

Chairman's Column

My plans for the future

With just a month remaining in the year, 2024 is quickly coming to an end. I am almost 60 years old, and it feels like I am getting older faster every year. At this age, I feel strongly about living a life without regrets. Having lived in my hometown of Matsuyama (Ehime Prefecture) only until high school, I came to Tokyo for university and have since called Tokyo my home.

My life centered around work especially after starting my company and I only went back home on Obon and year-end holidays. I felt remorseful, especially with my parents getting older and decided to go back home more often. By working remotely, I have been visiting my hometown every month for the past two years. I spend more time with my parents now, not doing anything special but just watching sumo wrestling or historical drama series together. These normal activities seem to make my parents happy, and I feel more light-hearted now.

Shohei Ohtani of the Dodgers is said to have realized each of his goals during junior high school by writing them on an annual calendar. I think I too must set goals now and work backwards to fill the difference. The mid to long-term plan for publicly listed companies is just that.

I refer to a book by a palliative care doctor called "Regrets you will have when you die (by Shuichi Otsu)." Although quite somber in content, the author is convincing since he is an end-of-life doctor that has seen many patients. Among the regrets are "Not being able to see the people I wanted to see" or "Not being able to visit places I wanted to go to." I think the lesson here is to just act on the regrets that are so obvious they can be written down on paper. For the things not



immediately actionable, you can plan and try to realize them. I do hope to live without regret by just taking action. Many of the successful executives I know are quick to act and will go anywhere.

My immediate goal is to live in my hometown of Matsuyama or somewhere outside of Tokyo. I feel uneasy knowing that Japan and the world is so big, but I have only lived in two places. If the time comes to actually move, it would be hard if I had dietary restrictions or if my back or knees were hurting. In preparation, I need to maintain my health.

With the year-end approaching, I hope you all remain healthy and cautious of your diet during this season of parties and events.

by Kazuhiro Matsuzawa, Chairman

Japan Startups

Investing in unlisted company stock

Individuals now have more ways to invest in the stock of unlisted companies. Traditionally, founding members or angel investors would make the investment, but with Japanese investment firms partnering with big funds like Blackstone and KKR, there are now opportunities for individuals to invest in private equity, which was previously only reserved for professional investors.

Additionally, from February 2024, the Investment Trusts Association of Japan revised its self-regulatory rules to broaden access to unlisted stocks for individual investors, which provides risk capital to startups. The new rule allows the placement of unlisted shares of up to 15% of the net assets of an investment trust.

As a result, the number of Japanese investment trusts that include unlisted shares in their funds is increasing. In addition, crowdfunding is gaining popularity as a fund-raising option for startups to issue stock or stock purchase rights. Previously, startups resorted to

crowdfunding when raising funds through VC or CVC proved difficult. However, many firms now seem to be using equity crowdfunding to spread awareness of their products and services, much like donation/purchase-based crowdfunding. Angel taxation is also giving individuals incentive to invest risk capital in startups.

Ordinarily, equity crowdfunding is limited to 100 million yen per year, and non-professional investors can only invest up to 500,000 yen per year. However, under the new J-Ships system (equity system for professional investors), middle and late-stage companies can raise massive capital through equity crowdfunding. TBM, a unicorn company with market cap of 100 billion yen was the first company in Japan to fund-raise under this system using the platform FUNDINNO.

Although investments in unlisted startups are higher risk compared to listed companies, I hope more risk capital will flow to startups through these new systems to grow Japan's startup ecosystem. Please invest at your own risk.

by Jun Yoshioka, ASA Advisory



Japan Real Estate

Myoko Kogen – Foreign investors flock to powder snow in Niigata Prefecture

Due to La Nina, this winter's snowfall is expected to be more than average especially for the areas near the Sea of Japan.

Around the time I was working for a multi-national real estate firm, the population of Japanese skiers was drastically falling. On the other hand, Australian investors that saw opportunity in powder snow, began investing in Niseko, Hokkaido. They wanted to develop it into a world-class ski resort much like Whistler Blackcomb. 18 years have gone by, and Niseko has successfully branded itself as a luxury ski resort.

About a year ago, a Singaporean fund announced that it would invest 200 billion yen towards developing Myoko Kogen's ski resort. The area is known for its famous ski slopes, as well as many of its hot springs and sake breweries. Myoko Kogen is also easily accessible from Tokyo by bullet train or highway, which is an advantage over Niseko.

In fact, three years ago, I was given property in Joetsu City, which is next to Myoko. After renovating the home myself, it is now livable. I go there on my day off sometimes. At the beginning of this year, I made a day trip to Myoko Kogen to ski. I went to the ski resorts at Akakura and Ikenotaira and was amazed that 90% of the visitors were Westerners. The lift ticket prices seem to be increasing every year. 2 years ago, a one-day pass was 5,500 yen; this year was 7,500 yen. Of course, the rise in fuel costs may be a reason for the price hike, but I am sure that international visitors are playing a part as well. A Myoko city employee told me that in addition to the influx of international visitors, those moving there have increased as well.



Myoko City (population less than 30,000) is rich in nature and home to numerous ski resorts at the base of the stunning Mt. Myoko, one of Japan's 100 famous mountains. Seven years ago, the Korean conglomerate Lotte Group acquired a bankrupt ski resort in the area and reopened it as Lotte Arai Resort.

Additionally, right next door is Joetsu City, the third largest city in Niigata Prefecture (with population of about 200,000). This city was once a castle town under the feudal warlord Kenshin Uesugi. Within Joetsu are numerous historic sites, such as Kanayasan Ski Resort, the oldest ski resort in Japan and Takada Sekai-Kan, Japan's oldest movie theater.

The area is also home to 12 sake breweries, including Maruyama Brewery, known for producing the elusive sake "Setchubai," a highly sought-after brand during a past sake boom in Japan. The region has long been famous for sending out skilled sake brewers nationwide. The sake here is delicious and cheap, so when you visit, you may find yourself drinking a bit too much.

by Shigeru Hirai, Knowledge Management Office

Tax Update

Forest Environment Tax – replacing the special reconstruction tax for citizens

Taking a break from the previous newsletters that explained corporate tax and accounting topics, we take a look at the inhabitant tax.

Do you know about the Forest Environment Tax that has suddenly been imposed since 2024? Previously, from 2014 to 2023, a special reconstruction tax of 1,000 yen was imposed as a per capita inhabitant tax after the 2011 Great East Japan Earthquake. The new tax replaces this special reconstruction tax in the same amount. Just when you thought one tax has ended, another with a different name begins.

The objectives in implementing this new tax include: “maintenance of the forest environment”, “hiring the next generation of forestry workers”, and “achieving greenhouse gas reduction targets under the Paris Agreement.”

Before 2023, the national government (likely out of tax revenue) distributed the forest environment transfer tax to each municipality. However, from 2024, the funds do not come from the national government but rather collected from citizens of each municipality as the Forest Environment Tax. The funds collected are paid through each prefecture to the national government and ultimately distributed to each municipality as forest environment transfer tax based on the following ratios (so the tax is essentially collected from citizens).



- 50% : Based on forest environment area (expected to rise to 55%)
- 30% : Based on population ratio (expected to rise to 25%)
- 20% : Based on forestry workers

The tax is imposed on all individuals with an address in Japan (excludes those that face hardship through natural disasters).

Although it will not have any big impact on our livelihood since the annual amount remains the same at 1,000 yen, it is a bit unsettling that the previous tax which should have ended has merely changed its name from the special reconstruction tax. I do hope that the tax burden on citizens will be reduced in the future.

by Harutomo Yamasaki, Knowledge Management Office

NewsLetter

From the Editor

How is your current work style and seating arrangement like? Is work-from-home still allowed? Do you have a fixed place to sit in the office? Or is it a hot desk?

In these past few years, much of *how* we work has changed. The number of remote workers has undoubtedly increased, and the office has changed for better or worse with hot desking and other work arrangements. Although, there has been news that U.S. listed companies are getting employees back in the office for reasons such as employees feeling isolated and difficulty in team building. However, it does seem that companies that offer hybrid work receive more job applicants than a company that requires fully onsite work. How does your firm view the current state of work?

by Jun Murata, Editor-in-chief

