But at least one company can change its own ways,” he said, adding that he hopes Lixil’s changes have a positive impact on other firms.

Aiming to highlight issues related to a sustainable society, The Japan Times gave its support to this event by becoming a media sponsor.



Seto with Matthew Slaughter, dean of the Tuck School of Business at Dartmouth College TORU HANAI

## Mizuho aims to hasten renewable energy technology

### ESG/SDGs

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With global attention being paid to increasing renewable energy to mitigate global warming, Japan should put its technological advancements in offshore wind farms, hydrogen power and carbon recycling to best use to enhance its global competitiveness, Mizuho Financial Group Inc. said in a recent report.

“The focus for net-zero carbon emissions is to advance electrification. And the question is how we can boost renewable energy production for that,” Yasuhiko Ushikubo, senior executive officer and group chief sustainability officer for Mizuho Financial Group, told The Japan Times in a recent interview.

In the Dec. 1 report on sustainability and how Japan should ramp up its industrial competitiveness, Mizuho Financial Group said the country needs to accelerate technological innovation and structural business reform. For that to happen, engaging in three fields — offshore wind, hydrogen and carbon recycling — is a strong option. “When it comes to renewables, the first thing we have to do is gear up on offshore wind farms,” Ushikubo said.

To significantly increase the generation of renewable electricity, Japan should take advantage of its surrounding waters and further develop technologies for floating offshore wind farms, he said.

In multiple areas in the Sea of Japan, wind

could generate large amounts of electricity, he said. Building giant solar power farms on land, on the other hand, is much harder because two-thirds of the country is mountainous, with problematic slopes and the risk of landslides after heavy rains.

Unlike northern parts of Europe, where shallow coastal waters are suitable for installing fixed-bottom wind turbines, Japan’s narrower continental shelf makes it better suited for floating turbines, he said.

Japanese companies have made technological advances in the offshore wind power business, including in the manufacturing of turbine components, floating buoys and electrical systems such as submarine cables and offshore substations, as well as in providing services for operation and maintenance. Although the production of wind turbines is currently dominated by manufacturers in other countries, such as Denmark, Germany, Spain and China, “considering all of the factors, it will be a huge business,” Ushikubo continued. “Japanese companies need to develop their technologies further and secure supply chains so they can gain global competitiveness.”

The second key business for future zero emissions is hydrogen. As an alternative to fuels like liquefied natural gas, oil and coal that can still produce the high temperatures needed to make steel and other raw materials, hydrogen is a potential option, he said.

What Japan needs to do is to develop technologies for more efficient electrolysis of water, cargo ships for hydrogen and lower-cost hydrogen stations for fuel cell vehicles. Carbon capture and recycling is another type of technology that Japan can further develop for decarbonizing, he said. The problem, however, is that it takes time for these businesses to bear fruit. Many offshore wind farms are still in the planning stage and most of them will be operational only after 2030. Also, in the case of floating wind farms, a big remaining hurdle is that the cost of generating power remains relatively high.

Experts say the world must reduce carbon emissions significantly by 2030 to limit the global average temperature increase to 1.5



Yasuhiko Ushikubo MIZUHO FINANCIAL GROUP

degrees Celsius above the pre-industrial era, one of the targets set in the 2015 Paris Agreement. Aiming to accelerate carbon reduction, this year’s closely watched United Nations Climate Change Conference in Dubai, commonly referred to as COP28, led to an agreement in December to transition away from fossil fuels, triple renewable energy capacity by 2030 and increase climate financing for the most vulnerable.

Ushikubo evaluated the agreement positively because it mentions transitioning away from fossil fuels and tripling renewables, despite the fact that the conference was hosted by an oil-producing country, the United Arab Emirates, but he conceded there were some concerns. “I can hardly say that it produced a big step forward, and each part of the agreement needs further discussions,” he said. “Since each member country has a largely different stance, I expect the next conference, COP29, to continue facing a tough time.”

Until the 2030s, when Japan’s floating wind farms will start operating, the country needs to take every possible step to reduce carbon emissions, he said — rooftop solar panels, standing offshore wind turbines, the careful resumption of nuclear power and the development of co-firing ammonia at coal-burning power plants.

“As a financial institution, we will support such transitions by financing technologies with future potential,” Ushikubo said, adding that Mizuho will also compile policy proposals for the government and provide a wide range of solutions, including consulting for its business clients.

## Young B-Lot is on the realty A list for renovations plus innovations

### ESG/SDGs

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It has been 15 years since the founding of B-Lot Co., a real estate investment, consulting and management company, and nine years since it was publicly listed. It is still a relative youngster in the industry, which is also polarized between giant players serving large enterprises and small ones targeting individual customers and small businesses.

B-Lot has successfully held a unique position of focusing on small to medium-size investment properties for wealthy individuals and small to medium-size real estate agents and companies. “The locations and purposes of use vary, and so do the prices, from ¥100 million to ¥3 billion (\$700,000 to \$21 million),” said Makoto Miyauchi, its CEO. “We not only sell, buy and manage properties but also serve as an agent for those looking for investment properties and do everything else related to real estate.”

What makes B-Lot unique is not just its customer base. The life span of buildings in Japan is relatively short, especially in urban areas. This may be due to the persistent notion that new is better, and a scrap-and-build mentality during the economic boom of the past. “A building constructed in 1980 is considered old and torn down in most cases. We try to think about how we can renovate and add value to it,” Miyauchi said.



A guest house in Kyoto constructed by B-Lot and sold to international clients. B-LOT

Destroying and constructing buildings consumes a lot of energy and materials. Existing buildings are resources that are still usable, and modern technologies for reducing environmental impacts and improving sustainability can be applied to old buildings as well as new ones. “Energy-saving air conditioners and building materials such as insulators, solar panels — these things can be installed in old buildings, which is more sustainable than demolishing them and building new ones,” he said.

This is better for existing tenants and residents too. “Let’s say there is a building with a 20-tenant capacity, and only four rooms are occupied. The conventional way would be to ask the four tenants to move out and to destroy the building,” Miyauchi said. But B-Lot does not blame a building’s unpopularity on its age. It tries to renovate the building to make it more attractive to new tenants while existing tenants stay and carry on with their business.

As long as the structure itself is strong or can be reinforced adequately, it makes more sense to keep existing buildings. Only about 10% of the 60 or so buildings that B-Lot currently owns are new. Since core members have abundant experience in renovating old buildings, Miyauchi has confidence in the company’s ability to fix up buildings and attract new tenants and residents with increased comfort and satisfaction as well as reduced costs thanks to improved energy efficiency.

It also provides various new services to meet people’s changing needs. “Due to the coronavirus pandemic, demand has been increasing for high-speed home internet, soundproofing and secure package-drop services,” Miyauchi said. B-Lot tries out various third-party services at the properties it owns and recommends the best ones for the buildings it maintains for clients. It also has two solar power generation facilities in Ibaraki Prefecture. “In addition to the purpose of reducing electricity cost and the social significance of solar power generation, such as the utilization of vacant land and the reduction of carbon emissions,



Makoto Miyauchi, CEO of B-Lot HARUO MOTOHASHI

there are things we can only learn by doing — for example, that the level of power generation drops when panel surfaces get dirty, and what kinds of measures and procedures need to be taken during a disaster,” he explained.

B-Lot’s properties and services have been appreciated by international as well as domestic clients. “We sold a property worth several billion yen to our first foreign client, from Singapore, about 10 years ago,” Miyauchi said. Since then, the company has been serving clients from various places, including China, Taiwan, Hong Kong and South Korea.

There are English-speaking members in the company, including Miyauchi himself, who lived in the United States for 3½ years. Some employees are from Chinese or Korean-speaking countries. “The real estate industry is quite domestic, and there are many business practices and laws that are unique to each country, which makes communication of utmost importance,” Miyauchi said. “At the same time, we provide a one-stop service to meet all needs related to real estate and ensure long-lasting relationships with our clients.”

Mizuho and B-Lot Co. are members of the Sustainable Japan Network, a group of companies that cooperate with this newspaper to spread information about sustainability in Japan. You can also be part of the network; scan the QR code for more details.



A screenshot of Mizuho’s sustainability report MIZUHO FINANCIAL GROUP

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