

Mark Lee Ford

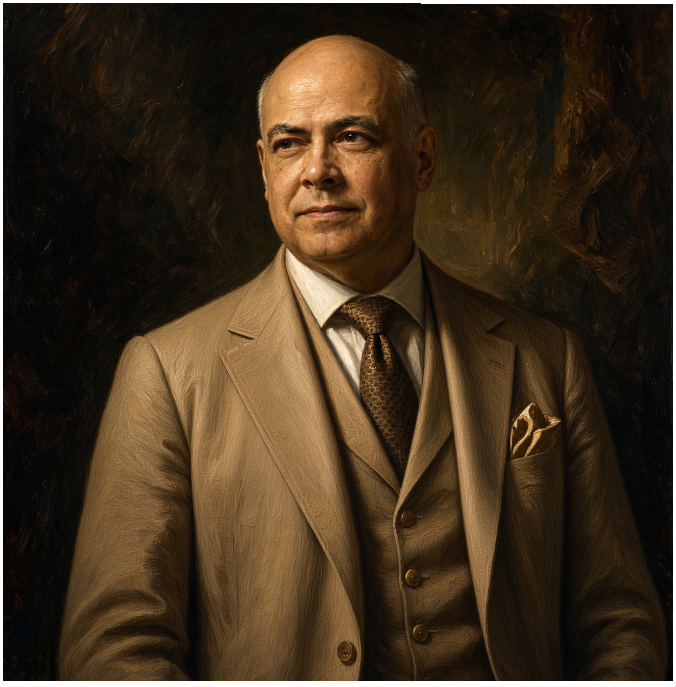
The Sensible Iconoclast

PAPERS

Japan once rose by letting people try, fail, and try again. These five papers ask what closed that door and how Generation X and Generation Z can reopen it together for mutual prosperity.

Each paper tests one clear claim against what actually worked in earlier periods of Japanese history and against the rules that govern companies, hospitals, schools, and ministries today. The topics are concrete: why sustainability programs grow even when they produce little, how company "purpose" exercises turn personal resolve into obedience, why many doctors can practice without reading the main medical evidence, why fewer babies and quiet quitting occur together, and how the quiet loss of three ordinary freedoms—leaving without ruin, starting without permission, and saying no without being marked disloyal—has slowed both families and new work.

A letter to Generation Z and a short closing section identify the practical refusals still available. The book was written so that older and younger generations can use the same evidence, restore the freedoms that once produced ascent, and improve the prosperity of the people they actually care for. The test throughout is simple: what has worked under real limits, not what is currently required.



THE SENSIBLE ICONOCLAST

A rebel rejects what is settled because it is settled. A sensible iconoclast checks what is settled against what has actually worked under real limits, keeps the parts that hold up, and drops the rest. The rebel defines himself by the power he is against. The sensible iconoclast answers to evidence. Both can start revolutions.

I use sensible iconoclasm against several claims among the many that shape how things are done in Japan to the harm of its people. Orthodoxy is examined against evidence, not against political or business fashion. The papers are written for those who prefer a clear account of what works to a defense of what is currently in vogue, and especially for whoever aspires to restore and expand freedom and prosperity for themselves, their families, and their communities.

Books by Mark Lee Ford

A Treatise on Leaders
Mandy & Allie
Everyone
Freedom
My Rubric
We Japanese
The Sensible Iconoclast Papers

COVER
"*Muna & My Days*"

My cat and I are inseparable.

In a universe that otherwise knows only change—dumb change—love is the only fixed point that enables one to thrive with a change of one's own making—intelligent change—to have a meaningful life.

I swim,

New ideas arise during my daily swim, and errors in my logic and beliefs are illuminated.

explore,

Writing, composing, teaching, creating businesses, and helping others are my ways to explore the universe, refine my ideas, and try to create the person who I want to be in my life. I am not an expert in anything, and am curious about everything. Natural curiosity propels me to explore with gusto!

and make things.

My works are by-products of my explorations and not created for an audience, but I am humbled if, by chance, others find them useful. I create things to refine my thinking. I am grateful for your critique; it will improve my ideas.

MARK LEE FORD

The Sensible Iconoclast

PAPERS

The Moneo Company

The Sensible Iconoclast Papers

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A LETTER TO GENERATION Z

9th November, 2026

Generation Z:

You live inside an arrangement in which your labor and the prosperity that follows from it pass by design from your generation to the ones that came immediately before you. The mechanism of transfer is rules that make it costly for you to leave jobs, that treat your refusal of orders as disloyalty, and that claim a right to your labor.

Most of us of any generation did not choose the arrangement in its present form. Age, the ordinary demands of life, and the long erosion of the personal liberty that had allowed people to refuse, try, and fail during the Meiji, Taishō, and early postwar periods produced today's system. That system protects job and social standing by closing the exits and opportunities those liberties once supplied—exits and opportunities necessary to thrive and pursue happiness.

We now treat authority over us as a substitute for evidence that can be tested. That substitution is the working rule of the company, the hospital, the school, the government, the politician and, yes, even the family. Refusing or trying on one's own terms is treated as disloyalty. Failing makes one a pariah. Success is quickly usurped.

The arrangement is sometimes called patriotism or, more often, harmony, which supplies it with cultural legitimacy. Once a person becomes party to the arrangement, the cost of leaving immediately rises; the return to self-reliance and individual initiative falls. It works like a lobster trap: easy to enter, difficult to leave, and it harvests those who stay.

The surest instrument of escape still open to you is your power of refusal. Everything of the

present order rests on the assumption that the cost of refusal is prohibitively high, financially and socially. When refusal becomes ordinary, the incentives that draw from the young and transfer to the old are weakened, so:

1. refuse any rule or custom that makes leaving or failing at a company or profession with a seniority system ruinous and that treats your refusal as disloyalty;

2. refuse any claim whose legitimacy rests on the word of an authority rather than on a result that can be tested and abandoned when the claim is disproven; and

3. refuse any arrangement in which someone claims a right to your labor.

I wrote this book to help loved ones of my generation who suffer from this situation as much as to help you. The older generations can no longer reverse the incentives and the closed channels. Bureaucracy exists and expands without consciousness. But you can restore the liberties.

The papers that follow examine just a handful of many such arrangements in Japan. Use what you think works from them; drop the rest. That is the practical path to freedom, to the prosperity of the people you actually care for, and to a country that is more than a status quo system of wealth transfer from you to someone else.



CONJECTURES

These papers are by-products of exploration. I write to refine my ideas and to find errors in my own thinking; the papers contain both. I have no special training in the subjects I take up and no claim to expertise. The boldness comes from interest in the questions, not from confidence that I have settled them.

Each paper rests on a conjecture: a claim, as precise as I could make it, about a cause and a mechanism. The conjecture is not a summary of conclusions. It is the claim offered for examination. With each I state one falsifier—the evidence that would weaken it—so the limit of the claim is visible. The aim is to see where the conjecture holds, where it fails, and what, if anything, remains usable.

Because the papers use Japan as the case, orthodoxy is measured against what worked under constraint in the Meiji, Taishō, and early postwar years, not against what is currently required. The same standard is applied throughout. Critique will improve both the conjectures and the papers. If any part of the findings travels beyond Japan, that would be an unexpected and welcome result.

N°. 1 — Sustainability and Freedom

Conjecture. The desire for sustainability rises where the freedom to search for new uses of existing reserves has already been closed.

Falsifier. Non-mandated new uses continue to appear at the same rate under tighter sustainability rules.

Nº. 2 — The Kokorozashi Cudgel

Conjecture. Corporate *kokorozashi* converts a classical test of refusal into an obedience exercise graded for adherence to the company's mission.

Falsifier. Employees who refuse orders or quit on grounds of personal aim are promoted or retained at the same rate as those who align.

Nº. 3 — The Unread Record

Conjecture. The incentives that certify, pay, and designate Japanese physicians make mastery and application of the primary English-language record of medical evidence optional for the majority who deliver systemic cancer therapy.

Falsifier. Physicians who demonstrably master and apply that record receive systematically higher revenue, hospital designation, or advancement inside the existing ikyoku and MHLW framework.

Nº. 4 — No Babies + Quiet Quitting = Business Failure

Conjecture. Sub-replacement fertility and quiet quitting are results of rising exit costs and falling returns to initiative inside rigid employment norms.

Falsifier. Fertility and discretionary effort recover inside firms that retain high exit costs and low rewards for non-standard paths.

Nº. 5 — Japan's Rubicon

Conjecture. After the late 1980s, Japanese individuals and institutions closed three liberties—exit from the institution without catastrophic loss of livelihood or social standing, entry into the institution outside protected channels, and the right to withhold consent from the institution without being treated as disloyal—disabling the mechanisms that turn individual choice into demographic momentum and adaptive capacity. The results are sustained sub-replacement fertility and a lengthening cancer burden of longer survival accompanied by extended periods of lower productivity and higher cost.

Falsifier. Fertility recovers, or care is reorganized at high rates, inside populations and institutions that still face the same exit penalties, entry barriers, and consent norms.

N°. 1

SUSTAINABILITY AND FREEDOM

Sustainability is not a goal, process, or philosophy.
It is a measure of freedom of choice.

"Nothing!"

Ask anyone who has worked in sustainability for some years what he has accomplished, and the answer is likely to be that single word, delivered without hesitation.

The failure is not from a want of effort. Earnestness is part of the job. The work is well-meant and large in scale. Those who do it do not hide their disappointment, nor do they blame "the ignorant masses" or "evil capitalists." "Nothing" is an honest report, not false modesty.

What, then, do they do each day that produces nothing? They advocate and they audit. To cheer or to police without power grows wearisome. Morale falls because the large aims never appear. Success remains just beyond reach.

They know something is wrong, yet they cannot name it. If sustainability has inherent merit and advantage, why, after decades and billions of dollars, has it not taken hold? The successes are few. On examination even those successes appear propped up rather than earned. They are, in the language of the field, "unsustainable."

Why?

Sustainability's foundational fallacy

The premise of sustainability contains a clear error. The error is easy to show by evidence, yet hard to accept because it feels wrong to those who hold the premise. That difficulty leaves the idea open to abuse by politicians, officials, activists, and company officers. One contrary fact suffices to disprove any conjecture. Japan is replete with such facts regarding sustainability. The desire for sustainability, however, is widespread here and grows stronger.

The error is to treat the physical quantity of a resource as equal to its usefulness. Oil, for example, exists in a fixed amount. Divide the proven reserves by present use and the date of exhaustion appears. The calculation looks sound. More persuasive to us, it also feels sound. When the purpose is to save the planet and the purpose carries political weight, feelings decide.

A resource is matter plus a known way to use that matter. This means that the number of atoms in the physical reserve (i.e., stock or supply) of a resource is fixed, but the uses of those atoms are not. Find another way to use the reserve and you create a resource without having added a single atom. The human brain makes the search for new ways possible, but it does not make every timely use unlimited because a search costs time and energy. A search also requires the freedom to try a use that has not already been found and mandated. Restrict that freedom and the known use immediately looks like only the entire reserve.

Usefulness expands through efficiency, substitution, and technical advance, that is, through innovation. To argue that resources must run out and that humanity must then collapse is

a basic mistake that confuses resources with reserves. The improperly defined premise that Earth's resources are finite quantity of atoms leaves out the essential variable about what the mind can do with those atoms. When advocates treat the reserve of something as a fixed or shrinking pie, they commit a static error.

The usefulness of a reserve is bounded by the innovation applied to it, not by the quantity of the reserve's atoms present. The pie is not fixed unless we allow it to be. And we have allowed it to be for decades, which is why the desire for sustainability continues to rise.

Two camps

The appeal of sustainability to the intelligentsia and others of the educated and managerial class is not surprising. That class lives in comfort and writes the rules for the rest of society. "Frugal" is not the first word that comes to mind when describing members of this class. Their dominant view treats man as perfectible (inherently good) and resources as fixed. If one can find the right intelligent and virtuous persons—central planners—and let them divide the resources, the result, it is said, will be Utopia: justice over injustice, equal outcomes, fairness, comfort. The pie is fixed, the solution is perfect, and the ending is happy. Of course, the holders of this view are clear about who the planners should be: themselves or people like themselves.

The weaker, less popular view is not so rosy. Man has been flawed from the day he first walked the Earth; it is his nature. There are no solutions in the Universe, only trade-offs. The problem of choosing among trade-offs has infinite variables, far too many for any person, politburo, or computer to solve. Only

when people decide for themselves according to their own interests does the benefit to the largest number increase. At best there is a better ending for most, albeit always volatile and at risk, and there is no happy ending for all and certainly no Utopia. Despite the disorder of private decisions, the pie is not fixed. This view is common among those who have little and must be frugal and innovative with what they have.

The desire for sustainability

The desire for sustainability means that some authority has closed the search for new uses of a resource. It does not mean that the world is running out of matter.

A service is what people want, such as heat, food, a material. A known use is one way already found to obtain that service whereas a search is an attempt to find another way, a way no one has mandated. A creation is an attempt at a new way that succeeds. The search for a new way ends when the person doing the work of the search is no longer free to try.

Shut down the search and new creations stop so the reserve looks like a pie that must be jealously guarded and rationed. People are forced to keep the known way because no one is looking for another, and that coercion leads to a self-perpetuating desire for only the known way. Because creativity is eradicated when authority closes the search, people mistake the absence of creations for a limit of nature. Though the resource is not finite, people think it is. Ironically, they *choose* to treat the pie as fixed.

A listed reserve is not the planet's inventory. It is the part already found and worth using at the present price and method. Divide that part by present consumption and the resulting date

of physical exhaustion of the reserve measures mainly ignorance and a low price. Where someone can charge for scarcity, the price pays for more search, for poorer ore, and for substitutes. To treat today's reserve as the pie is the mistake.

Meiji and Taishō industry is the exhibit of what works

Kunihiko Iwadare, the son of a domain samurai and one of Thomas Edison's many protégés, later co-founded NEC. Iwadare added a use Japan did not yet have for several of its natural reserves.

Until Iwadare's entrance, Japan was dominated by Edison's DC equipment through the Tokyo Electric Light Company, Japan's first utility monopoly. Another of Edison's protégés, Ichisuke Fujiuoka was Tokyo Electric Light Company's Chief Engineer, and was fiercely loyal to Edison. In 1891, Osaka Dento (the analogous utility in Western Japan) hired Iwadare as an electrical engineer upon his return to Japan from Edison in the United States. At that time, a "War of Currents" between Edison (who favored DC) and Nikola Tesla and George Westinghouse (who favored AC) was peaking in the West and spilled into Japan. Edison wielded an immense amount of intellectual, commercial, and cultural soft power that heavily steered Japan's early elite class on certain matters during the Meiji era, electrical power being one of them.

Iwadare made a highly controversial move. Rather than purchasing the DC equipment that Edison insisted upon, and which Fukuoka had already taken up as Japan's de facto standard, Iwadare bought AC generators from Thompson-Houston, a chief rival of Edison. Because DC could provide electricity only within a few kilometers, access to it was severely

restricted to pockets of wealthy households, banks, and major businesses in a few large cities. The adoption of AC expanded access to electricity throughout the country, accelerating the modernization and industrialization of Japan during the Meiji era. A furious Thomas Edison temporarily severed business relations with Iwadare.

The copper, water, and coal reserves for DC power generation were already present, but the new use was not. Iwadare created the new use from the same finite reserves by refusing the method in front of him: Edison's direct current. Iwadare—and Japan—were lucky. Though DC was dominant and Iwadare was strongly urged or perhaps even intimidated by the principals of the story to take it up, the way of DC was not mandated by the Meiji government. Iwadare was still *free to choose* or create a new way.

Iwadare likely lived (as most people of the day did) in sensible frugality, but he would have rejected the word sustainability. The words frugality and sustainability are often blurred in our time. Frugality is the careful use of what one already has, whereas rationing of what one has is more akin to the erroneous premise of sustainability.

Households from the Meiji era through postwar Japan acted in the same way without a sustainability program. A jar became a container. A board became a shelf. A shirt became rags, and one of those rags became a filter. The person doing the work was free to try a use that was not listed. The moment an authority would have specified the approved uses and forbade the rest, the jar, the board, and the shirt would begin to look like a fixed reserve that must be conserved.

Consider the example of gold. Almost 100% of all the gold in use today has been from historical mining. True, the

available reserve grows by mining, but the contribution is negligible.

Gold is melted, recast, re-alloyed, and put to new work: coins and jewelry in Nefertiti's time, iPhones and satellites in ours. The Earth's accessible reserves of gold are already above ground and in use with us, and have been so for a long time. Did a ministry assign its next use? Did a law mandate its next form? The metal moved because someone wanted a different service from it and was free to try a new way. Seal off attempts at new ways of use, and the known way (e.g., gold used smartphones) creates the illusion of the fixed pie. The metal looks scarce. Leave attempts open and the same metal no longer looks so.

Life on ships and spacecraft illuminate the limit of innovation because the time is short. Remember, one needs time and energy to search for new ways. Regardless, crews rework fittings, food, and fuel under rules that are physical, not politically imposed. Apollo 13 is an instructive case. The astronauts and ground team created a new use for materials already on board the space capsule to restore life support and power systems because the mandated way had failed. No sustainability order was issued. The search remained open under pressure, and humans created new ways to use extant reserves at hand. The limit was matter and time, not an order that the known method was the only method.

Post-war Japan is the larger version of Apollo 13. Capital, raw materials, and foreign exchange were short and infrastructure was obliterated. Recovery did not come from treating the remaining reserves as a pie to be rationed, as was done initially and unsuccessfully. It came from people free to try uses that had not been mandated—importing methods, reverse-engineering, building machines not on the list.

Japan has abandoned mottainai and frugality

Mottainai is the sense that residual value is being left unused. The word evokes regret that an object, a material, or a skill still has utility left in it, but it is being discarded. A jar, a board, a length of cloth, a motor that can be rewound—the person who says "mottainai" sees that the service is not exhausted and knows that another use is possible. Nowhere does it say that the known use is the whole reserve.

Mottainai keeps the door to searches of new ways of use open, treating the reserve as still available for a new creation that has not already been discovered and mandated by authority, all of which is contrary to the situation where searches have been closed. The modern sustainability program takes the same word and reverses the direction. It turns the regret into a duty to keep the known use going at the expense of new ways, and it hands the decision about allowed uses to an authority that can count, check, and blame. The residual value (that mottainai recognizes) ceases to be an invitation to try a new way and, instead, becomes a reserve that must be guarded and rationed so the mandated use can continue.

Iwadare would have recognized the first version. A spare part that still works, a machine that can be rebuilt, a method that can be improved. These are mottainai in the ordinary sense. He would not have recognized the second version, in which the known use is declared as the whole reserve and other attempts are treated as waste. Gold, the household jar, the ship's fittings, and the materials on Apollo 13 all move under the first version. Residual value is seen and a new use is tried. None of them required a sustainability directive.

Mottainai left to the person who sees the residual value is frugality plus an open attempt at a new use. Once captured by a program that assigns the use, however, mottainai becomes an indicator that the search for new ways has already been closed.

Plastic bags—all noise, no signal

An authority's intention is to reduce oil consumption and plastic waste while keeping residual value in use. The method for doing so is to assign a way: collect, sort, charge, ban, or divert. What is then measured by the authority is compliance with the way it has mandated, not whether residual value is still being tried or whether total material and energy used has fallen. Only the way to implement the intention is measure, not the trade-off.

When the mandated way destroys the usable remainder, shifts the waste into another form, or merely adds a cost without changing the underlying use, the intention is inverted. The search that would have found another use is closed and the known stream is guarded, thereby pushing the desire for the program higher because the results look worse.

The government-mandated charge for supermarket bags is the wrongheaded policy in small form.

The politicians' and bureaucrats' intention is fewer bags in the waste stream, so they impose a fee that makes the free bag costly. Fewer free bags are handed out at grocery stores, for example, which is easy to count and audit. But the actual result is often a shift to thicker bags used once and discarded, or to other packaging that is not charged, or even to bags brought from home that are themselves used only once. Indeed, sales of plastic bags on Amazon skyrocketed after the fee for plastic bags

was imposed, thereby *increasing* the number of bags in the waste stream. The thin bag that a household once reused for trash, storage, or odd jobs is now either paid for or replaced by something heavier. The residual use that mottainai would have noticed is taxed or removed. The regulator obtains its number for audit purpose and checks a box. The material does not disappear; it changes form and often increases, as with the case of plastic shopping bags.

What sounds good is the reduction in free bags. What works is an open attempt to obtain the service—carrying goods, lining a bin, holding scraps—with less material or a better method. The charge does not open that attempt. It assigns one method and measures compliance with it. The adage "The road to Hell is paved with good intentions" is apt. Here, the road to Hell is paved with the countable result that looks like the intention while the non-mandated uses are stopped.

The avenue for attempts at new ways was left open for Iwadare because the result was not ordered by an authority. A bag charge, however, can be ordered. Mandates are easy, almost impossible to reverse, and do what proponents claims (Table 1).

Innovation depends on freedom of choice

Freedom to choose is freedom to pursue the problem, not freedom to select from a menu of resources approved and mandated by an authority, whether central planners in

government or the chief executive and his temporary supporters in a company.[1]

Nobody spends someone else's freedom as carefully as he spends his own. Authority assigns a method for two reasons: control of a countable result, and insurance against a feared fixed pie. Securing the known result destroys attempts that would make control less necessary. Authority keeps the limit as insurance for the known creation. The missing creations then make the resource look like a fixed pie. The call to guard the resource grows louder, and the louder call justifies a tighter limit.

As the alliance between government and business has grown since the 1960s, and as the bureaucratic habit has spread, restrictions on freedom of choice have increased and have hampered invention.

Authority assigns the way because it wants a result it can count, check, and blame. An open search promises no creation. It may fail. It may miss the target. It may create a use the authority did not choose. A planner, a ministry, a company, or a law therefore names the method and enforces it by order, permit, quota, or penalty. Ingenuity is not limited inside the brain. It is limited by the order.

The limit remains because authority fears a fixed pie. Other attempts look like waste or like a risk to the stock. The limit protects the known creation by stopping the search that would create another. The closed search makes the scarcity look more real, and the call to sustain the known way grows louder. The

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[1] Falsifiers of my conjecture: (i) the menu truly cannot grow; (ii) the authority's mandated uses and outside creations still appear at the same rate; and (iii) desire increases with the actual drawdown of the reserve, not the fall in non-mandated attempts to create a new use.

more people focus on sustainability, the less free they are to choose. More focus produces a tighter limit; a tighter limit produces more focus.

Control can protect a known creation, but it cannot order or create the next one. To be valid, a creation is an attempt at a new use that must be free to be wrong. Iwadare's choice of alternating current could have ended his career. The trade-off for being successful at control is failure at being innovative.

Two limits remain and should not be romanticized. If no one owns the reserve, the price never rises and the search for new ways of use is never paid for. Searches take time and can lose to the clock. These are limits of institutions and of time, but do not mistake them for a fixed pie, which is ingenuity under orders.

How does it all fit together?

Quite simply, control by authority is the motive, the limit on personal freedom is authority's instrument, and an increasing desire for sustainability among the population (or portions of it) is the result. None of the three means that matter is infinite, but it does show that the desire for sustainability runs inversely to freedom of choice. Treat a loud sustainability program as a report that tells you where the freedom to try has already been spent and shuttered.

The proper job of executives and managers in corporate sustainability

Some who work in corporate sustainability departments will feel defensive after reading this far. Others will argue against the facts. A third group will feel lost.

My advice is simple. You have been working on programs built on a totally false premise. That premise has been magnified by politics to the point that you have been fighting for years against the ghost enemies of the so-called evils of capitalism and consumption. All the while, the real enemy has been hiding in plain sight, under your nose: usurpation of freedom and the subsequent loss of frugality and mottainai.

Your proper work, both scientifically and ethically, is to identify the shackles on freedom of choice and to break them. That is the kind of audit and the advocacy that will actually contribute to the betterment of society, which is what you purport to want. To continue otherwise only adds to the damage of the original error.

This is a large change of direction anywhere, and especially in Japan, where sustainability has moved from small activist circles into a fixed bias written into law, regulation, and company policy. People have done harm for a long time while believing they were doing good. Politicians have used that belief. No politician is elected on a platform that opposes sustainability.

You cannot undo the structural bias at once so begin with yourself. Stop. Admit the error. Do not continue a bad idea. You accepted the claims at face value, did not examine the evidence, and joined the prevailing view. Nothing written here is new; the points have been known and debated for decades. It is unpleasant to be wrong. People are more willing to forgive those who admit a mistake and correct it than those who obscure, deny, or argue while everyone loses.

When you feel without direction, look at the periods in Japan's history when most people lived according to mottainai, frugality, and creativity, and innovative entrepreneurs changed the country for the better: the Meiji era, the Taishō era, and the

THE INEVITABLE FAILURE OF SUSTAINABILITY

REGULATION	INTENTION	METHOD	ACTUAL RESULT (TRADE-OFF)
Plastic straw bans	Less plastic in the waste stream	Prohibition of the thin straw	Restaurants switch to thicker plastic, paper that disintegrates and is discarded after one use, or metal that is lost or not returned. Total material per drink often rises. The residual use of the thin straw—reused, or simply lighter—is removed. Compliance is measured by the absence of the banned item. The service (a straw that works) is not improved.
Mandatory recycled-content rules	Keep material in use	Imposition of a quota: a product must contain a set percentage of recycled feedstock	Manufacturers use lower-grade material that fails sooner or they import scrap to meet the number while virgin material continues for the performance-critical parts. The product lasts less time. Residual value is destroyed to hit the percentage. The open attempt at a new use—designing for longer life or easier repair—is not rewarded. The quota is.
Food-waste diversion mandates	Less edible material in landfills	A required collection stream for businesses above a threshold	Food that could have been used the same day, or sold at a discount, or given away, is instead sorted, trucked, and composted or digested at a net energy cost. Contamination ruins batches. The countable tons diverted rise. The residual use a kitchen or a store would have found is replaced by the mandated route. Mottainai is converted into a compliance log.
Extended producer responsibility schemes that set collection targets	Producers design for recovery	Fee or a target based on weight or units placed on the market	Producers pay the fee and continue the same design, or they make the product lightweight in ways that make repair or reuse harder. The fee is collected. The product is not redesigned for another use. The attempt at a new use inside the company—changing the method because it is better—is replaced by the payment that satisfies the target.
Corporate sustainability reporting mandates	Better resource use	A required disclosure of metrics chosen by the authority or the standard-setter	Companies hire staff to produce the report. The metrics become the work. Decisions that would have changed a process are delayed or shaped to fit the next reporting cycle. The countable pages and percentages rise. Attempts at new uses are pushed out by the mandated document. The desire for more reporting then grows because the underlying use has not changed.

Table 1: The Inevitable Failure of Sustainability. Because the premise is false, any positive outcome is not produced by the mandated way of use. Each program assigns a mandate of use, measures compliance, and closes free attempts at finding new uses, thereby reducing any reserve to the utility of its current, approved use. One has chosen to fix the pie. The countable, auditable result replaces the open search for innovative new ways of use. The program delivers the mandated use only, never the innovative uses that the authority did not specify.

N°. 2

THE KOKOROZASHI CUDGEL

Kokorozashi is real. The corporate exercise built on it is not.

The story of *kokorozashi* starts with Confucius and Mencius.

Although he did not invent 志 (pronounced *zhì*; Japanese kokorozashi), Confucius used 志[2] for the "directed aim" or "will" of a person who already held, or was preparing to hold, a public station. "Aim" meant the person's own goal or final destination that he resolved to reach or uphold. It was expected to be fixed on learning, the "Way" (meaning "the proper order of roles, rites, and duties" for a civil servant) or the good of the country. The "directed" part is the path or heading he would take to get there. Unlike the aim, the path was changeable according to circumstances and new developments. At the time of Confucius, the Zhou royal authority had weakened and the various states were ruled by their own lords and ministers, so there was no centralized civil service that prescribed a man's aim and then tested him against it. The directed aim, it seems, was left to the individual.

The classical test of one in public station in those times was what he did when appetite, fear, salary, or the ruler of the day threatened to divert him from his aim. When the actual ruler

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[2] In Classical Chinese (roughly the eighth to third century BCE), 志 means "where the heart-mind is pointed." Xu Shen, in the *Shuowen* dictionary (c. 100 CE), analyzed the character as 从心, 之聲: the heart-mind plus the phonetic 之 ("to go"). Early forms show 之 above 心; 士 above 心 came later.

or state departed from one's aim, one could refuse an order or quit, as Confucius did. He spent years traveling because the rulers of his time would not use him on terms he considered right. The Analects record him refusing positions and leaving states when the conditions were wrong. At the same time, refusal was unusual for one following a Confucian life, which emphasized hierarchical duty. Nevertheless, it was recognized as an allowable and valid test of whether the aim still governed the person.

Centuries later in a different country during its medieval period, samurai teachers focused the aim of 志 on the resolve expected of a man with a public ambition. And centuries after that in the 1850s, Shōin Yoshida pushed the aim toward political will for Japan under external pressure from foreigners, opening the door to new uses of 志—political and institutional—that were not part of the spirit and philosophy of classical 志.

志 became kokorozashi, which has been evolving to this day. The story of this evolution, as you will read, illuminates why 志 is far off course in modern corporate Japan, and provides insights to restoring 志 to its proper, classical use.

Japan changes 志: the politicization of "will"

Japan began using 志 with the arrival of Chinese learning and of Buddhist and Confucian texts in the sixth and seventh centuries. By the Nara and Heian eras the literate class used it regularly. Samurai teachers in the medieval and early modern periods read 志 as the resolve expected of a man with a public (rather than private) ambition.

Enter Shōin Yoshida.

Yoshida was a samurai teacher from the Chōshū domain (now Yamaguchi Prefecture). Born in 1830 as Toranosuke Sugi in the castle town of Hagi, he was adopted by the Yoshida family, a house linked to the military and Confucian teachings of Sokō Yamaga. He studied strategy and Confucianism, and even undertook some studies from Dutch and Chinese translations about Western coastal defense and artillery, maps, and elements of Western political organization and naval powers.

When Matthew Perry's ships arrived in 1854, Yoshida saw the American expedition as both a danger and a teacher. He wrote that Japan must "know the enemy" and adopt what was useful from them. He tried to stow away to study the West, was caught, jailed, and stripped of his samurai status. After his release he ran a tiny school. He taught that Japan had to learn from the foreign threat and that a real 志 meant acting for the realm, not merely holding office under the Shōgun.

As the unequal treaties proceeded, Yoshida grew more radical. In 1858 he learned that the Shōgun was accepting the treaties without the emperor's consent. He plotted to assassinate Akikatsu Manabe, the senior official sent to enforce the treaties, the bakufu's succession decision, and the suppression of dissent. The plot was uncovered. Yoshida was arrested in the Ansei Purge and beheaded in Edo in 1859 at the age of 29.

His students later helped overthrow the Shōgun and build the Meiji state; one became Japan's first prime minister. Yoshida stands as the Japanese example of resolve pointed at the country and held even when it cost his life. He taught young samurai that a real 志 means acting for Japan in the face of foreign pressure, even at the cost of life. Yoshida was a staunch Confucian, specifically in the Mencian emphasis on

resolute aim. By this time, however, he had changed (perhaps without fully realizing it) the original definition of aim in 志 by Confucius and Mencius to a new one: political will.

Endurance of classic 志

Namihei Odaira (1874–1951) was born the second son of a local family in rural Tochigi. He graduated as an electrical engineer in 1900. By 1906 he became engineering section chief at the Kuhara copper mine in Hitachi. His job was to keep the imported motors for the mine running. Rather than importing more parts and motors to do so, he and a few colleagues built a five-horsepower induction motor in the mine shop. It worked, and soon the foreign motors were replaced with domestic ones. The decision to make that motor, and to keep making the next motors rather than order them from abroad, is the origin of Hitachi Ltd. (1910).

Odaira rose to managing director, then president, keeping the same aim all the way: train technicians and industrialists to make the motor that Japan is importing—even if they later leave for a rival. He stated the aim plainly. The test was public and immediate. The motor ran or it did not. The technician repaired it or he could not. Odaira's refusal was concrete: do not leave the mine dependent on a foreign spare part if his shop could make one instead.

This is classical 志 at work in Meiji and Taishō era industry. The aim is anchored on a defensible public end (working machines and the men who can build them). It can be revised as the facts change. It is tested by what is refused (an order from the boss to continue dependence on the imported part). No social-benefit sentence is required. No company purpose

statement is required. The company is the vehicle. The machine and the trained workmen are the aim. The final part of the equation is the price that one would be willing to sacrifice for that refusal. In Confucian times, as with Odaira, one would sacrifice one's post—one's entire wages—to be free to choose according to their 志. Contrast that with the typical salaryman of today.

Granted, this is merely one anecdotal example. Yet, Odaira's story is one of many like it from that time. Those like-minded stories suggest that Yoshida's 志 was not a clean break from classical 志, even for Yoshida. Perhaps his was more of a one-time extreme event. And with the ascent of industrialization in Japan and demise of the samurai, the medieval 志 had in any case become anachronistic in the Meiji and Taishō eras. Indeed, a persuasive argument might be made that classic 志 fits with the entrepreneur's temperament.

Turning points in 志: Shōwa era until today

During the early Shōwa era, the use of 志 in Japan changed again as the country militarized. The seed that Yoshida planted —the change of the classic definition of "aim" to one of political will—took a turn for the worse. The aim was re-directed to the realm: the emperor and his divinity. In the 1930s–1940s, military and educational rhetoric redefined 志 as total, unquestioning commitment to the emperor and the state's war aims. The *kamikaze* units of suicide pilots were presented as the purest expression of that redirected resolve: the individual's life offered as the path to the aim. All of this was assigned by authority, and not chosen by the individual, contrary to classic

志. The option of refusal or quitting was no longer part of the test the integrity of one's 志; compliance unto death was.

After WWII, the military was no longer in power. The political and religious ideologies had been ameliorated substantially. In the absence of a central religious figure on which one could pin one's aim of 志, companies began to stand in for the realm. Loyalty to the company, long hours, and endurance were praised as 志. The word kept the appearance and prestige of classical moral weight, but in practice it meant devotion to the employer and obeying rules that are alien to classical 志.

志 evolved further by the 2000s to be a personal mission or sense of purpose. In that sense, the meaning reverted somewhat to the classical one. Directed aim tested by refusal remained in the word. Unfortunately, companies usurped 志 to ask employees to make "personal" 志 declarations, nudging them to pen something that supports the corporate mission or vision statement. As is done today, verbiage in such employee declarations ranged from vague references to the mission statement to explicit quotations.

Most recently, 志 has been redefined[3] again, this time by business schools, to include words of passion, society's values, contribution to society, and so on. Companies use these poorly written definitions, or ones of their own crafting, as a guiding star for participants in their corporate leadership programs. They still use the classic character 志, which gives the definition a kind of gravitas and legitimacy based on (false) historical continuity; arguments from authority are persuasive.

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[3] My description draws on common practice in leadership programs rather than a comprehensive survey.

But their definitions of 志 are far from those that came before: classic 志, Japanese medieval 志, Yoshida's 志, and Odaira's 志, and even the 志 of the War and postwar period. The most obvious deficit that one finds consistently in the new definitions has to do with the test of one's 志. Whereas Yoshida's 志 could still oppose the government of the day, and Odaira's 志 refused an order from his boss, an employee's 志 in a modern company can rarely refuse an order, nor will the employee go against the grain of management's direction. 志 has become an obedience exercise, a pledge of allegiance either to the company or society. With both, 志 is not a reliable test of actual refusal. First, one rarely quits one's company. Second, society is a faceless, nameless abstraction to which one has nobody to submit oneself to be accountable.

Table 2 sets today's definition of 志 against three standards. The differences with the definition and use in modern corporate Japan are easily seen.

Diagnosis: the error of 志 in modern corporate Japan

The current definition of 志 adds two filters the classical 志 did not have: the mission must be narratable as passion, and it must be framed as social benefit. Several problems arise from this.

They treat an employee's 志 as a deliverable they are entitled to audit and critique. A company can reasonably ask what an employee will do with its capital, people, and customers over the next few years. It has no moral authority, and no legitimate business reason, to ask where the employees' heart points and then score the answer for fit with the company's agenda.

The company's requirement for the employee to include clauses about benefiting society in his 志 does ideological work. It rules out, or at least embarrasses, employees with honest answers that are legitimate of a leader, such as "I want this P&L to be the most reliable network infrastructure in Asia." Aims are not incomplete because they lack a sentence about society's values. If a company's real value is politically controversial (and which company is immune from that today?!) then wrapping it in "social value creation" makes the hard part harder to say. It ends up smacking of hypocrisy. The employee becomes cynical. The public neither know nor care. And it backfires on management.

Corporate 志 exercises select for fluency in the party line, not for individual resolve. Classical 志 is tested by what one will sacrifice when one must refuse or quit. Corporate training tests whether the employee can sound as the sacrifice has already been made. The candidates who win promotions are the ones at ease with the party line, not those who have held the line.

The premise of 志 in leadership training fails in a specific way. It asks for something private and directional, then grades it as public relations for the corporate purpose. The incisive questions are: what will one refuse, what will one build, and what result in three years would show one was correct?

What to do when your company asks you for a 志 statement

The meaning and use of 志 by modern corporate Japan is obscure and uneven compared to the precision, clarity, logic, and practical utility of classic 志. One can commend the bravery of the authors of modern 志 for trying to create

something new of value to the individual and his fellow man. At the same time, one can also forgive them for not having the brains of Confucius and Mencius required for such an undertaking. Besides, all one need do is a little homework about classical 志 to find a useful, tested, time-honored idea of great practical use in modern business, without having to create anything new. As with composers who try to write music like Bach or Mozart, they should not try—just play Bach or Mozart. But such is the way of the management class of the modern corporate world, not limited to Japan. Few have worked in the factory, designed a product, or pounded the street to sell one. They dwell in the theoretical world of business cases and slide decks.

So, what should one do when the company asks for a 志 "declaration."

Odaira's 志 was in keeping with classical 志. It was narrow. Testable. Build the motor that Japan was importing. Train the technicians who can build the motor after that, even if they later left for a rival. He said the goal was to train technicians and industrialists. That aim can fail in public. The motor works or it does not. The apprentice can repair it or he cannot. A refusal is specified. He would not leave the mine dependent on a foreign spare part if his own shop could make one.

If the deliverable must be written, write it as Odaira would have understood it. Name the machine. Name the refusal. Name the result in three years that would show you were right. Make it testable, falsifiable, measurable, and revisable. Bind it to a refusal. Keep it short. Above all, ensure it is consistent with the classical definition of 志. If it was good enough for Odaira, Confucius, and Mencius, then classic 志 should be good enough for you. An example:

> *My aim in my job is that the systems we put into governments and industries hold on the day they fail. I will be responsible and accountable for the uptime, security, and delivery of what I work on. I will stop work that cannot be defended technically or commercially.*

The company's purpose is relevant only where it coincides with one's aim. The aim can be revised if the facts change. It is not a life sentence, and it is not a pledge to a corporate slogan.

Above all, the aim can be revised if the facts change. A 志 that cannot be revised is not resolve to a directed aim. It is merely a script to camouflage the CEO's personal agenda.

KOKOROZASHI AND OTHER STANDARDS

	CLASSICAL CHINESE	STOIC	BUDDHIST	CORPORATE JAPAN
Object	志 is the aim of a person who already has a public station (士), fixed on something defensible—learning, the Way, or the country.	The standard is the rational will's correct judgment of what is in accordance with nature and virtue. External things (office, reputation, the state) are preferred or dispreferred, not the good.	The aim is the cessation of craving and the release from a fixed self. It is not fixed on a public station, a firm purpose, or an external good.	The firm sets the occasion, the template, and the audience. The deliverable is a personal mission that mixes passion, skill, and social benefit, then matches the company's purpose language.
Moral status	It is not good because it is sincere. Direction is not virtue; a strong will pointed at status or conquest still counts as 志.	Virtue is the correct use of the will. External success is not required. The passions are judgments that can be corrected by withholding assent.	Virtue is the reduction of attachment. Sincerity or social benefit is not the measure. A strong will directed at status or conquest remains craving.	Clarity, warmth, and overlap with the firm's wording are graded. A leader whose real resolve is a network that holds, a bid refused, or a program killed looks unfinished next to a social-benefit sentence.
Test	The test is what the person does when appetite, fear, salary, or the state pull the other way. Shōin's version could oppose the government of the day and cost him his life.	The test is whether the agent maintains correct judgment under any external condition (exile, loss of office, death). Refusal of an unjust order is possible, but the primary measure is the integrity of the will.	The test is whether practice continues under pleasant or painful conditions. The measure is the lessening of attachment, not an external result or a narrated mission.	The test is reversed: the institution grades fit. Company 志 almost never can oppose the institution that asked for it.
Revision and convergence	It is supposed to converge on a shared standard, not express a unique inner story. It can be revised as the facts change; Confucius's own account is a staged life, not one sentence at twenty.	The will is revised by correcting false judgments. Convergence is on virtue, not on an institution's language. The action remains virtuous regardless of external result.	The teaching is a raft to be abandoned once it has done its work. No permanent script is required. Convergence is on release, not on an institution's language.	It borrows the moral weight of the older word while requiring convergence on the firm's Way. A version that cannot name a refusal or be revised when the facts change is a script, not resolve.
Result	Directed resolve tested by refusal.	A rational will tested by the correctness of its judgments under any circumstance.	Release from craving tested by continued practice under any condition. It cannot be collected as a personal mission that matches company wording.	An obedience exercise. What comes back can be collected, compared, and aligned.

Table 2. Kokorozashi and Other Standards. Classical, Stoic, and Buddhist standards allow refusal or release under pressure. None of them treats narrative fit with an employer's current purpose statement as the measure of the aim. Only the Corporate Japan column reverses the test. The company sets the aim then grades the conformity of the employee's 志 declaration with its own language—its own a

N°. 3

THE UNREAD RECORD

English ineptitude among Japanese doctors is a metric of cronyism in a feudal-like medical system.

All current evidence of essential consequence in oncology is published only in English. The same incentives that leave that primary record of evidence optional in Japan also leave, for example, specialty competence in medical-oncology optional for the Japanese doctors who deliver most systemic therapy.

The central question is not to do with whether Japanese doctors can hold a fluent conversation in English. Rather, do the incentives that govern certification, payment, hospital designation, and advancement require them to read and apply the primary English-language record to do their jobs as doctors properly?

"Primum non nocere"

"*First, do no harm.*"

Before doctors charge off to cure patients of their ailments, their paramount duty shall always be to *do no harm*. On both counts, the discussion of English capacity of Japanese doctors is a useful metric. I attempt here to create a valid conjecture precisely about this matter while examining the overall picture of medical practice in Japan.

A negligible amount of that primary English-language record is translated into Japanese. Domestic studies conducted and published in Japanese are a sliver of the total body of the worldwide record, eclipsed by those in Mandarin, German, and other languages. Regardless, whereas the record in other languages is dispensable, the English one is not. Yet most Japanese doctors cannot string two coherent sentences together in English. Laborious for them; excruciating for their international and Japanese listeners alike.

To analyze the current state of doctors' use of English in the professional setting, one might first look at the quality of their participation at international conferences. Seventy-five percent of Japanese doctors say they lack confidence in their English ability; only 10 percent claimed confidence.[4] A 2025 survey found that over 90% felt that better English skills would have made their participation in international conferences more meaningful.[5] A 2014 survey revealed 68 percent lack confidence in communicating findings and fielding questions in English as the strongest factor discouraging them from more frequent presentations at international conferences.[6]

A counter-argument is that self-reported confidence in speaking or presenting at international conferences is an inaccurate measure of doctors' English capacities. A more direct measure could be the citation pattern in Japanese-language oncology papers and clinical practice guidelines.

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[4] Survey conducted 10–17 July 2023 among Nikkei Medical Online physician members; n = 9,278.

[5] Survey conducted 11 July 2025 by MED ITALY/PRIZMA; n = 1,000.

[6] Wroblewski, Greggory *et al,* "Factors dissuading Japanese doctors from presenting more frequently at international conferences: more than just the usual suspect(s)?", Journal of Medical English Education, 2014, 13, 55-64.

In such publications, references to English-language papers routinely constitute the large majority of the bibliography. Available analyses of Japanese clinical practice guidelines, including a documented 2002 cataract guideline, show English references constituting the large majority of bibliographies (often 70–90 percent)[7], and 266 of 319 references (approximately 83 percent) were English-language papers. More than 80 percent of the cited research originated outside Japan. Guideline developers routinely search Medline or PubMed; Japanese sources (Ichushi and domestic society papers) are added mainly for local epidemiology or prior Japanese recommendations.

High citation rates do not prove that every listed paper was read in full by every panel member. Many clinicians and journal authors extract usable information from English papers, abstracts, and trial reports without being fluent speakers.

Abstracts, systematic reviews, and secondary Japanese summaries are commonly used. They show that the authors of the papers and guidelines use the English record. As with all-English journal papers, however, padding the references section of one's paper is widespread. It is easy to pull the titles of papers from databases and paste them in the back of a paper to give the impression to journal editors and readership that one has thoroughly researched and understood prior work.

The record is, therefore, not unread by the specialist subset that produces the domestic literature. Instead, the incentives

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[7] Abe et al., analysis of the reference list of the 2002 Evidence-based Clinical Practice Guideline for Cataract (厚生科学研究補助金 21世紀型医療開拓推進研究事業「科学的根拠に基づく白内障診療ガイドラインの策定に関する研究」班, 主任研究者 小原喜隆, 2002). Reported in subsequent bibliometric studies (e.g., Nagaoka, 2020, 情報メディア研究).

have made optional the mastery of that record by the broader population of practicing surgeons and organ specialists who continue to deliver systemic therapy under the Ministry of Health, Labor, and Welfare (MHLW) designation rules.

A system with incentives that certifies, pays, and promotes doctors who are substantially handicapped in English without demanding that they understand or discuss the primary record has made that record officially optional and clinically irrelevant in Japan. Doctors tend to rely on Japanese sources only.

The mechanism is the specialty arrangement itself. MHLW designation and payment rules continue to treat surgeon-led or organ specialist-led systemic therapy as adequate, so the majority of doctors who prescribe chemotherapy, targeted agents, and immunotherapy face no requirement, and no reward, for mastering the primary record of evidence in English.

The attendant, debilitating deficits in language ability are the direct, countable result of those incentives. Japanese doctors in the main cannot use the primary record to the fullest extent demanded of a competent doctor because fluency in English brings no revenue, no appointment, no cancer hospital designation, and no returns for politicians or life science companies. No bucks. But plenty of aggravation with English.

The unread record, therefore, is a measurable symptom of a closed incentive structure.

Surgeons throttle medical oncology in Japan

The saga of medical oncology is the poster child for what can happen when incentives keep optional in Japan the use of the primary record in English.

The field of medical oncology barely exists in Japan compared to the United States. It developed very late and is small and underpowered compared with Western counterparts. Surgeons and organ-specific specialists dominate cancer care in Japan, including much of the systemic drug therapy.

A valiant underdog, The Japanese Society of Medical Oncology (JSMO) began in 1993 as a study group and somewhat languished in that form for over a decade until it was formally instituted as an independent medical academic society in 2004. Formal certification of "cancer drug therapy specialists" (i.e., medical oncologists) was squeezed out of the Ministry of Health, Labor, and Welfare (MHLW) even later, in 2006, a shocking forty-four years after medical oncology officially opened its doors as a board-certified practice in the United States.

Japan has only 1,859 certified medical oncologists (as of April 2026) for roughly one million new cancer cases per year. Many prefectures have only a handful, and only 29 percent of certified medical oncologists work at cancer specialty or prefectural designated hospitals. Surgeons and organ-specific specialists continue to prescribe and manage the large majority of chemotherapy, targeted agents, and immunotherapy.

These numbers matter for the conjecture because they show that the large majority of systemic therapy is still delivered by doctors for whom mastery of the primary record is not required for certification, payment, hospital designation, or advancement inside the existing framework.

This structure differs from the dominant U.S. model in which medical oncologists serve as the primary managers of systemic therapy. It is not, however, unique. In the United States, gynecologic surgical oncologists routinely manage the chemotherapy side of care, and in lower-access settings other

surgeons do so as well. Any claim that the Japanese arrangement produces systematically inferior results therefore requires cancer-specific, stage-adjusted survival comparisons—ideally high-volume center to high-volume center and rural to rural—rather than structural description alone.

Japan's overall cancer mortality has declined in parallel with other high-income countries. Five-year relative survival is high for several common cancers (stomach cancer approximately 60 percent in recent CONCORD-style[8] estimates; breast and prostate also high). Marked reductions have occurred in historically elevated sites such as stomach and liver cancer. Persistently higher mortality remains for colorectal, pancreatic, and cervical cancers.

Public data show Japan's five-year relative survival for stomach, breast, and prostate cancer among the highest in high-income countries, while colorectal, pancreatic, and cervical cancer mortality remain elevated; isolating the contribution of specialist structure requires stage-adjusted, center-matched comparisons that are not yet available.

Taken alone, these figures do not disprove the incentive and turf analysis, but they do set a bar of evidence that must be cleared before slower access or specialist structure can be proven as drivers of worse outcomes. And they raise a possible corollary. The incentive structure continues to make mastery of the primary English record optional for the physicians who deliver most systemic therapy. It does *not* mean that *every* Japanese patient receives inferior care today.

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[8] The concordance model of clinical consultations and medicine-taking whereby physician and patient are equal partners in care.

Today, twenty years after medical oncology was formally certified by MHLW, there are only 1,859[9] certified medical oncologists for a country of 125 million people and one million new cancer diagnoses per year, far lower per capita than in the US or much of Europe. Many prefectures have only a handful. JSMO notes that only 29 percent of certified medical oncologists work at cancer specialty or prefectural designated hospitals.[10]

Surgeons, pulmonologists, gastroenterologists, and so on—not medical oncologists—still prescribe and manage the lion's share of chemotherapy, targeted agents, and immunotherapy. Therefore, most patients are not in the hands of the correct doctors who are trained and certified in the clinically-required specialty of medical oncology.

To understand why this is the case, one must turn to the origins of cancer care in Japan.

Japan's cancer care developed around organ-specific, surgeon-led continuity of care. Surgeons handled diagnosis, surgery, and post-operative management. When systemic therapy (e.g., chemotherapy) arrived on the scene, surgeons grabbed that, too. Surgeons took cultural and professional pride in being the one man overseeing and executing the entire treatment plan of the patient rather than involving a systemic therapy specialist.

How does this appear to the patient?

They see a surgeon who treats every stage of the disease as within his scope. The same incentives that make the English record optional also make the stance rational in the surgeon's

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[9] JSMO website: 1,859 as of 1 April 2026.

[10] JSMO Chairman's letter, 2025.

mind. He is paid and designated to manage the full course, and nothing in the system requires him to defer systemic therapy to a specialist who has mastered the primary record. The strong impression on the patient is a sole all-knowing authority—the "god in the white coat"—even when the treatment falls outside the specialty for which he was trained.

The same rules that allow the surgeon to retain the revenue also make the English record optional for him because the two outcomes are produced by the same incentives.

Surgeons succumb to an irrational escalation of commitment, reinforced by everyone and everything around them. They became self-appointed Jacks of all trades, allowing their hubris and arrogance to seduce them into believing they had expertise in areas for which they had none. Patients, of course, knew no better other than to trust the god in the white coat. And when the occasional patient sensed that something was off in his care, they were too shy or intimidated to press their surgeon for clarification.

This mentality ended up infecting the Japanese medical schools, which also lagged those of the United States.

For decades, Japanese medical schools did not have departments of medical oncology as free-standing fields. Internal medicine developed along organ lines. "Tumor," for example, was not a recognized subspecialty of the Japanese Society of Internal Medicine for a long time. Meanwhile, surgeons dominated the Japan Society of Clinical Oncology, the country's largest cancer society; they comprise 45 percent[11] of the membership today.

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[11] JSCO Medical Note interview with JSCO Chairman Takayuki Yoshino, 2024.

It was natural, therefore, for surgical and organ-specialist practices to absorb systemic therapy into their scope of work. With the arrival of the latest systemic technologies—modern multi-agent chemotherapy, molecular targeted agents, and immuno-oncology—Japan again missed the opportunity to catch up. It responded by having surgeons and organ specialists attempt to acquire the skills needed for the new technologies rather than increasing the number of medical oncologists who are formally trained in the technologies. Surgical departments and organ-based internal medicine departments jealously guarded their turfs at great injury and cost to the patient.

Surgery has always carried high social and professional status. Any new kind of underdog specialty such as medical oncology has to fight for recognition, training slots, and departmental space.

The result is a system in which the primary cancer doctor is still a surgeon or organ specialist who oversees and executes the treatment plan for the cancer patient, including the delivery of systemic therapy for which they have no specialist training. They are practicing medicine in an area for which they are not qualified, with a big caveat: "not qualified" as far as the primary record goes, not MHLW. It picks and chooses what suits itself from the primary record and United States, if anything, then makes up rules and policies for domestic Japanese medical practice. In Japan, the surgeons and organ specialists are fully qualified because MHLW says so, even though the doctors are engaging in practices that would be prohibited in the United States and most of the EU.

Meanwhile, medical oncologists are relegated to larger centers. They handle more complex or cross-organ cases and are gradually taking a larger share of drug therapy. They are not the quarterback of care in the way they are in the United States.

The cosy arrangement for surgeons and organ specialists was built by the people who still profit from it. An independent medical oncology service would mean surgeons and organ specialists would have to forfeit a portion of the patient revenue —perhaps a very large share of it—which runs contrary to existing incentives. So they maintain their grip on revenue from hospital beds and drug revenue.

English inability exposes doctors' turf wars

English inability is a visible result of turf wars that let surgeons and organ specialists keep systemic-therapy revenue without ever needing to read the primary record in English. It is not an independent cause unto itself.

They do not need to read, let alone master, the English record to keep their work and the revenue going. Organ specialists and surgeons can continue using chemotherapy and other new technologies within their own departments while citing Japanese-language reviews, medical society articles, or the limited number of translated papers as valid evidence.

It is another case of the Japan Galapagos effect: an arrangement—a system—that is sealed off, impenetrable, jealously non-inclusive, and siloed. Above all, it is unaccountable.

A free-standing medical oncology service would run contrary to all of it. Medical oncology demands a critical mass of doctors fluent enough in English to understand the application and use of the complexity of new medical technologies.

Why and how did this behavior arise?

The feudal-like apparatus in Japanese medicine today

The incubators in which the incentives have arisen and from which they operate are called *ikyoku* (sometimes romanized ikkyoku): the closed pyramid hierarchy that runs each clinical department in a Japanese university hospital and its affiliated network. Tokyo University First Department of Internal Medicine, Kyoto University Department of Surgery (especially First and Second Surgery), Osaka University Departments of Surgery and Internal Medicine, Keio University Department of Surgery, and others operate the most famous and influential ikyoku.

Each university clinical department has a pyramid organization. At the peak of the pyramid is a professor-doctor, invariably a graduate of that particular university. He appoints associate professors and the chiefs of affiliated hospitals who, in turn, populate the ranks—the middle and lower levels of the pyramid—with the same school's graduates. Referrals, operating room fees, bed fees, and drug administration revenue circulate within the pyramid. These days, senior surgeons who control the pyramids enjoy surgical fees and the increasing revenue from targeted agents and immunotherapy. It is a closed system of incentives and distribution of patients (*i.e.,* money).

A surgeon who leaves the pyramid forfeits income from procedures and pharmaceuticals. Loyalty, therefore, is paramount. Junior members accept the rotations because the alternative is exclusion from that income. When it comes to medical oncology, advancement and revenue stay inside departments whose senior members were trained before medical oncology existed, so mastery of the primary record in English is a route to neither.

Ministry bureaucrats and politicians protect the distribution. The MHLW designates cancer hospitals under criteria that have long accepted surgeons or organ specialists as being sufficiently qualified to practice systemic therapy. A hospital can be designated, subsidized, and advertised as a cancer center without a medical oncologist on staff. Officials who write these biased policies move through the same university networks. Many return to posts or foundations linked to ikyoku. Advisory councils are stuffed with the influential professors who head the pyramids. Politicians receive organizational support and campaign resources from the medical associations and alumni groups, all of which benefit from the arrangement.

If the MHLW required medical oncology departments to be in hospitals as a condition of designation as a cancer center, the number of currently "qualified" cancer hospitals would drop like a rock. It would also redirect subsidies, and weaken the advisory and electoral relationships. The very low clinical bar of the policies, therefore, remains in place. Surgeon-led service is sufficient for MHLW to designate a hospital as a cancer care center. The bureaucratic and political incentive is the preservation of an ossified system that rewards its members.

Because designation does not require a medical oncologist, and because the doctors who hold the designation need not demonstrate mastery of the primary record, the falsifier predicted by my conjecture—systematic higher revenue or advancement for those who do master it—does not appear.

Pharmaceutical companies are key players. Marketing, speaker fees, advisory boards, and post-marketing studies are channeled through the ikyoku hierarchical pyramids and the Japanese-language professional societies dominated by them. The commercial channels reinforce the same outcome.

Prescribers who matter most for revenue are those for whom the primary record remains optional.

A larger cadre of medical oncologists who read the English primary literature and lead multinational trials would threaten to raise the cost and lower the predictability of promotion within the ikyoku. Domestic pharmaceutical and medical device companies and the Japanese arms of global ones fund the society congresses, the translated educational materials, and the domestic investigator meetings that help to keep the Galapagos system going. The corporate commercial incentives fit with the academic and regulatory incentives, for example, maintaining fewer and more controllable prescribers.

Cronyism flows through and binds the system together, making it highly stable and resilient to innovation and disruption. Doctors, universities, bureaucrats, politicians, professional societies, and companies are all heavily involved. The sophistication and robustness of the cronyism is staggering.

Incentives breed arrogance

Arrogance is a by-product of the incentives.

A surgeon inside the ikyoku is paid to manage the entire treatment course of the patient. The MHLW treats his department as sufficient for official designation as a cancer care center. The society guidelines he uses are written largely by colleagues from the same pyramids. The English primary record that would expose the severe limitations—even dangers—of this model is optional reading for doctors and everyone else in the system. Nothing penalizes the belief that one surgeon or organ specialist can master every specialty, therapy, and procedure. Reading pathology slides and radiology studies, performing

interventional radiology procedures, administering systemic therapies, and more. What *can't* the surgeon do?

And the surgeon's opinion carries enormous weight. If he thinks a tumor is urothelial carcinoma, the pathologist report comes back with "suspicious of UC," even if no cells are found in the biopsy. If the surgeon changes his mind after a second biopsy and thinks the tumor is benign Inflammatory Myofibroblastic Tumor, the pathology report comes back with "suspicious of IMT." And after all that, he somehow finds time to perform surgery—the only field for which he actually studied, interned, and is formally certified for.

The belief hardens into arrogance. When outcomes sour, the secondary Japanese sources and the designation checklist certify the practice as adequate anyway. The external standard—the English-language record—that would expose the ignorance remains unread. Absence of contradiction is taken as proof of competence.

The heroic surgeon who "can do everything" is not a delusion. He is the perfectly rational occupant of a system that incentivizes and rewards his behavior while pushing aside the English record of evidence that would debunk all of this. Meanwhile, Junior members, hospital administrators, and ministry officials whose careers are enmeshed with the pyramid do not challenge the status quo. Companies that market through the surgeons and organ specialists reinforce the system.

Arrogance endures because the incentives do not penalize those who do not use the primary record. Contradiction, debate, and iterative refinement arises when mastery of the primary record is mandatory for doctors. On the other hand, echo chamber results when doctors are all singing from the same Japanese hymnbook.

Malpractice lawsuits are not a safeguard for the patient

Malpractice lawsuits would handily topple such a system in the United States. In Japan, malpractice lawsuits cannot penetrate the ikyoku.

Japan is not a litigious society. It has fewer medical malpractice lawsuits than the United States. Patient success rates run about 22 percent[12], which is very low even for Japanese litigation. Ordinary civil suits in Japan have a roughly 85 percent success rate. Most Japan malpractice suits end in settlement. Those that manage to reach judgment are hard for patients to win because the ikyoku and its attached parts lock arms against the patient. The hospital holds all the records. Expert testimony is hard to obtain. Moreover, negligence and causation must be proved against a clinical standard that shifts around. And, again, the English record, which can shine a spotlight on the offenses, is seldom considered by the plaintiff.

The result is reduced accountability. A surgeon or organ specialist who manages complex systemic therapy on the basis of Japanese-only sources or fails to involve a medical oncologist faces no risk that a court will view his behavior as negligent. MHLW designation criteria and society guidelines accept the existing Japanese arrangement as adequate.

Ineffective malpractice lawsuits are yet another incentive that lets the cronyism march on. The absence of an effective external check leaves the primary record optional because

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[12] Supreme Court of Japan, 地裁民事第一審通常訴訟事件・医事関係訴訟事件の認容率. Patient-side success rate in medical malpractice cases that reach judgment has ranged approximately 18–22 percent in recent years (e.g., 22.2% in 2020). Ordinary civil suits average 85 percent.

nothing in the litigation path penalizes a surgeon or organ specialist who delivers systemic therapy without having mastered it.

Patients are misled

How is the behavior justified, or at least explained, to patients?

Explanations of any kind are seldom asked by patients or offered by surgeons. When they do offer explanations to patients who sense that something is off, surgeons use arguments from authority. The following chestnuts are common:

Continuity of care. One doctor must manage everything. Handing the case to a separate specialist such as a medical oncologist will disrupt the continuity.

Implied competence. Because MHLW has designated the hospital as a cancer care, the surgeon or organ specialist is described to the patients as being competent in systemic therapy by virtue of that designation. Patients are never told that most surgeons are not fluent in the primary English record nor have they undertaken the years of training to be a proper medical oncologist. Instead, MHLW designation equals competence. And because patients have, in general, blind faith in Japanese bureaucrats like the MHLW, they question nothing of this.

Practical routing. Referrals stay inside the pyramid and its affiliated network. Patients are reluctant to ask for second opinions for fear of insulting their surgeon or organ specialist and the possible repercussions to their treatment. The rare time when a patient has the both the awareness and the courage to ask to be transferred to a dedicated medical oncology service, his request is rebuffed. Patients are intimidated with comments,

such as the current hospital already provides the standard treatment, waiting lists elsewhere are long, or that continuity would be lost.

Patients are not told that the doctors managing their systemic therapy face no requirement to master the primary record. The same MHLW designation rules that mislead patients keep that record optional for the doctors who deliver the care.

Japanese medical ethics are not a safety valve

The Hippocratic Oath carries little if any weight in Japan. Japanese medical ethics developed under the ikyoku system and under state and military authority. They have been shaped by duty to one's superior, to the institution, and to the patient as a member of a social order, not by an individual doctor's promise. Nothing could be further from Hippocrates. After 1945, the Hippocratic Oath was sometimes taught during the American occupation, when one could take the medical licence exam in English, but it never became the binding moral and ethical obligation as it is in the West.

Wartime Japanese medicine, which operated under military orders, is a good example of the difference. Doctors drawn from the ikyoku system saw their role as fulfillment of duty to the Army and to their department, not as a breach of any sort of independent professional code. No Hippocratic-style oath constrained them.

After 1945, the American occupation introduced concepts such as informed consent, patient rights, and the Hippocratic Oath or the Declaration of Geneva. To be found in textbooks

and in some hospital policies, these concepts sat adjacent to the ikyoku rather than reforming them.

The Japan Medical Association and medical schools now teach principles that include respect for the patient, confidentiality, and informed consent. In practice, though, decision-making remains paternalistic and family-centered compared to the United States or Europe. Doctors frequently defer to senior doctors inside the same ikyoku network. They involve family members in important medical decisions even when the patient is competent.

The ethics that would have prevented the rise of the ikyoku system elsewhere simply do not exist in Japan. Appeals based on ethics to those who are part of the system fall on deaf ears. No ethical obligation inside the system requires mastery of the primary record, so the incentives that leave the record optional remain unchallenged.

English inadequacy as a measure of cronyism

Returning to English, the English-language deficit is the easiest metric in an audit trail of the cronyism. It is also an indicator of where not to seek medical care.

Pivotal trials[13] and guideline revisions of essential importance to the proper practice of medicine appear first, and usually only, in English. Japanese medical training and MHLW policies do not require doctors to have the ability to read or discuss that record.

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[13] A pivotal trial is the key clinical study whose results form the primary basis for a regulatory authority's decision on whether to approve a drug, biologic, or medical device for marketing.

Japanese sites enroll disproportionately few patients in global trials, mainly because of the burden to the Japanese doctor and staff of the trial protocols being in English. A 2025 survey of Japanese clinical research coordinators (CRCs) found that 72 percent named "language (English)" as a barrier when overseas sponsors attempt to run multi-regional clinical trials (MRCT) in Japan—the single most common response, far higher than clinical trial costs in Japan (52 percent) and regulatory factors involving the Pharmaceutical and Medical Device Agency, (PMDA) and MHLW (36 percent).[14]

At the American Society of Clinical Oncology (ASCO) conferences, one observes that Japanese attendees seldom present papers or engage and debate with speakers to the extent of attendees from other countries. Their participation is mainly one of a passive, quiet observer.

International conferences such as ASCO function largely as marketing, networking, and dissemination venues. Meaningful scientific contestation and the shaping of practice occur in the peer-reviewed literature and in the smaller, often international groups that draft guidelines. The names of those thought leaders appear in the resulting guideline documents. Low rates of Japanese oral presentations therefore measure a real practical barrier, but they are secondary evidence. The primary channel of medical information exchange is the written record, not the spoken one.

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[14] Fujiwara N, Iguchi M, Kono M, Hirokawa A, Tsutsumi N. "Clinical research coordinators' perceptions and practical challenges in multiregional clinical trials in Japan: An exploratory survey." Clin. Eval. (臨床評価). 2026; 54(2):W21–W30.

All of this is a predictable result of incentives that impose no penalty for ignorance of the primary record and no reward for mastering it. Every actor who benefits—the professor-doctor who keeps the revenue, the MHLW official who writes policy and cancer hospital designation criteria, the politician who keeps the association support, and the pharmaceutical company that keeps its prescriber base stable—gains from a system in which the English record has been ordered to be irrelevant. Brushing aside the primary record is a mechanism to maintain the status quo.

The inability or refusal to use the primary record is, therefore, direct evidence of the closed system of incentives. An open system would have made English fluency a condition of certification, designation, and payment.

The comparison between Japan and the US is direct

Medical oncology in the United States also faced resistance, but half a century earlier than Japan.

Chemotherapy was dismissed in the 1940s and 1950s by the medical establishment as futile. Academic chairs blocked papers and even called practitioners of what would eventually become medical oncology "charlatans." Surgery and radiation were immovable as the Gold Standard treatment for solid tumors. Efficacy data, the National Cancer Act of 1971, and advocacy of The American Society of Clinical Oncology (ASCO) changed everything. Medical oncology as a board-certified specialty won formal recognition in 1972. Within a few years, medical oncology became the quarterback of systemic therapy in most American clinical settings.

Japan's version of medical oncology entered much later. Surgeons and organ specialists thwarted it from the outset within a highly resistant and slow moving ikyoku system.

The injury is immeasurable

Patients pay the bill for all of this.

Regimens that are routine in the United States, or Hong Kong or Seoul for that matter, reach Japanese hospitals months or years later, or only inside the MHLW-designated university centers. Excruciating pain, suffering, agony, and despair are caused by the players in, or attached to, the ikyoku. And the cost of that bill to the patient? Mental, physical, spiritual, emotional, and financial ruination. The humanity of it all.

I am one of those patients. My loved ones—family, friends, and acquaintances—number among them, too.

When I asked my urological surgeon in Osaka for a medical oncologist to join my care team, his answer was succinct: "Medical oncology is not part of our medical culture in Japan." To his credit, he found and consulted one. But he also admitted that the pressure on him from his department chairman and the hospital president to follow the MHLW guideline was enormous. His decision to pursue a different path in consultation with the medical oncologist got him into hot water with his bosses.

Repeating such "maverick" actions can dampen a doctor's career progress in the ikyoku system. Actions outside the boundaries can expose the problems within the boundaries.

Likewise, a patient who remains inside the arrangement receives services that preserves the revenue keeping ikyoku afloat. The same patient who boards a short flight to Hong

Kong or Seoul receives the care that the primary record justifies. Meanwhile, Japan deliberately maintains a cadre of doctors and MHLW regulatory standards that are not fully validated against that same record.

No doctor—no player in the ikyoku system—is compelled to play this game. Surgeons could yield drug revenue to allow the creation of new, valid, independent services. MHLW bureaucrats could write cancer hospital designation policies that demand medical oncology. Politicians could refuse support from associations that are tied to the status quo. Pharmaceutical companies could direct education toward doctors who use the English record. Instead, each chose the financial return available from the closed arrangement of incentives.

They make conscious, rational choices of economic self-interest based on the incentives before them, all of which are perfectly legal. The English-language deficit is the fingerprints left behind from those choices. the safety valves that have allowed such perverse incentives to arise and to endure legally are weak or do not exist:

(i) checks and balances in the legislature, judicial branch and government bureaucracies to prevent conflicts of interest between politicians, jurists, and bureaucrats with doctors and industry;

(ii) medical ethics that bind a doctor to his patient in the way of the Declaration of Geneva or equivalent, not to parties in a social structure; and

(iii) redress of injury through courts that use equal application of the law.

A pattern of exceptions appears

The National Cancer Center (NCC) is an outlier among MHLW-designated cancer hospitals. Departments of Medical Oncology exist at its two campuses. They provide substantial volumes of systemic therapy, while most other designated hospitals continue to leave the bulk of drug treatment under the control of surgeons and organ specialists.

How did this outlier arise?

In short, the institutional incentives at NCC differ from most other hospitals. NCC's funding depends on its prestige status. That status depends on international recognition; NCC is in competition with the ikyoku domestically. Whereas the universities having the most prestigious ikyoku are public, courts have treated ikyoku as a private association of physicians. NCC's funding has a purely political source. To capture the quality of the prestige necessary, international engagement is necessary. Medical oncology capability is one of the strongest sources of that engagement. Ordinary designated hospitals operate under MHLW rules and revenue arrangements.

The NCC publishes in English, joins international trials, and maintains English reporting, so staff who routinely use the primary record in English are required. The same English requirement exists, at lower intensity, at many other university and designated hospitals that have not built comparable medical-oncology departments. What distinguishes the NCC is the combination of mandate, resources, and status, of which English is one element rather than the decisive driver. English-language participation is one element of that mandate, not its primary cause.

The Cardiovascular Institute Hospital (CVI) is a different kind of outlier. It is a private, disease-specific hospital operated by a foundation rather than a university. It has no ikyoku. Its physicians are employed directly by the foundation, and its research and clinical work are organized around a single specialty. This is uncommon in Japanese tertiary care, where the dominant model remains the university ikyoku. CVI's specialists routinely present papers at overseas conferences and demonstrate procedures such as cardiac catheterizations for complex cases at overseas hospitals.

As it turns out, there are numerous institutions and clinics like CVI hiding in plain sight. They are private specialized institutions that operate outside the ikyoku. Cardiology, gastroenterology, and anesthesiology (pain management) count among the many specialties that can be found in these private practices. Takahiro Fujii Clinic, Yasashii Clinic Hiroo, Japan International Clinic, Sakura International Clinic, Clove Clinic Setagaya, and many others have doctors who are fluent in English and actively use the primary record. They present papers at conferences and engage enthusiastically in international collaborations.

These are the hidden champions of medicine in Japan.

Not only are these institutions and clinics profitable, they have the latest equipment and therapies. Most are fully digitized and engage with patients on SNS. Something as simple and as common sense as being able to book appointments on one's smartphone and communicate using social media messaging are the norm at the hidden champions.

The hidden champions enjoy very high patient ratings, much higher than the mediocre ones of ikyoku hospitals, and are oriented around patient satisfaction first. They enthusiastically seek feedback and ideas from patients for

improvements and new services. While some of the doctors have come from prestigious medical schools in Tokyo and Osaka, most have come from lesser known schools in the more remote prefectures of Japan, and then done residencies or fellowships in the United States.

All of this befuddles ikyoku hospitals that sit on legacy technologies and are handcuffed by their own ill-considered rules.

A solution emerges

Ikyoku operate as a cartel.

Alternative career paths exist, but are either unknown to doctors or the capital requirements for those alternatives are too expensive. And do not overlook the seductive draw of prestige to work in ikyoku, which distracts attention from alternatives. The incentive problem is straightforward. A poor placement means the professor-doctor assigns a doctor for reasons other than competence. The costs of a poor placement fall on the patient.

This is why the pattern of successful exceptions has emerged, and is apparently growing. Japan still has a free market. Yes, the market is severely warped by regulations and cronyism, but it still chugs on. As patients get more savvy from alternative sources of information such as AI, and doctors and students likewise get more access to international sources—in English, yes, but in Mandarin and many other languages, too—the palette of options increases for them. The allure of gunning for a coveted few positions at a prestigious Japanese medical school begins to wane as people realize the best medical schools in Japan are mediocre on the international stage.

One hopes that the successes of the hidden champions become better known among patients, the general public, and young doctors, allowing the growth of a new market and different path.

If that happens, the ikyoku will not be destroyed; they will just slowly become irrelevant.

Nº. 4

"NO BABIES + QUIET QUITTING = BUSINESS FAILURE"

Japan's private equity gold rush will disappoint most participants, but limited partners can demand better.

The latest gold rush is afoot. This time—of all the unlikeliest places and sectors—it is in Japanese private equity.

With it comes a phenomenon that continues to vex private equity general partners (GP). Why do companies with great balance sheets and presumably solid products enter a death spiral, post-acquisition?

During my 32 years in Japan, most of which have been spent leading turnarounds and transformations, and as an investor in and owner of Japanese businesses, I have seen—and experienced—what succeeds and what fails here. More cases of the latter happen than the former; I contributed my fair share to both. As it goes with gold rushes, the bottom probably fell out of this one long before the throngs of prospectors arrived with their picks, shovels, and pans.

Whether or not your GP numbers among the many who think that "there's gold in them thar hills" near Mount Fuji, my insights might help you to succeed with your investments in Japan, that is to say for you and, on behalf of, the Japanese people inside the companies that your money is buying.

As an Ultra High Net Worth (UHNW) investor, institutional investor, or family office—presumably as a limited

partner (LP) of a private equity fund—you might find the measure of sensible iconoclasm in my commentary useful for having candid, practical conversations with your GPs about their ambitions in Japan. If anything, you will hear a voice from the field speaking about the problems that misuse of your investment money cause long after the curtains close on the enticing capital-raising roadshows.

A "Golden Age" of private equity in Japan?

Since Prime Minister Abe's Japan Stewardship Code (2014) and Corporate Governance Code (2015), Japanese regulators, investors, and corporate leaders have been slowly warming to top tier foreign private equity firms. Prior to that, dating to the aftermath of Japan's asset price bubble, the mainstream had regarded them for decades as ruthless *hagetaka*—vultures—so much so that Japan's national broadcaster NHK ran a popular TV drama series of the same name and theme. Despite the vintage of Mr. Abe's aforesaid legislation, sentiments of acceptance in the business sphere have come just recently, well after the Tokyo Stock Exchange's 2023 mandate for public companies to improve capital efficiency or face delisting.

But in Japan, such positive sentiments are fragile and uneven; memories, long.

Even when they fail, GPs and their entourage of highly paid turnaround leaders and consultants, interim management, board directors, and advisors always seem to come out on top. Not so for the investors and many Japanese employees of portfolio companies, which is why the image of private equity, foreign or domestic, as carpetbagger is harder to shake among the public. Combined with nationalism sweeping Japan, the

acceptance of foreign private equity, especially so, is hardly on a sure footing. And I have not even yet begun to discuss the difficulties of turnaround strategy and execution.

Today's private equity boom in Japan has not arisen solely because of low interest rates and a weak yen. More than cheap debt, the boom is being fueled by the erroneous belief spreading among GPs that easier access to corporate carve-outs, the lack of succession options for small and medium-sized enterprise (SME) owners, corporate governance reforms, and a wave of public-to-private deals driven by activist shareholders make this a seemingly ideal time to enter the Japanese market.

This mindset speaks to the top reasons why GPs consistently fail in Japan—not just in this so-called Golden Age, but at any point over the past 30 years: irrational escalation to commitment (read: euphoria) and hubris. The relative ease of raising capital and entering deals today cloud good judgment as to what is actually required to fix a Japanese business. And I have seen a good many cases in which one's pedigree of education and career, and the heft of a prestigious fund's name, gives the GP the delusional sense of invincibility, no less for the Japanese ones than for the foreign; after the initial hoopla and big talk in the press fades, both flavors eventually end up fired and with their tails between their legs.

While the current tailwinds in Japan can buoy up one to secure a deal somewhat easier than in years past, they are neither necessary nor sufficient for a successful turnaround and subsequent exit. Unless one can strategize and execute operational turnarounds in ways specific to Japan, the current, oft cited "advantages" are actually flypaper.

So, is there really a "Golden Age" of private equity underway in Japan, as some high profile GPs are calling it? I respond with "For whom is it golden?" Certainly, capital is

flooding into Japan and deals are proliferating. Aside from some portfolio companies of several prodigious funds, I see nothing that rises to the level of a Golden Age (if I understand the term correctly) when it comes to the practical realities of turnaround or transformation strategies and execution here. Could the enthusiasm be flowing from oversubscription and the mad rush of foreign funds to Japan? When one further considers the risks to the Japanese employees of portfolio companies, the Golden Age moniker comes off as merely the promotional hype of a gold rush.

At any rate, whatever term one prefers, there has never been an antithetical Dark Age to compare to a Golden Age as far as true success is concerned, even during the decades of the negative hagetaka sentiment. True success—not just for the GPs, but success for other shareholders and the rank-and-file employees—if it comes at all, arises from the strategic and operational capabilities of the GPs, not just their talent for raising money or making deals. That, and a good measure of humility, give one the best shot at winning the day, even when stuck with a company that one did not understand in the first place. This quality of success is agnostic to factors such as today's lauded tailwinds.

Unless GPs get the strategic and execution pieces right for the Japanese context, two or three years hence many of them who are flocking to Japan's shores now will be desperately trying to jettison their Japanese portfolio companies before the music stops. Most will be left without a chair. And when that time comes, beware also to the GP who thinks he can snap up a bargain from lesser mortals as they flee for the emergency exits, leaving investors and employees to pay the tab for a gutted company

THE REALITY INSIDE JAPANESE COMPANIES

A totally new and unique phenomenon in business

Japan is slowly asphyxiating under the weight of inter-generational stagnation in a depopulating economy. No company can survive a shrinking market combined with a workforce that has already checked out. Conventional turnaround and transformation strategies do not work here.

Solving how this crisis manifests inside a business is the single absolute requirement for success. Put even a small dent in the problem, and you will create more value than all the financial engineering, artificial intelligence initiatives, call-center consolidations, factory closures, outsourcing projects, and SKU rationalizations of which you could ever dream, combined. No efficiency project is tenable unless you first solve the human problem fundamental to all of them.

While traditional cost-cutting might temporarily relieve the drag from an aging population, in a low-birthrate market cost-cutting becomes an accelerant—like fire-starter gel—to business collapse; you cannot cost-cut your way out of a demographic void. Similarly, jumping on the artificial intelligence bandwagon and beating the innovation drum are as unintelligent as they are non-innovative. The premise of such initiatives misses how capital, labor, and technology interact in Japan today.

The fusion of inter-generational deadlock, low birthrate, and an aging population represents a totally new and unique phenomenon in business, one that demands a precise definition, and for which conventional solutions are not just ineffective, but are also likely to worsen matters.

Whereas a GP or equity analyst might view inter-generational deadlock as an issue to be solved through the political process (*e.g.*, a silver electorate opts to divert public funds to shore-up healthcare and pensions at the expense of innovation), a turnaround leader must view it in practical operational terms. Inter-generational deadlock creates what amounts to an invisible "execution tax" or "execution premium" inside the business. This premium explains why conventional turnaround strategies fail in Japan despite the favorable tailwinds mentioned earlier.

Management's blindspots

The topic of Japan's aging population has been flogged to death. Yet, corporate leaders routinely conflate *aging population* with *low birthrate*. Because they misdefine the problem from the outset, they cannot see how the two forces interact to kill their businesses. Barring sheer luck, any strategic response will fall short.

Raising the corporate retirement age to offset labor shortages or targeting wealthy seniors are instances of common, misplaced strategic responses. Demographic shifts are being treated as issues for human resources or marketing alone. While chasing these wild geese, corporate leaders miss the approaching spikes in corporate SG&A and welfare taxes—a permanent impediment that withers margins, and the seeds of which were planted decades ago.

The low birthrate, likewise, is commonly ignored or relegated to being a far away public policy issue for government bureaucrats. On the odd chance when corporate leaders do look at it, they see it only as something having to do with a tight

labor market. Their misguided fixes include bumping up starting salaries, beefing up recruitment efforts, and slapping digital automation patches onto sagging legacy systems and processes. Throw in an artificial intelligence initiative or two willy-nilly, and leaders feel satisfied that they are doing something transformative, or at least enough for a press release to show that they are keeping up with the Joneses. After all, nobody likes to look like the odd man out in the Japanese market.

The inimical blindspot in a low birthrate situation is management not seeing the loss of demographic momentum and the delay of a generation or two that it takes to appear. To wit, the total pool of future consumers is permanently shrinking, not just the pool of taxpayers and workers.

By doubling down on conventional strategies of scale—namely, burning capital to acquire customers—management is throwing investors' money into a black hole. The whole affair is abortive because the customers literally do not exist anymore.

Typical in Japan, however, once a course of action is set, it is *damn the torpedoes*. Management will stubbornly, and in utter futility, stick to their dud strategies to make them work to the bitter end—the ruination of their businesses.

Management has this blindspot, in part, because the prevailing explanations of aging population and a low birthrate are by economists and from an economics perspective. Such academic explanations do not consider the practical operational nuances inside real businesses, and so they fall flat in turnaround settings.

PROBLEM DEFINITION

When the subtle distinctions are considered, however, a clear picture emerges, one having great practicality for the investor, GP, and turnaround leader:

Low birthrate + Aging population → Spikes employee anxiety → Creates inter-generational deadlock

The pernicious blindspot leading to a business' *coup de grâce* is not understanding how the aging population and low birthrate combine with a third force hiding in plain sight: inter-generational deadlock. These three forces do not just shift numbers around on a spreadsheet; their interplay constitutes a toxic cultural pathogen.

"No Babies": depopulation and the strategic half of the problem

An aging population and a low birthrate are distinct phenomena with different consequences, even if they are intertwined. An aging population is a distributional shift; the proportion of elderly people to working-age people grows. A low birthrate is an existential crisis in the literal sense. Not enough babies are born to supply a given system. The combined outcome: lots of seniors, no babies. The system—the entire population—loses its "momentum," so to speak.

When corporate leaders focus only on the inverted population pyramid of an aging workforce, they miss the momentum crisis arising from low birthrate. Fewer babies today mean fewer workers, taxpayers, and consumers tomorrow. An

economic void, a kind of demographic quicksand, opens and begins to widen. Once a generation shrinks, the absolute number of births remains low even if fertility rates tick up later because the number of potential parents has decreased. The population loses momentum and sinks into the void.

Even if birthrates could somehow miraculously stabilize, it would make no difference. The population would continue to age due to medical advancements, better nutrition, and other aspects of modern life that increase longevity—precisely Japan's reality.

As the proportion of seniors climbs, public systems cannot keep pace. Older populations are forced to draw down their savings to bridge the gap from insufficient pensions rather than invest, redirecting capital that could otherwise have gone into new ventures and riskier investments, thereby hobbling innovation. Similarly for their children and grandchildren, subsequent generations must redirect a portion of their money from investments to help their parents and grandparents to pay the bills. Meanwhile, the government increases taxes and diverts public funds into pension, healthcare, and social "safety nets" rather than R&D and strategic industries. Innovation takes another hit. Government also continues to subsidize the inefficiency of, and inculcate cronyism with, the dominant incumbents—lumbering giants—by way of ongoing overregulation, barring innovation in those giants. A third hit. New entrants with innovations cannot afford a seat at the table because of the regulatory expenses. They are locked out by the cost and cronyism, and innovation takes a fourth hit.

Innovation nosedives and inefficiencies and cronyism soar, ossifying society throughout and at great costs. The factual reality is that, for years, public policy has directly contributed to

the current situation where young couples pay the biggest human price of all; they simply cannot afford to have children.

So while an aging population creates an immediate and visible burden on the balance sheet, a low birthrate causes a slow evaporation of customers, labor, and innovation. It is not that they go elsewhere such as to a competitor. They simply cease to exist, gradually so. This is why traditional cost-cutting can temporarily relieve the business stressors from an aging population, but accelerates business collapse in a low birthrate market.

Low birthrate is insidious. Its effects operate on a lagging, generational delay. And the effects are pervasive as they are latent. Boards cannot see the effects because governance operates on five-year management plans. Whereas an aging population hits the balance sheet today with soaring welfare taxes and a shortage of mid-level applicants, a low birthrate takes 18 to 22 years to manifest as a shortfall in entry-level labor. Because the collapse of consumer volume progresses on geological time-scales in management's view, if they see it at all, they kick the can down the road, leaving the matter for the next CEO or board.

For the last two centuries, the standard corporate playbook has been built on variations on the theme of scale up. Businesses that hustle only to capture a share of an expanding pie, rather than finding ways to expand the pie itself, end up selling low-margin commodities.

When the pie shrinks, these volume-addicted businesses suffer. Applying a growth strategy to a depopulating market leads to capital dissipation—consuming resources to acquire non-existent customers while starving innovation. From this comes two profound strategic realizations: (i) stable birthrates cannot immunize a business from an aging workforce; and, (ii)

strategies that only address an aging workforce cannot save a business from a collapsing consumer base brought on by low birthrate. The only way out: one must judiciously de-scale parts of the business while scaling up other parts. And this leads to the other half of the problem definition—who is going to be able to do it?

"Quiet Quitting": inter-generational deadlock and the execution half of the problem

Decades of a low birthrate have not only depopulated the market, they have given rise to a cancer that is now ubiquitous inside Japanese companies: inter-generational deadlock. The *dramatis personae* in this play:

The Senior Personnel ("The Squeezers"). Managers in their 40s and 50s are focused on maximizing their compensation while minimizing effort. Squeeze as much juice as they can from the orange on the way out the door. Promoted for compliance rather than creativity, they were never hired to undertake transformations or innovate.

Faced with mortgages, children in college, and family demands, their mantra is simple: "Change anything you like… *after I retire.*" Salary stability is jealously guarded at the expense of all else; intellectual laziness flourishes.

Above all, The Squeezers are tired—exhausted by decades of corporate politics, bureaucracy, bullying, packed commuter trains, purposeless meetings, and late nights. Forcing complex transformations onto their daily routines without direct financial upside immediately creates unyielding resistance.

The Junior Workforce ("The Quiet Quitters"). Gen Z and Millennials carefully watch their bosses and quickly realize that

innovation offers no personal upside. Because Japanese companies punish failure, while the success of juniors is co-opted by seniors, young staff naturally do the bare minimum. They engage in *shizuka na taishoku*–"quiet quitting." Approximately 47% of young Japanese full-time workers unabashedly state they give minimum effort, just enough to keep their jobs.

The Technical Trap. The endemic stagnation of inter-generational deadlock rests on the teetering foundation of obsolete, legacy IT and manual processes built during the 1970s and 1980s. Trying to pivot to the "Silver Economy" and/or automate operations using this injurious mix of generations and technology founders in totality.

Private equity deal partners must be on high alert. Your financial models are broken if they do not account for the interplay between The Squeezers, The Quiet Quitters, and the Technical Trap, which has the alacrity of molasses.

THE CURE

In a depopulating market, volume-based scaling consumes capital without benefit. Only the companies that can judiciously de-scale parts of the business while scaling up others, that is, stabilize or even deliberately shrink top-line revenue while dramatically boosting their profit-per-employee, can survive. That is the strategic half of the problem that involves depopulation. But before one can take a shot at executing any strategy, one must first crack the execution half of the problem: inter-generational deadlock.

Solution for the execution part

To do so, partners must insert field-tested veteran leaders who can step into interim C-level roles to absorb execution risk and build execution environments. Otherwise, the incumbent management will continue to check-the-boxes, for instance, by attempting to up-skill an exhausted, resistant workforce with irrelevant training and seminars.

By virtue of the number of variables involved, the undertaking in Japan may eventually rank among the most difficult in the history of modern private equity. External consultants cannot work any better than expecting defensive management teams to correct themselves. Turnaround efforts must be directed exclusively by corporate transformation veterans from the outside who take control as interim directors or C-Suite leaders to absorb execution risk and shield those among the staff who actually want change from those who do not.

The finest turnaround leaders in Japan have at least the following credentials:

- *Veteran C-Suite Turnaround Pedigree in Multiple Industries and in All Business Functions.* Decades of experience leading multi-year operational turnarounds for public and private companies, including PE portfolio companies.
- *Rigorous Technical Foundations.* Turnaround leaders should hold advanced credentials in business, engineering, science, and/or even law to handle problems that can only be cracked by multidisciplinary approaches with leaders drawing on experience gained from numerous industries.

- *Cross-Border Execution.* Full authorization to seamlessly execute international carve-outs, joint ventures, and offshore operations.
- *Legacy Renewal.* Expert capability in revamping legacy mainframes, processes, factories, and the like, and knowing what to do with the associated people.

What about cultural adroitness?

Being Japanese or having spent a long time in Japan do not qualify when it comes to the cultural understanding required for success in Japanese turnaround settings. The turnaround leader, for example, must have mastery of the cultural impediments and myths that people believe about themselves and use on each other daily in the office. Japanese companies still operate in large measure on the basis of honor and shame, and along feudal-like lines. The finest turnaround leaders in Japan know how to use this to advantage, and are neither hoodwinked nor stymied by it. They know the fallacious arguments from authority used by The Squeezers and The Quiet Quitters on each other and their peers. Some are true believers; most just use it as a way to maintain the status quo of inter-generational deadlock and not do any progressive work. "(Such and such) cannot be done because it is not the Japanese Way" or "There is a rule or regulation against (whatever it is what you want to do)" are cudgels that people swing at the drop of a hat to clobber even a trace of fledgling innovation instantly, yet ironically are the easiest to neutralize.

A word about language fluency is in order here. It is far better to hire a turnaround leader with broken English or broken Japanese—but who can think straight—rather than someone fluently bilingual who cannot. The later is in abundance in the market, both foreign and Japanese. An interpreter can always overcome language differences, but

nothing can compensate for a lack of logical reasoning ability or leadership expertise.

Moreover, do not fall into the trap of hiring someone who looks like you, someone who went to a top Japanese or American university for undergraduate studies followed by a Top Ten MBA, then worked in an executive job at an "elite" company. Go for the hidden champions without brand who are right under your nose. For the partner that knows for whom to look, there is a sufficient supply of suitable leaders.

To change the behavior of incumbent management and employees, one must change the underlying economics. This is why the prognosis for large, listed companies is especially dismal: it is impossible to overcome vested internal interests to overhaul incentives. And because those internal interests and incentives are also chained to the agendas of external regulators and policy makers, the problem is intractable.

For companies sincerely ready to take the medicine, the strategy must bypass the legacy workforce for transformation tasks while retaining them strictly for running steady-state operations. A resilient turnaround organization for strategy and execution must be built "from the outside, in":

- *Install Interim C-Suite and Directors.* Seasoned senior turnaround leaders from the outside must assume critical roles (such as Interim CEO, COO, and CIO) throughout the business to absorb execution risks, make objective decisions without fear or favor, and protect the rank-and-file staff from the inevitable fallout of transformative change;
- *Match Compensation to Performance.* Replace traditional seniority-based tracking with clear incentive frameworks. Though expensive up front, it is far cheaper in the long-term to pay The Squeezers and blockers (of any generation) to

leave the company rather than keep them on the payroll. This also protects younger employees from punishment and gives The Quiet Quitters a credible economic reason to contribute to the cause;

- *Decouple Innovation from Business as Usual.* Shift transformation projects entirely out of the regular business units. By setting up projects managed by external specialists that have the final word, daily operations remain stable while internal political friction is eliminated; and,
- *Decommission Legacy Environments.* Bypass outdated 1970s–1980s IT and processes by migrating them directly into automated cloud setups, radically reducing reliance on The Squeezers and showing The Quiet Quitters that meaningful change is possible…and quick.

Strategy consulting firms sell abstract slide decks and fanciful academic theories that unmotivated workforces ignore or despise. One should not be drawn into the usual pastiche of strategically unsound analyses, metrics, cross-cultural sensitivity training, coaching, trying to get buy-in, cultural change, and the other schtick of wrongheaded transformation initiatives and "best practices" from consulting firms, training companies, HR departments, and their fellows. What might sound good (or what everyone else does) is not the same as what actually works. More matter, less art. Get the basics right.

Take, for example, "Match Compensation to Performance Metrics." One does not need a consulting firm and the HR department to chew up eight months of schedule and budget in analysis and design followed by forcing employees into the endless grind of evaluations and tracking, activities that breed cynicism in an already moribund organization. Instead, I have found that initiatives that have been stalled for years and targets said to be impossible suddenly jumpstart within days after

having implemented something as simple as the Say-Do Ratio. Authority with accountability. Rewards and consequences. The concept is clear, simple, and logical, and begs neither translation nor cultural packaging, nor really much of an explanation. Japanese kindergarten is not much different from any other kindergarten, in this regard. From childhood, everyone knows what it means to make a promise, to keep it… and the consequences of breaking it.

Returning to the need for external C-Suite intervention, a practical illustration can be observed from the consistent over-extension and misapplication of rules and regulations by The Squeezers, not in the interest of protecting the customer or company, but in extending and preserving one's authority and minimizing workload, even if there is no financial upside for The Squeezer. When one has never been rewarded for value, bad actors sometimes resort to exerting power over others, just as petty as in academia. Such people cook up rules and authoritative prohibitions as they go along, having no legal legitimacy. Capable turnaround leaders understand the weaknesses, the soft underbelly, of the endemic dysfunction, and use it against itself deftly to overcome its grip on the business.

Misuse of Japan's Privacy Law is a good illustration of this behavior. If there was a prize for "The most misinterpreted, misapplied, and overextended use of a law in Japan," the Privacy Law would get a gold medal. You will be hard-pressed to find anyone who has even read the statute let alone sought legal advice about how it applies to aspects of the business in question. Yet, even mere consideration of the most trivial actions and changes is hammered down by simply saying, "Privacy Law. Very difficult." Perhaps the easiest chestnut of all to debunk, it ironically has surprising resilience because of the

cult-like acceptance of following the rules and timidness in the face of arguments from authority, bereft of logic.

But in Japan, The Land of Rules, there really are no rules, at least for certain people and under certain circumstances. The Squeezer's certitude in the correctness of his manufactured version of legal pronouncements crumbles when he is asked to explain the specifics of his stance with a copy of the statute and a lawyer in the room. Subordinates—The Quiet Quitters—who blindly follow such a Squeezer see that the emperor has no clothes; The Squeezer loses face. But his tenacity is boundless. Even after (or especially after) he has been exposed, he will then incessantly try to breed dissent and discord against the turnaround, the management, the private equity partner—basically, anyone who carries with them even so much as whiff of change or threat to the status quo. This is a case in which one should pay the miscreant to leave the company, to get out of the way of the turnaround effort, and as early as possible.

Corporate inertia cannot be negotiated away; it must be bypassed and outmaneuvered with sensible iconoclasm. Partners might be pleasantly surprised to see that many among the employees and management alike are hungry for it. There are associated costs, but they pay manifold dividends in short order.

Solution for the strategic part

Once one has begun to break through the inter-generational deadlock, one is in a stronger position to execute the turnaround strategy and tackle the strategic half of the problem: depopulation. To ease the depopulation stressors on the business, partners must aggressively transition portfolio

companies away from volume-based growth. There are numerous ways to do this:

1. *Shift from CAC/LTV to Margin-per-Capita.* In a growing market, businesses optimize for Customer Acquisition Cost (CAC) relative to Lifetime Value (LTV), betting that there will be a never-ending stream of new sales prospects. In a depopulating market, one must shift to maximizing Margin-per-Capita. Since one cannot acquire more customers (*i.e.*, because they literally do not exist anymore), one must increase the utility of services to the existing population pool.

   Example:– Transition businesses into multifunctional hubs. A regional logistics company should not just deliver packages. Drivers can check on elderly citizens, collect regional data, and deliver groceries while taking on more of a familiar face and informal role in the community (recall, the old days when everyone knew the postman and milkman by name). In this way, fixed operational costs are spread across new multiple service lines that serve the same pool customers.

2. *Judiciously de-scale infrastructure while scaling up other parts of the business.* Most corporate assets (*e.g.*, factories, retail stores, server networks) become massive financial liabilities if they operate below a specific capacity threshold. If an asset cannot be efficiently operated at a threshold level of its original design capacity, it should be phased out or converted.

   That said, de-scaling is a high risk, multivariable undertaking. Finesse and a light touch work best. Think of how a traditional Chinese acrobat reduces the number of his spinning plates here and adds more plates there without dropping any of them. Each plate represents one of the

many parts of the business. The plates are coupled to one another. And so it is with all the parts of the business. While certain parts of the business should be de-scaled, other parts must be scaled up as you shift emphasis among extant products and services and to newer ones such as those associated with longer-lived products.

Example:— Deploy micro-factories. Replace centralized manufacturing plants with highly automated, small-footprint facilities that can be spun down or re-purposed with lesser effort. Retail stores can pivot to mobile or episodic footprints that use rotating physical pop-ups or automated mobile units that service contracting regions on specific days of the week, compressing local demand into brief, highly profitable windows. This can also lower the cost barriers to innovate.

3. *Upgrade workforce productivity.* When the labor pool shrinks, wages increase. Companies should scale up the capabilities of a fixed or shrinking workforce using technology, not by adding headcount:

shift from

Traditional strategy: more workers→more output→more revenue

to

Depopulation strategy: fixed workers→automation→multi-sector value

Example:–Implement automation. Artificial intelligence and robotics are deployed to cut costs *and* to prevent catastrophic operational failure from lack of personnel. This requires multidisciplinary training. If a company can only employ ten people instead of 50, those ten individuals must be cross-trained to ensure the autonomous systems can function properly.

4. *Design products for longevity.* Volume-driven business models rely on planned obsolescence and frequent replacement cycles to drive quarterly earnings. In a depopulating market, this premise is invalid because aggregate consumption is plummeting in proportion to the decreasing pool of customers.

   Example:—If one can only sell fewer units, one must capture revenue during the entire lifecycle of those units (*e.g.*, maintenance, remanufacturing, and subscription-based upgrades). Industrial and consumer products must be designed for indefinite repairability and/or component-wise upgrades and replacements. The initial sale then contributes a minority proportion of revenue; the majority, derived from asset optimization over the long-term.

5. *Manage deflation.* Public markets penalize companies with declining top-line revenue, even if those companies remain highly profitable on a per-share basis. Managing capital in a depopulating economy requires divorcing oneself from the "growth at all costs" mindset.

   Example:—Instead of reinvesting capital into geographic expansion or capacity increases for which there are fewer (or no) customers anymore, return the excess capital to stockholders or divert it into efficiency development. A company that reduces its total revenue in a controlled way, at least as best as possible, but increases its profit-per-employee and dividend yield becomes the new definition of success.

Trade-offs and common pitfalls

Always be on the lookout for the subtle and hidden tradeoffs that will result from your decisions. A factory, for example, carrying an excess inventory of components and raw materials might be misconstrued as being grossly inefficient in the cosmetics industry, which can lead one to one-dimensional strategies of cost reduction.

Consider the true case of a Japanese cosmetics company, beloved by its retail customers and sales women alike for fifty years, in which its excess manufacturing inventories were actually mitigating risks in the company's supply chain. Those seemingly undesirable inventories empowered the company to outperform competitors by responding quicker and profitably to the fragmented requirements of their retail customers. The KSF and differentiator for the company's half-century of success arose from the strong Japanese social bonds between the thousands of part-time "sales ladies" in the field and their retail women customers coupled with the company's quick response supply chain for the customers' requirements.

Yet, the company was in sure decline. Inter-generational deadlock was stifling innovation in manufacturing, R&D, and information technology. Depopulation was withering the numbers of candidate sales ladies. The aging population meant that the average age of customers was 62; sales ladies, even older. The company, however, was successfully marketing not to the mindsets of senior citizen women, but to a subset of women who *happened* to be senior but were retaining, in part, the social fabric and outlook of women as they once *were* in their twenties or thirties in the 1970s and 80s when they first became customers and sales ladies. This case was perfect for spot basis, surgical de-scaling, limited efficiency measures and focused

upgrades in the factory and IT. In other words, a light touch for a nuanced business situation.

Having the depopulation blindspot, unfortunately, the fund's appointed turnaround leadership team tried to "get with the times" with a new business strategy that emphasized new customers in their teens, twenties, and thirties—segments that were already depleted from depopulation—while eschewing the growing pool of senior customers who were tech-savvy, yet preferred the pre-social media, non-digital social relationships of their youth as the main mechanism for buying and enjoying the company's products. A totally new and incongruent MLM line-of-business having to do with cookware was also thrown in.

Suboptimal selection of the turnaround leaders and interim management, along with local fund personnel, board directors, consultants, and advisors, compounded the flawed strategy with an irrational escalation of commitment to cost cutting, carpet-bombing the company in a span of six months with conventional efficiency projects. They fired all the manufacturing workers, razed the company's factories, closed the R&D labs, rationalized SKUs and suppliers, rushed unprepared into eCommerce renovation and digital technologies, outsourced manufacturing to OEMs that demanded long lead times and high MOQs, and outsourced the customer contact center. The last initiative in the list eradicated institutional front-line knowledge of customer behaviors and, with it, an essential channel besides the sales ladies for longstanding, trustworthy, and personal relationships between the company and its customers.

The result: a rapid death spiral of the company was triggered, upending the lives of thousands of people—employees, factory workers, sales ladies, their families, and even the customers. The remains of the company was palmed off

within 18 months at a painful loss to another fund—a smaller fish—who, in turn, sold the remains of that within a year and at a loss to a foreign electronics conglomerate. Only a few scattered SKU remnants (more like archeological artifacts) of what had been a large, viable business just a few years beforehand exist today.

A final point on easing the depopulation stressors, as you decide your targets and priorities for descaling and scaling up, be cautious of today's popular "strategies" of circular economies. Regenerative economic models that are easily debunked have no place in the objective reality of practical setting of turnarounds, a setting that is serious and severe; more than your investors' money, the livelihoods of people are also in your hands.

What investors should demand of their GPs

Investors in Japan businesses, whether through private equity firms or by other means, must set a higher standard of accountability than is typical in other developed markets. Conventional governance covering financial reporting, board rights, standard carry and so forth, do not force GPs to recognize and deal with the problems I have described, nor qualify them to execute the solution.

Before committing any capital, investors should use the the following litmus test on GPs:

1. *Humility.* Does the GP state fully and without prevarication —and without you needing to prod him—about what he does not know and what he cannot do in Japan. This applies to Japanese GPs no less than non-Japanese ones.

2. *Does the GP understand the central problem of corporate inter-generational deadlock in Japan?* The GP must show thorough understanding of the fusion of forces of low birthrate, aging population, and inter-generational deadlock—the central problem that demands the correct strategy and execution solutions. The GP must explain how this force operates differently across public companies, carve-outs, and private businesses, and how the fund's investment and operating approach accounts for each.
3. *Company-level diagnosis.* For every portfolio company investment, the GP should provide you with an assessment of where authority is stuck, where engagement has collapsed, and what specific mechanisms will be used to break the deadlock. Vague references to "succession plans" or "culture transformation" do not cut it in the field.
4. *Explicit underwriting of the execution cost.* The additional time, resources, and risk required to produce results inside companies paralyzed by the "execution tax" or "execution premium" must be quantified in advance and reported thereafter. Persistent overruns should trigger your contractual rights to demand an independent operational review or changes in leadership.
5. *Japan-specific operating measures.* Progress on transferring real decision rights, restoring discretionary effort among critical personnel, improving the speed and efficacy of decisions, and protecting the business from further erosion of inter-generational deadlock must be reported with the same rigor as financial metrics. Annual, thorough reviews with the Japan-based teams, not only the GPs, are essential.
6. *Governance rights that function in Japan.* Observation or appointment rights, escalation protocols, and the ability to commission independent reviews matter here because of the

residual, lingering suspicion of private equity firms. Co-investment rights on larger transactions can further improve visibility.

7. *Incentive alignment with the longer cycle.* Carry structures optimized for faster exits in the US or Europe only serve to encourage GPs to under-invest in the long-haul, exhaustive, and expensive turnaround work that is necessary for success in Japan. Flexibility on hold periods for Japanese assets and linkage of economics to operational milestones reduce the GPs' temptation to cut corners that damage both value and reputation.
8. *Continuity of local Japan capability.* High turnover among Japan-based private equity personnel and their attendant entourage sharply raises the execution cost and exacerbates the old reputational concerns in the minds of Japanese employees. Depth, retention, and incentives of the local team are a risk factor.

Is the cure working?

Is this medicine actually being applied in the field today? In short, yes—albeit often by happenstance rather than design, suggesting that even some successful GPs might not fully realize why their strategies are working.

One noteworthy domestic private equity firm in Japan claims to generate consistently 3x multiples and higher on invested capital by tying its exit metrics to wage increases, employee growth rates, and the promotion of women to executive jobs. While the casual observer might mistake this for soft corporate social responsibility, it is actually a hard-nosed operational cure. By opening opportunities for capable

employees marginalized by The Squeezers and by breaking promotion practices based on seniority, the GPs of this fund have been able to shift partially the economic incentives that fuel inter-generational deadlock and its associated harmful behavior.

This same fund has positioned itself as a leader in business succession investments and regional corporate carve-outs in prefectures outside Tokyo. These are family-owned or mid-market legacy companies where aging owners require an immediate exit. Such legacy environments map well to the internal dangers outlined in this paper. As with tier-1 listed companies, family-owned companies in Japan generally have a poor prognosis, but for a different reason. The intransigence of autocratic owners has created the SME version of The Squeezers and The Quiet Quitters.

More progressive funds are expanding into tech-driven platforms and automated B2B services rather than wallowing in conventional growth strategies. These initiatives are more than operational improvements. Survival of the business depends on protecting it from inter-generational deadlock, labor and customer shortages from depopulation, and the associated paucity of innovation.

What success looks like in Japan

Major Japanese companies routinely request me to develop their rising stars into global leaders, prepare women directors as candidates for board director, align the heads of overseas operations and business units with vision of the holding company's CEO, and teach about innovation and intrapreneurship. Numbering in the thousands over the years,

they come from all business functions and the widest spectrum of industries. About 60% are "proper" Japanese employees, meaning that they have worked only for one company, and most of them only in Japan. Of the remainder, half are non-Japanese, hired and working overseas, and half are Japanese having overseas experience. Ages are from late twenties to mid-fifties, tenures between five and 20 years in their respective companies, and men and woman in roughly equal numbers.

The classroom takes on aspects of a living laboratory for me. For the past few years, I have asked participants: "If your CEO gives you an order that will cause certain harm to someone, will you follow or disobey the order?"

Their answers come forth unhesitatingly and almost with unanimity: "I will obey."

I say "almost" because, at the time of writing this article, only one participant of the 130 that I have taught over the past nine months said that he would unequivocally disobey the order. The reason given by those who would obey: fear of punishment. The Quiet Quitters—even the one who said that he would disobey—say their fear extends to fear of punishment for any failure and the ridicule that always comes with it. These fears, they say, date back to schooldays. And in a culture having a deep social orientation toward conformity, in which the importance of the thoughts and feelings of others is paramount, ridicule is worse than punishment. Whereas the latter is a single event, the former lasts for one's lifetime in the company. Self-confidence is obliterated. That foreign directors of overseas operations would feel likewise about the punishment aspects is intriguing; perhaps it indicates how incredibly compelling and uniform the Japanese corporate culture can be, at least inside the major players.

So when a GP and his team of "experts" parachute into one of these companies out of the blue, especially one with the heavy-handed attitude of a teacher coming to teach the Japanese the errors of their ways, purporting to know more about the business than those who have worked in it for years, no wonder employees and management alike revile them. Both are savvy enough to know the reputation of private equity in Japan. Given the absolutest regime for punishment, what employee would be crazy enough to stick his head out for any partner or his assigns?

If one does manage to change the incentives by the ways I described, or by better methods of your own design, however, a renaissance blooms. At first tiny, it unfolds in fits and starts, as years of pent up resentment are replaced with agency of self. For some, the shock of freedom is too much to bear. But most adapt and embrace their newfound authority with accountability, to be able to do something—*anything*–no matter how small, that is truly of one's own creation and savor the satisfaction that goes with it.

And that is when will you see something that goes beyond a turnaround; it is nothing less than revelatory, inspiring and invigorating to the bone. The people are not re-inventing themselves. They are rediscovering themselves. The spirit of Shibusawa, Odaira, Iwadare, Gotoh, Morita, Matsushita, Honda, and tens of millions of Japanese like them is still alive; people for which gustiness was the norm, whether they were leading a company or working for one. The guts to innovate, to make business and, above all, to create genuine value for themselves, their families, and their communities during Japan's eras of greatest despair and greatest recovery. When their re-awakened confidence is combined with their unparalleled self-discipline and tenacity, the Japanese workforce

is unstoppable. Anything and everything becomes possible—fast! One can never model the enormity of such value in a spreadsheet or measure it with a KPI.

And you as an investor can be the catalyst for this to happen, and benefit from the attendant prosperity, but only when you develop a sincere, abiding affection for and camaraderie with the people. Indeed, when one can love the people more than one's EBITDA, that is when true success begins to come, and what it looks like in Japan.

CONCLUSION

Over decades, low birthrate, an aging population, and inter-generational deadlock have slowly fused into a single interlocking mechanism that causes attractive-looking companies to enter a death spiral when conventional turnaround strategies are applied to them. The convergence of a low birthrate and an aging population creates an economic void, resulting in a shrinking market and an unmotivated workforce that engages in "quiet quitting" as a defense mechanism against limited upward mobility. Western private equity often misses the mark in Japan by imposing on these demoralized workers certain KPIs and cost-cutting measures that would otherwise be perfectly viable, thereby creating bad outcomes despite the optimistic financial predictions.

To unlock value in these deals, a private equity fund cannot rely on conventional tactics. Veteran turnaround leaders must be used to break the inter-generational deadlock, thereby lowering or eliminating altogether the associated "execution tax" or "execution premium", then to de-scale parts of the business for a market—a society—that is depopulating. The true

first-mover is not the GP who shows up in Japan before others, but the one who masters this approach early. As aging populations and low birthrates spread across the world later this century, along with the attendant stall in demographic momentum, so will inter-generational deadlock; all are manifestations of heavy handed central planners. What country has not pursued this folly? Because this new phenomenon in business is unfolding in Japan first, any Japanese company that adapts today will be well-suited go abroad and even beat laggard incumbents in those markets.

Finally, an investor's biggest advantage in Japan is Japan itself. If there is one word that can be used to describe Japan—all its strengths and weaknesses—it would be "predictable." By virtue of the number of variables involved, the undertaking in Japan may eventually rank among the most difficult in the history of modern private equity. But those variables are predictable. In the end, you—the investor—are the biggest risk to your own success here. Once one knows the drill, the playbook, you might find Japan the easiest market of your career. The people are ready for change, champing at the bit for it, but have lost their confidence. More than merely doing another deal, the successful investor will actually have contributed to the revitalization of a society, a country.

Will you number among those few?

No. 5

JAPAN'S RUBICON

Japan's long list of existential threats was all red herrings.
They missed the only one that mattered: themselves.

"To thine own self be true."

Failing in large measure to have done so, the Japanese people have this in common with the rest of us. How could it be otherwise?

Every country, every culture—every one of us—feels exceptional to some degree. A false sense of immunity against annihilation. One feels that one's god is stronger, or one's countrymen are smarter, or one's culture is more resilient. Usually, it is all of the above. "But we are German," many Jews convinced themselves in 1934 when everything around them screamed to the contrary.

Japanese people have been awash in comfort for over half a century. No privation. No rockets landing in neighborhoods from terrorists. No wars. They enjoy personal safety, comfort, and convenience unmatched by any other country or community in recorded history. Their wishes for almost any material thing are granted. Aladdin delivers whatever they want the next morning in a cardboard box on their doorsteps. And the wishes are limitless; gone are the days of being allowed only three.

The only difference between all of us is the mechanism by which our cultures or countries or civilizations cease to exist.

Some collapse overnight. Most are dismantled and crumble piecemeal, in fits and starts near the end, and over a long period of time. Each has a mechanism peculiar to them.

As with MacArthur's "Old soldiers never die; they just fade away," so it is with Japan. Fitting, somehow, as MacArthur was the closest thing to a patron saint that Japan's Greatest Generation had. Both faded away a long, long time ago.

So it is with all generations. But most have a successor, a replacement. That is until the mechanism denies it.

The causes of death are few, mostly along the lines of not following admonishments in sage advice like the one from Shakespeare. The mechanisms of death, however, are numberless.

Let us begin our postmortem at the end of the story when we find both the ordinary cause and the extraordinary mechanisms unique to Japan grinding irreversibly to the end of a way of life—perhaps even the country—as the Japanese people know it.

FREE TO CHOOSE

The Japanese population became free to choose in increasingly larger measures during three periods: Meiji, Taishō, and the postwar period under General Headquarters (GHQ) until the late 1960s. The freedom was sufficient to unshackle creativity, free enterprise, and suffrage for a sufficiently large portion of the general population to catapult individuals and, therefore, their communities and country to qualities of prosperity and rates of ascent never achieved before in Japan—or since.

Whenever they voluntarily ceded such freedom in favor of central control—the cause of a country's death—they warped

their free markets, eliminated equal application of the law, and failed to fully institute checks and balances in the government that prevent harm of one citizen by another—the mechanisms of death.

For four decades since 1989, piece by piece, Japanese have slowly dismantled what powered their country's ascent after the War. Innovation, entrepreneurship, sensible iconoclasm. Freedom to choose. They did it by apathy, and by the insecurity within themselves for stability at all costs, not by conscious self-immolation. The path of least risk is the riskiest of all paths. And their descent has been all so orderly because they have conducted it under the auspices of *wa*[15] and their ideologies—myths—about themselves. To thine own self be true—indeed!

There are myriad reasons why the Japanese people convinced themselves this was the correct thing to do. Ideology is one, as mentioned, which goes hand in glove with the second: the elected politicians who exploited the people's faith in the ideologies. Can anyone name a Japanese politician who can be called "statesman?" Politicians gave the electorate exactly what it wanted.

This runs seemingly against the premise of freedom of choice given that the politicians were and are freely elected. But the contradiction or paradox is easily resolved. The only written constitutions Japan has ever had contain a fatal flaw: both leave the monarchy intact. The Meiji Constitution made the Emperor explicitly sovereign. The one imposed by GHQ reduced him to a symbol yet left him in place as the chief Shintō priest of Japan. Renunciation of divinity means nothing if the monarch is still treated in the manner of a deity or a representative of one.

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[15] Harmony

Today's Constitution of Japan became a mere parchment promise after the departure of GHQ, one easily exploited by those atop the status quo that had temporarily gone underground. They rapidly re-took control.[16]

Japan in the late 20th and early 21st Centuries is the opposite of Meiji, Taishō, and especially the postwar period under GHQ—the most successful eras in the history of the entire archipelago that is, for now, called "Japan."

No man has the right to another's labor unless one cedes it to another. Once a part has been ceded, the remaining portion is easily usurped, without force at the beginning. By the end, it is too late for force to even matter.

Ask employees, in particular managers and directors older than thirty, how much of their salary they will forfeit to be free to choose. A few say ten percent. Most say none.

One must be willing to forfeit 100 percent; otherwise it destroys the individual's agency and all the benefits that arise from it: creativity, innovation, safeguard against cronyism and all the cascade of symptoms that will be described next, which in turn destroys the community, the country, and the civilization.

This allows central planners to exercise their most potent—perhaps only—tool: taxation without representation. Once that happens, it cannot be reversed. The bureaucracy expands autonomously and at an ever increasing rate, drawing more taxes, incurring more debt. Nobody can comprehend the

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[16] The residual status of the Emperor lowers the barrier of reversion to the historical status quo after GHQ left, but it an enabler, not a cause. Revisionist history and nationalist ideologies are necessary, but not sufficient, to hoodwink people into believing the legitimacy of central planners and controllers.

length, breadth, and complexity of the problem to unwind the incentives that drive the expansion.

A cascade failure ensues—multiple organ failure of the country—starting with faltering prosperity. This appears at the outset in the most invidious way: people can no longer afford to have children. Once that happens, latently here and there, it is already too late. Death is certain.

Symptoms of multiple organ failure of a country

Loss of demographic momentum. As I have written extensively elsewhere, Japan's aging population situation is intertwined with its low birthrate, but they are distinct phenomena with different consequences. An aging population is a distributional shift; the proportion of elderly people to working-age people grows. A low birthrate is an existential crisis. Not enough babies are born to supply a given system so the entire population loses its "momentum." An economic void—a demographic quicksand—opens and begins to widen.

Once a generation shrinks, the absolute number of births remains low even if fertility increases later because the number of potential parents has decreased. The population loses momentum and sinks into the void.

Even if birthrates could somehow miraculously stabilize, it would make no difference. The population would continue to age due to medical advancements, better nutrition, and other aspects of modern life that increase longevity—precisely Japan's reality. There are not enough Japanese females to build sufficient momentum for the country to re-populate.

Immigration, the only therapy available, is barred outright because of nationalistic ideology. The legitimacy of the entire

status quo that caused this disaster is based on the ideology so compromise is technically possible, but psychologically inadmissible.

Neutralization of innovation. The next symptom that presents itself in the terminal disease is the abandonment of innovation.

As the proportion of seniors climbs, public systems cannot keep pace. Older populations are forced to draw down their savings to bridge the gap from insufficient pensions rather than invest, redirecting capital that could otherwise have gone into new ventures and riskier investments, thereby hobbling innovation. Similarly for their children and grandchildren, subsequent generations must redirect a portion of their money from investments to help their parents and grandparents to pay the bills.

Meanwhile, the government increases taxes and diverts public funds into pension, healthcare, and so-called social "safety nets" rather than allowing citizens to pursue R&D and strategic industries as they deem fit. Innovation takes another hit. Government also continues to subsidize the inefficiency of, and inculcate cronyism with, the dominant incumbents—lumbering giants—by way of ongoing overregulation, barring innovation in those giants. A third hit. New entrants with innovations cannot afford a seat at the table because of the regulatory expenses. They are locked out by the cost and cronyism, and innovation takes a fourth hit.

Innovation nosedives and inefficiencies and cronyism soar, ossifying society throughout and at great costs.

The ascent of cartels and feudal-like systems. The final symptom is the rise and proliferation of cronyism by way of cartels and feudal-like systems: widespread corruption.

Diagnosis

What freedoms of choice did the Japanese people forfeit that led to this fatal illness of country?

After the departure of GHQ, at first slowly, then at runaway speed after the burst of the asset price bubble, the Japanese people voluntarily traded freedom of choice for security. Who among us would not have done the very same thing if we, too, had gone from total privation to being an economic superpower in the blink of an eye? All the while, ideological conformity ran in the background.

Eventually, the three following liberties that had been available during the Meiji, Taishō, and early post-GHQ decades were eroded to the point of extinction today:

1. the freedom to "refuse", that is, for one to be able to say no to authority without retributive punishment;
2. the freedom to "try", that is, for one to be able to undertake a business or other endeavor in a way that is free of cartels, bureaucrats, and cronyism; and
3. the freedom to "fail", that is, for one to be able to try again.

One may say that citizens already have the ability to do all three today. Even if true, one must also have the *courage* to do them. Fear of others' opinions and Japanese paranoia about risk are crippling. The first and third of these freedoms are the most elusive of all today, which means the second is part and parcel of the other two because trying something for the first,

second, or even tenth time carries with it the almost certainty of failure.

Regarding the first freedom on the list, once it was lost, the path of least risk—silence, conformity, stability at all costs—became the only safe path. Then it was easier to eradicate the other two liberties.

Turning our attention to the second freedom, new companies and projects could be started and grown without permission from existing industrial groups, ministries, or licensed guilds, innovation and market entry remained possible. When this liberty was curtailed, disruptive activity had to pass through protected channels that existed to prevent disruption. The result was the neutralization of innovation and the re-formation of cartels in medicine, law, agriculture, education, banking, and elsewhere.

As for the third freedom, during Meiji, Taishō, and the early postwar decades under GHQ, individuals could leave a company and still secure income and social standing elsewhere. Once this liberty was lost, exit arose mainly from punitive measures of the boss, not freedom of choice of the individual. Voluntary separation destroyed livelihood and social status. *Kokorozashi*[17] was redirected from the person to the organization because the person could no longer afford to keep it. Being a Salaryman automaton in the bureaucratic machinery became prized; starting one's own business became the mark of the village idiot.

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[17] See the paper, "The Kokorozashi Cudgel."

CANCER

The three liberties were closed by ordinary choices that remain visible. Once exit without ruin, entry outside protected channels, and the right to refuse without being marked as disloyal were priced out of reach, two results followed directly.

The first is the loss of demographic momentum: no babies. The second is the proliferative burden of cancer: a small, infertile, long-lived population who are sick for a substantial and ever-increasing part of their life.

Cancer is not new, nor is its increase with age. What changes under the forfeited liberties is the capacity to respond to its contribution to the demise of a country. No country has "died" from cancer, that is, until now. And Japan cannot die of cancer, alone. It works in concert with depopulation.

Once entry outside existing professional and institutional channels is closed, and once exit or refusal inside those channels is treated as disloyalty, the organization of detection, treatment, and care is locked to whatever methods and hierarchies already hold power. New approaches cannot be tried at scale without permission from the incumbents; failure cannot be followed by departure and a fresh attempt; success, when it appears, is absorbed back into the same channels.

As the population ages, cases accumulate. As it shrinks, does the number of working-age adults available to fund and deliver care. Cancer imposes an accumulating cost and reduced productivity on a decreasing population base, and there are no liberties left to allow the reorganization needed to slow or reverse the trend. The result is not merely more cancer. It is more cancer that the people have crippled themselves from addressing.

The two results reinforce each other. A country that is depopulating faces a larger per-person disease burden that cannot be reduced by exit from failing methods. Prosperity falls further under the combined load, the private cost of children rises again, and the following generation is smaller still. The arrangement subtracts people while adding a disease cost that the forfeited liberties have made unmanageable, until the remainder can no longer sustain the country as it has been known.

The result is a population whose numbers are permanently decreasing, who rests on defunct technologies and ways from the past, whose prosperity is permanently decreasing and is being skimmed in larger and larger proportions by the cartels and those who run the feudal-like systems, and who are being infected by an as yet incurable disease at increasing rates—their numbers accumulating—that imposes an ever increasing cumulative cost.

To wit, a shrinking population that is getting poorer and sicker and that is not progressing.

Japan's epitaph will bear the mechanism of its death: "But we followed the rules."

PROGNOSIS FOR JAPAN

The population will shrink for at least the next two to three decades. The cohorts already born are smaller than those before them; later rises in the fertility rate cannot replace missing parents. The number of working-age adults will fall, the dependency ratio will rise, and the share of income spent on pensions and health care will increase. More people will live for

extended periods with cancer or its after-effects simply because more of the population is old.

Fiscal pressure will grow as fewer full-time workers support higher cumulative medical and caregiving costs. Household saving available for new investment will stay low. Business formation outside established channels will remain limited. Aggregate growth will be weak or negative for long periods. Quiet reduction of effort will spread where exit is costly. Gaps between major cities and other regions will widen.

The point at which the remaining population and economy can no longer sustain a recognizable Japanese state and society is not demonstrated. It follows only if fertility stays near present levels, immigration stays tightly limited, and reorganization of care and work fails to outpace rising dependency. Offsets that could change the relative speeds exist but have not appeared at scale.

The account centers the three liberties. Other causes operate and can alter the pace without restoring earlier momentum. Improved cancer survival is real; the burden claim concerns net cost and lost productivity. Small changes in rules or behavior can slow the contraction without reversing the arithmetic of cohort size. The forecast indicates direction and reinforcing pressures, not a fixed date.

WHAT GENERATION Z CAN DO

The Sensible Iconoclast Papers look at how certain everyday rules in Japan have made it harder to leave a job or a career without losing everything, harder to start something new outside the usual channels, and harder to say no without being treated as disloyal.

The result is a system that has been relentlessly transferring your money and opportunity—and with it your freedom, prosperity, and happiness—to the older generations, making it harder for you to form families or start new work of your own design and imagination, and keeping your life boxed inside the same protected paths that already exist for the benefit of your elders. The same pattern shows up in other countries, just in different forms. Japan makes it especially obvious because the entire country is depopulating rapidly. The birth rate has already dropped past its tipping point of demise and the population is already shrinking while aging.

In Japan, only you—Generation Z—can change this by making refusal normal and by keeping the door open to undertake things in life that *you* want to do, not what older people expect you to do. That means saying no to the seniority and rules that punish anyone who does not follow the standard path. It means starting households, companies, schools, clinics, or mutual-support networks that do not need permission from the people already in charge. And it means treating consent as optional when someone is only demanding your silence and obedience rather than your ideas, creations, and practical results that can actually be tested and used for everyone's benefit.

It also means forming families and working partnerships with people from outside the current closed circle—ordinary immigration and intermarriage, not a managed labor program of servants to sustain the status quo of the older generations.

None of this requires taking over government ministries first. Instead, find ways to raise the cost to older generations of keeping their closed rules in place. Create small spaces where people can try, fail, leave, and try again. You have many powerful tools, youthful vitality being one of them, and the power to say "No!"

If enough of you do this, the massive transfer of prosperity can stop and new things can sprout and flourish again as they did during the few other periods of Japan's enlightenment and prosperity.

And you are not alone. There are plenty of likeminded people in my Generation X who extend a hand to you. We are keen to do this with you for everyone's benefit; after all, we have family and loved ones and dreams too, just like you. You will help your family, your community, and your country gain more of the ability to adapt that it used to have.

That is the work ahead of you to reclaim your life, liberty, and pursuit of happiness.

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