

POLITICS & ECONOMY

The Lady shows off her strong diplomacy chops

POLITICS & ECONOMY

India's next bank chief is a lot like his boss

BUSINESS

L'Occitane touches up its Asian ambitions

TECH & SCIENCE

New technology looks beyond Moore's law

NIKKEI ASIAN REVIEW

asia.nikkei.com

Aug. 29-Sept. 4, 2016



ASIA'S SILVER LINING

The unexpected upsides of an aging population



U.S.: US\$6 / Japan: ¥600 (including tax) / Euro: EUR6 / U.K.: £4 / Australia: A\$8 / Bangladesh: TK480 / Brunei: B\$9 / Cambodia: US\$6 / Canada: C\$9 / China: RMB50 / Hong Kong: HK\$50 / India: Rs200 / Indonesia: Rp72000 / Korea: W7500 / Macau: HK\$50 / Malaysia: RM20 / Mongolia: US\$6 / Myanmar: US\$6 / Nepal: NR470 / New Zealand: NZ\$9 / Pakistan: Rs600 / Philippines: P280 / Singapore: S\$9 / Sri Lanka: Rs800 / Switzerland: CHF10 / Taiwan: NT\$200 / Thailand: B210 / Turkey: TL16 / UAE: AED27 / Vietnam: US\$6
ISSN: 2188-1413

1

MANABU ITO Nikkei staff writer

TURNING GRAY INTO GOLD

Asia's aging populations are a demographic crisis in the making. But Japan, one of the world's grayest nations, is showing that growing old does not have to be a drag. Its pioneering efforts in the workplace and the laboratory are redefining the "golden years."

TOKYO Japan is ahead of the curve when it comes to aging. In 2015, nearly 27% of the population was 65 or older, making it one of the grayest countries in the world and heightening concerns about an increasingly strained labor force.

But Japan is also ahead of the curve when it comes to putting seniors to work. As more employers here are discovering, all that silver is a huge resource that can be spun into business gold.

One company that understands this well is cosmetics maker Pola, whose sales force includes a woman who recently turned 100. In mid-June, sales staff gathered at a Pola shop in Tokyo's Setagaya Ward to learn about the company's latest products and its promotional campaigns.

"How is this cream different from the current one? When should our customers apply the product to get the best results -- during the day or at night?" The shop's owner, Miyoko Sugiyama, 83, peppered the representative from Pola headquarters with questions. "Unless I know the products well and can explain them in an easy-to-understand way, I will fail to ful-

fill my responsibility and my clients won't trust me," she said.

STILL DRIVEN Retailers these days talk a lot about customer databases. Sugiyama's is in her head. She knows the preferences, age, health status and shopping habits of her 30-odd clients. When new products come out or her clients are about to use something for the first time, she visits them by bicycle or train. The octogenarian's energy is astounding.

Nationwide, Pola has about 50,000 "beauty directors" like Sugiyama. They are independent business owners who sign consignment contracts and visit customers' homes. They form close, long-term relationships with homemakers, among the company's main customers.

When Pola began recruiting saleswomen in 1937, applications came flooding in. In those days, Japanese women had few opportunities to work outside the home. The company's public relations division said there is no retirement age; its sales representatives can work as long as they want. Among the company's 50,000 beauty

MIYOKO SUGIYAMA

83 years old

Sugiyama began working for Pola in 1973. As a “beauty director,” she manages sales and customer data. She sometimes works until 9-10 p.m.





Hideki Yoshikawa

KATSUHIRO HIGO 71 years old

Higo has worked for Isoda Metal for the past 25 years. He is responsible for cutting grooves, boring holes and other delicate work that requires knowledge and experience built up over many years. "No ship can move without shaft bearings, so I take a certain amount of pride in knowing that I'm part of what helps keep ships around the world sailing."

The skilled technician is also an instructor, advising colleagues in their 20s and 30s who eagerly seek his help.

directors are some 5,500 people in their 70s, 2,500 in their 80s and 250 in their 90s.

Sugiyama began working for Pola more than four decades ago. She took up the work out of curiosity, she said, but quickly made her mark, becoming the head saleswoman at a shop in three years. Now she leads a team of sales representatives and posts monthly sales of 2.3 million yen (\$22,963). In her career, she has sold around 180 million yen worth of Pola cosmetics.

Some beauty directors go on to become "grand owners" in charge of two or more shops. Sayaka Honjo, 76, oversees more than 90 shops, racking up average monthly sales of 150 million yen. Honjo, who has five grandchildren, is Pola's top sales representative.

Some 95% of the 100 billion yen that Pola products bring in each year come from beauty directors like Sugiyama. Finding regular customers is crucial for cosmetics

makers, so the strong client networks built by Pola's sales reps are a huge asset for the company. "I won't retire as long as my clients want me," said Sugiyama.

FORGING AHEAD Manufacturing drove Japan's postwar economic boom and remains a pillar of the country's stability. For manufacturers, survival means passing the skills of experienced workers on to younger hands.

Bearing maker Isoda Metal, founded in 1905, is adapting itself to Japan's aging society. About a decade ago, the Tokyo-based company began allowing skilled workers to stay past the retirement age of 65.

Kenji Seto, 71, is taking advantage of the new rules. He has been at Isoda for 34 years. On this day he is grinding bearings, measuring them with a micrometer. The process, which he said requires accuracy to a hundredth of a millimeter, takes years

of experience and intuition to learn. Seto is on his feet for hours, concentrating intently. But he has developed a rhythm and never considered his job tough, he said.

The skilled technician is also an instructor, advising colleagues in their 20s and 30s who eagerly seek his help. "I want to pass on to them every technique I've mastered," Seto said.

Today, Isoda supplies parts for ships and other watercraft, including Self-Defense Force submarines and Japan Coast Guard patrol vessels. For the 111-year-old company, maintaining the quality of its craft is the top priority. Daisuke Hattori, Isoda's president, said the company began offering post-retirement employment because letting skilled mechanics go was a business risk. For the 111-year-old company, maintaining the quality of its craft is the top priority.

"Many experienced mechanics in the past thought younger workers should learn by watching their seniors, rather than being taught. Now we are asking veteran workers to share their techniques," said Hattori.

The company signs one-year contracts with workers who are 65 or older. Now employees in their 60s to 80s make up a quarter of the workforce. Many of them double as instructors to junior workers. The company's brochure proclaims that people are the most important part of Isoda's bearing production. Isoda's history and tradition are reflected in that credo.

Kato Mfg., a sheet metal manufacturer based in the central Japanese city of Nakatsugawa, offers another example. In 2001, the company introduced the unusual recruiting practice of hiring only people who are 60 or older. Elderly part-time employees work on weekends and holidays, allowing the company to run its production line 24/7 and streamline its operations.

Kato supplies components for Boeing's 787 jetliner, as well as main wing parts for Japan's first homegrown jet, Mitsubishi's MRJ. Many members of the team in charge of producing these components are in their 60s. **N**

AYAKO HIRONO Nikkei deputy editor

WORKING **2** AT 101

Fukutaro Fukui kept working well beyond the age when most people retire; what lessons can he offer?

TOKYO Japan is world famous for its long working hours and long working lives. But Fukutaro Fukui still makes most of his countrymen look like shirkers. At the age of 70, when most of his compatriots have already enjoyed several years of retirement, the former securities house executive began a new career as a clerk at a lottery sales broker, Tokyo Takara Shokai.

The job lasted 31 years, with Fukui making a one-hour commute daily into central Tokyo until he retired at the age of 101, becoming one of Japan's oldest known "salarymen," as office workers are sometimes called here.

Now three years into retirement at the age of 104, Fukui said he was motivated mainly by a belief that the desire to work is a deep-seated human instinct and money should not be a primary motive. "It does not matter what we achieved or if we were promoted. I have worked just because it is my instinct." His three-decade last job was not a particularly exciting one, at least by the standards of his previous roles in finance and mergers and acquisitions: it involved mainly counting money and lottery tickets.

But he enjoyed it: "I sometimes climbed the stairs by myself to the office, carrying a suitcase with tens of thousands of lottery tickets and even walked faster than younger colleagues," he recalled at the retirement home where he lives in the city of Chigasaki, on the outskirts of Tokyo.

In Fukui's case, loyalty to a former university classmate, his best friend Tamazo Mochizuki, was a key factor. The two met while studying economics at Tokyo's Keio University and both originally dreamt of becoming economic researchers. However, World War II prevented Fukui's dreams from coming true. He was conscripted and sent to Manchuria for military service.

After the war, "I gave up on my dream, because there were too many brilliant doctorate candidates when we returned from military service. Mochizuki-san and I were too far behind," Fukui said. He joined a small securities house founded by his best friend, Mochizuki Securities (later renamed Kankaku Securities), after running a fur import store.

He did once decide to quit his job at age 96, telling Mochizuki's widow he planned to step down. A few days later, the widow pleaded with Fukui's daughter: "Please tell him not to leave us.



We would like [him] to stay with us as long as possible." Fukui gave up his retirement plan and resumed his daily commute. He kept on working even after his wife died in 2009. His daughter-in-law, the wife of his eldest son, used to drive him to the station and pick him up after work each day until Fukui finally officially retired.

He wrote a book about his life, titled "Age 100: The Person Needed Forever," which was published in Japan. It was subsequently translated and sold in Indonesia, South Korea and Taiwan.

His extraordinary career may be about to become much more common in Japan. Increasing numbers of elderly people are opting to return to work after their initial retirement. According to a study published in 2015 by the labor ministry, 82% of Japanese companies have re-employed staff who have retired. The number of workers over age 65 has reached 6.81 million.

"I only worked for Mochizuki-san. It was he who made me such an attractive job offer. I really wanted to support him," Fukui said. At the securities house, Fukui sometimes contributed to the investors' newspaper. Having experienced mergers and acquisitions as an executive there during Japan's bubble years, he then moved to Tokyo Takara Shokai, a related company of what was then still called Kankaku Securities, as an adviser.

How is he coping with life after work?

Fukui smiles and says, "I think I am doing a good job for 104. I still walk by myself, and I enjoy eating a lot every day!" **N**



Keiichiro Asahara

PHOTO: A jogging course on the rooftop of a shopping mall in Bangkok attracts many people, including the elderly.

KENTARO IWAMOTO and TOMOMI KIKUCHI Nikkei staff writers

GETTING OLD FAST

Rapid demographic shifts in Thailand and Singapore are testing companies and governments alike

3

BANGKOK/SINGAPORE Around 5:30 p.m., when the sun starts to set and the temperature begins to go down, people start gathering on the rooftop jogging course at the CentralFestival EastVille mall in a suburb of Bangkok. One unusual aspect of the 200-meter course, apart from its location, is the people who use it.

Many are seniors, like Puangthong Indrachak, 65, who had come to walk the course with her granddaughter. “I like this place because I can come here with my family and exercise while [the granddaughter’s] mother is shopping in the mall,” Puangthong said, adding that she comes here two or three times a week.

The course has three lanes -- one for runners, another for joggers and another for walkers -- and is one of the main features of the mall, which opened in November 2015.

The mall’s operator is **Central Pattana**, the developer arm of Thai retail giant Central Group. The company has 30 malls

nationwide, but this is its first equipped with a jogging course.

Though it did not build the jogging course with elderly people in mind, the company is now considering products and services that are tailored to older customers. “In the near future, we will market to this segment specifically,” said Nattakit Tangpoonsinthana, executive vice president for marketing. “For example, we [plan to] organize a dancing club.”

It is a timely strategy, considering Thailand is one of the two most rapidly aging countries in Southeast Asia -- the other being Singapore. According to official data, there were 9.4 million people age 60 or older as of the end of 2015, a nearly 50% increase from the 6.3 million in 2005.

Other traditional Thai companies are already dipping their toes into the silver market. This year, building materials giant Siam Cement Group started marketing a line of housing products for the elderly. One of the main offerings is a toilet

the same height as a typical wheelchair, 45 centimeters, so that elderly people can move easily between the two.

For now, Siam Cement is focusing on seniors in Thailand, but it eventually aims to market elderly-friendly products in other Southeast Asian countries. “First, we have to educate the [domestic] market,” Chalermdet Likitmanchai, an SCG marketing employee for the elderly care business, said. So far, most customers are younger people buying the products for their parents.

Consumer products conglomerate Saha Group, meanwhile, unveiled a new brand for the 50-and-over set at its yearly product exhibition in July. There were 18 million or so people age 50 or older in Thailand as of the end of 2015.

Dubbed GoodAge, the new brand includes an easy-to-hold toothbrush and toothpaste that promotes saliva and helps with swallowing.

Saha Group is putting a positive spin on GoodAge. “We promote the brand by using the word ‘longevity,’ not ‘aging,’” said Maneerat Wongratanavichit, who is in charge of marketing the brand.

Targeting the domestic silver market could help Thai companies tap opportunities in neighboring countries, where similar population shifts are on the horizon.

MORE THAN WINDOWS For older Singaporeans, morning starts before sunrise. By 6:30, common spaces between the blocks of high-rise public housing are full of middle-aged and elderly people practicing tai chi and other exercises. By 7:30, they pack up and head off for breakfast at a local coffee shop.

Older folks come out later in the morning, often accompanied by young women either helping them walk or pushing their wheelchairs.

These women are domestic helpers



Keiichiro Asahara



Tomomi Kikuchi

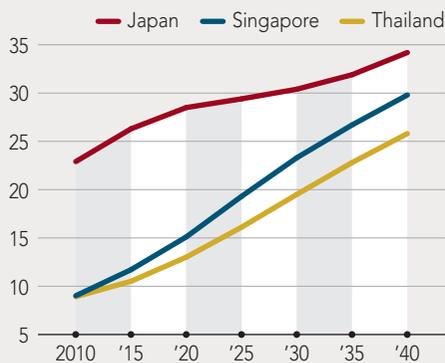
TOP: A group of elderly residents gather for a morning exercise session in Singapore.
BOTTOM: Robot waiters help plug staff shortages at Rong Heng Seafood Restaurant in Singapore.

hired from nearby countries to take care of household chores. For years, they have played a key role in middle- and upper-income households, as most Singaporean women choose to continue working after having children. As the city-state grapples with one of Asia's most rapidly graying populations, however, more of these workers are starting to double as elderly caretakers.

While most of them learn caretaking skills on the job, some are seeking out training to better equip themselves for these new duties. The Foreign Domestic Worker Association for Social Support and Training, or FAST, recently launched a 45-week training program covering various aspects of elderly care, including fall prevention, cooking and visits to nursing homes.

For domestic helpers, acquiring new skills can help them land a better-paying job or ask for a pay rise from their current employers. Maria, a 37-year-old from the Philippines, currently works for a couple who are both over 65. "I am happy with my family, and I want to take care of them

Percentage of population age 65 or older



Includes noncitizens
Source: U.N. World Population Prospects, the 2015 Revision

when they get older," she said. "I also want to learn to enhance and develop my skills for the future."

At the same time, pressures on young Singaporeans to provide care for the elderly are rising as the birthrate declines. The competitive nature of the education system coupled with the rising cost of living has made it hard for many families to have more than one or two children. The percentage of citizens age 65 or older was 13.1% in 2015, up from 8.8% in 2005. The old-age support ratio -- the ratio of citizens age 20-64 to those 65 or older -- was 4.9 last year, a significant decline from the 10.4 in 1990.

Some elderly Singaporeans are choosing nursing homes in Malaysia, where the costs are significantly lower.

LABOR PAINS Singapore's demographic changes are also causing headaches in the labor market. The city-state has just over 3.3 million citizens, and many jobs, particularly in construction and the service industry, are filled by foreign workers.

But the government has begun tightening foreign labor intake in response to pressure from citizens. During the year ending in June 2015, Singapore accepted only 23,000 new foreign workers, just under a third of the 77,000 admitted in the year through June 2012.

With the country expected to face an

increasingly serious labor shortage, the government has been trying to utilize more elderly workers. In 2012, it called on companies to rehire employees who had reached the retirement age of 62 until they turned 65. In July 2017, the retirement age will be raised to 67.

The employment rate of 65- to 69-year-olds is 42%, up from 25% in 2006. In early July, Deputy Prime Minister Tharman Shanmugaratnam said the country will have no retirement age in the future. For now, elderly workers are helping solve Singapore's labor shortage, but it is not a long-term solution.

Some businesses are tackling this issue with technology. At Rong Heng Seafood Restaurant in eastern Singapore, robot waiters work alongside their human counterparts, carrying trays of piping-hot food to hungry customers.

The robots travel on magnetic strips running between the tables and a window that opens to the kitchen. Chefs place the food on the robot's tray, key in the table number, and off the robot goes, stopping automatically whenever someone or something passes in front of it.

The restaurant currently utilizes three robot waiters. Each one costs around S\$8,000, but given their lifespan of around 10 years and the hassle of replacing human employees when they quit, they are a good investment, according to Richard Zheng, the restaurant's owner. "Labor turnover is a common problem among food and beverage businesses in Singapore," he said. "We are two staff members short of our usual number, but we can cope because we have the robots."

Okagi Service Robotics, the Singapore-based company that provides the robots, says that while Rong Heng is so far the only local business that has purchased and deployed the robots on a permanent basis, interest in them is rising as labor-intensive industries face worker shortages. **N**

Nikkei staff writer Wataru Yoshida in Singapore contributed to this report.

SAGIRI KITAO

BLESSING OR DEPRESSING?

The ultimate impact of an aging society depends on when we make adjustments

4

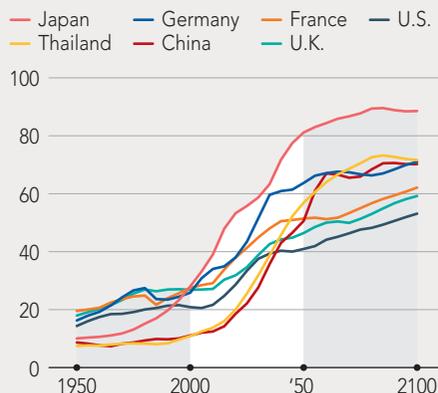
Is an aging economy a bad thing? Not necessarily. What is worrying is the unstable population pyramid and the rising proportion of the elderly, coupled with an unfunded transfer system. All this creates a major fiscal challenge.

The chart shows the path of old-age dependency ratios, defined as the ratio of people age 65 and above to those in the 20 to 64 bracket. Japan's ratio was a mere 10% in the 1950s, well below the average of OECD countries, but it quickly caught up and surpassed them by 2005. The ratio will reach 80% by 2050 and is projected to remain elevated throughout the century.

Rising longevity and scarcity of labor could boost economic activity. If, for example, people knew they were likely to live an extra 10 years, on average, they would save more for a longer retirement period. The economy would have more capital available for production, investment and borrowing.

With a limited supply of labor, an increase in capital would make workers more valuable. Companies would have to compete harder to retain enough employees to operate a larger number of machines. Rising wages would create incentives for work and encourage investment in skills and human capital, as the rewards would be greater. Not only would unemployment

Ratio of people age 65, older to those aged 20-64 (in percent)



Sources: U.N. World Population Prospects, Japan's National Institute of Population and Social Security Research

decline, but people who would otherwise stay out of the workforce -- say, women and seniors -- would be more inclined to join.

However, if transfers to the growing number of elderly via social insurance programs are structured as pay-as-you-go -- that is, if their pensions and health insurance are unfunded and essentially financed by simultaneous taxes on the working generation -- those positive effects could be wiped out and the economy could sustain great damage. Heavy taxation could discourage work and investment.

This will be Japan's reality unless it shifts to a more self-financed social security system and finds a way to avoid heavily taxing the rewards of work, investment and innovation -- the engines of economic growth. Various studies, including my discussion paper "Policy Uncertainty and the Cost of Delaying Reform: A case of aging Japan," have shown that additional revenues, to the tune of 30-40% of total consumption, will be necessary within a few decades if the current systems continue.

Pension reform in 2004 included a "macroeconomic slide" for benefits, which would automatically adjust payments in response to a rise in longevity and a decrease in the number of the insured. The

adjustment, however, has been triggered only once so far, and there is much uncertainty about when and whether the reform process will be completed. The idea is to reduce the replacement rate of pension benefits by about 20%.

With other countries raising "normal retirement age," the age of eligibility for full benefits, Japan's eligibility age of 65 stands to be one of the lowest among OECD members. An unconditional adjustment of benefits and an increase in the retirement age -- at a minimum -- would be necessary if Japan is to avoid further accumulation of debt.

Delaying social security reform and putting off tax increases to shore up government finances will saddle future generations with a heavy fiscal burden, consuming their wealth without their consent. Fiscal policy must be sustainable. Accumulated debt will have to be paid, if not now, then down the road. If the government today spends more than it earns, it will have to earn more by taxing people tomorrow. There is no free lunch.

Uncertainty and anxiety about the future fiscal system can spur precautionary saving, perhaps beyond what is necessary. Uncertainty also makes it harder for individuals and companies to plan for future growth.

A benevolent government that cares about the welfare of not only current voters but also young and future generations would not postpone reform. Japan has a chance to impress the world by wisely handling its aging and implementing reform in a forward-looking, timely manner. It could set an example for other countries, developed and developing alike.

Japan's leaders should not miss this opportunity. **N**

Sagiri Kitao is a professor of economics at Keio University. She formerly served as an associate professor at Hunter College of the City University of New York and a senior economist at the Federal Reserve Bank of New York. She received her doctorate in economics from New York University.

KIYOSHI ANDO Nikkei senior staff writer

STEMMING THE RAVAGES OF TIME

Stem cell research promises to keep the silver set healthy and independent

5

TOKYO The stem cell technology developed by Japanese Nobel laureate Shinya Yamanaka is often described as a method of “turning back the clock” on ordinary human cells. This has raised hopes that, someday, scientists might be able to reverse the hands of time and rejuvenate old human bodies.

About a decade ago, Yamanaka discovered a groundbreaking technique for reprogramming adult cells into induced pluripotent stem, or iPS, cells. If you take a skin cell from a 70-year-old man, for instance, and add three or four genes to it, it will turn into something very similar to an embryonic stem cell. This means it can develop into any type of human cell.

Asked whether iPS cells could lead to perpetual youth, Yamanaka once replied: “What we want to extend is healthy life expectancy. We have no intention of trying to extend people’s natural life spans to 110 or 140.”

The cells discovered by Yamanaka, now the director of Kyoto University’s Center for iPS Cell Research and Application (CiRA), are considered a key element of regenerative medicine. Tissue and organs made from iPS cells could be transplanted into patients, restoring lost bodily functions and allowing people to move freely throughout their lives -- not to mention eat and drink what they like.

Adding years is an even trickier business. Animal experiments have had a degree of success: The life of a nematode, or

roundworm, can be made three times longer through genetic modification. But the task is more difficult with higher forms of life. Even with mice, researchers have been unable to double longevity.

The oldest verified person on record lived past 120. Scientists see little chance of reaching the 200 mark, at least not with current technology.

Still, researchers are zeroing in on factors that may determine health in one’s golden years, such as gene mutations.

CENTENARIAN SECRETS Japan is home to the world’s highest number of centenarians per capita. Last year, the figure surpassed 60,000 for the first time.

Keio University’s Center for Supercentenarian Medical Research -- a supercentenarian being someone who reaches 110 -- has interviewed and collected blood samples from some 800 centenarians. The research has indicated that inflammatory responses within the body promote aging. It is still difficult to pin down what kinds of inflammation, and which locations in the body, are most harmful. But inflammation is believed to be linked to heart problems and arteriosclerosis.

Using a DNA sequencing machine, the center is analyzing the subjects’ genomes. The center says it will pay special attention to samples from supercentenarians, hoping to identify any unique characteristics. The goal is to discover genes that support health over the long haul.



“Probably, multiple genes are involved in a complicated way,” posited Yasumichi Arai, a geriatrician-scientist at the center.

The Scripps Translational Science Institute in the U.S., in a project to unlock the genetic secrets behind lifelong health, analyzed the genomes of some 500 healthy elderly people, or “welllderly,” who ranged in age from 80 to 105. It then compared their genetic profiles with similar data gathered from some 700 people in various states of health.

The results showed that the welllderly group had a significantly lower genetic risk of Alzheimer’s disease and coronary artery disease. But researchers found no significant difference in the genetic risk of cancer or Type 2 diabetes -- diseases likely to affect the elderly.

The conditions required for a long life, and those for lifelong health, are not necessarily the same. But further progress in understanding the human genome will help to clarify the differences between people who age well, and those who weaken as they grow older.

Another promising line of research involves creating iPS cells from healthy seniors and using them to modify genes. This could allow scientists to identify the mutations responsible for the differences between strong and frail seniors.

That knowledge could be used to develop drugs and foods to, if not reverse the clock, then at least keep us healthier as the years go by. **N**