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Stocks have best yearly gain since Abenomics jolt

Nikkei 225 sees second-highest year-end close

BLOOMBERG, REUTERS, JJI

Japanese stocks rounded out their biggest yearly gains in a decade as the weak yen, corporate governance reforms and signs of sustained inflation enticed buyers.

The benchmark Topix posted an annual return of 25%, and the 225-issue Nikkei average rallied 28%. That's the best performance for both gauges since 2013, when aggressive monetary and fiscal easing policies fueled hopes of a turnaround in the third-largest economy.

The world-beating indexes ended the year near the highest since 1990, boosted by investors seeking alternatives to Chinese equities and authorities' push for companies to improve value. The slump in Japan's currency helped boost profits of exporters such as carmakers. On Friday, the Nikkei fell 0.22% from the previous day to close at 33,464.17, its second highest year-end finish ever after 38,915.87, marked on Dec. 29, 1989.

The benchmark hit a 33-year high in November amid a rare call from the Tokyo Stock Exchange to improve capital effi-

ciency. Billionaire investor Warren Buffett's Berkshire Hathaway boosting its stakes in trading houses also buoyed sentiment.

"Japan's stock rally this year is really quite meaningful," said Ayako Sera, a market strategist at Sumitomo Mitsui Trust Bank. "It's a sign that we're finally returning to a normal situation, a nondeflationary environment where the Bank of Japan's monetary policy easing has likely supported the market."

Investors may become even more bullish into 2024 given that the currency remains relatively cheap and corporate earnings have become less susceptible to foreign-exchange fluctuations, though some are cautious about near-term risks given lackluster consumer spending and signs yen weakness may be over.

The Topix gained 0.2%, while the Nikkei 225 slipped 0.2% on Friday, the last trading day of the year.

Japan's equity gains this year have still outpaced peers in Asia. The MSCI Asia-Pacific Index rose less than 9% as investors fretted about a slowdown in Chinese growth, as well as lingering geopolitical tensions, regu-



Hideki Kuriyama, who guided Samurai Japan to the World Baseball Classic title in March, rings a bell during a ceremony marking the end of trading in 2023 at the Tokyo Stock Exchange on Friday. REUTERS

latory risks and fears of state meddling in the world's No. 2 economy.

Of the 225 stocks, Kobe Steel was the best performer for the year after its shares nearly tripled, and steel makers became the top gaining subindex among the TSE's 33 subindexes.

Drug maker Sumitomo Pharma was the worst performer, with a 53.3% decline. The drug sector lost 1.09% to become the only losing sector among the group.

"This is a reflection of investor prefer-

ence for value stocks with higher dividend payouts to growth stocks with higher price earnings ratio," said Shoichi Arisawa, general manager of the investment research department at IwaiCosmo Securities.

This year's rally is the best since the Topix jumped 51% in 2013 on optimism that then-Prime Minister Shinzo Abe's policies, dubbed Abenomics, would give a much-needed jolt to the economy. Those hopes faded in the ensuing years, especially as the COVID-19 pan-

demictymied Abe's goal of ending deflation.

There are now finally signs of sustainable inflation, which has been above the central bank's 2% target for more than a year and half.

Financial stocks in particular have been beneficiaries of optimism banks' lending margins will improve. The sector has outperformed the broader Topix since the BOJ's shock move to loosen its hold on yields just over a year ago fueled bets of an end to the world's last negative interest-rate regime.

Israel-Hamas war could continue deep into 2024

SAMIA NAKHOUL
REUTERS

The war aims of neither Israeli Prime Minister Benjamin Netanyahu nor Gaza's Hamas leader Yahya Sinwar look attainable in 2024, and their fight may consign the Palestinian territory to yet more devastation and an open-ended Israeli occupation.

Netanyahu seeks to obliterate Hamas for its attack on Oct. 7, Israel's bloodiest day ever, and is seemingly willing to raze much of Gaza to the ground and risk reimposing a military occupation in the enclave Israel left in 2005.

Sinwar hopes to trade remaining hostages from the 240 Hamas and allied groups seized on Oct. 7 for thousands of Palestinian prisoners, end the Israeli-Egyptian blockade of Gaza, and put Palestinian statehood back in play.

Why it matters

Palestinians initially felt pride that Hamas fighters had shattered Israel's image of invincibility, but soon realized the attack would draw a terrifying response.

Weeks of bombardment have left much of the Hamas-ruled strip in ruins, killing more than 21,000 people and wounding 55,000, according to Palestinian health authorities, and displacing 1.9 million, according to relief agencies and Gaza health officials.

Hamas and its thousands of fighters are dug deep into the territory's dense cities and refugee camps and there is little sign they are close to defeat, with battles continuing across the enclave and their leaders still at large.

The Israeli military has expressed regret for civilian deaths but blames Hamas for operating in densely populated areas or using civilians as human shields, a charge the group denies.

What it means for 2024

Israel's army chief predicts the war will last for months. Even if the war ends early in the year, Israel will likely maintain a military occupation, drawing frowns from allies as

Kishida's military build-up plans face bumpy road

© **Analysis**

GABRIEL DOMINGUEZ
STAFF WRITER

Last year, Prime Minister Fumio Kishida not only laid the foundation for Japan's defense and security policies for years to come, he also highlighted Tokyo's willingness to shed some of the postwar constraints on its military.

But it is one thing to map out an ambitious vision and list of program priorities and another to effectively, efficiently and fully implement them.

One year on, questions remain as to whether the embattled leader, whose support rate recently dipped to new lows, can follow through on his pledges.

This is particularly the case with a planned 65% increase in defense spending through 2027, amid a growing number of funding

and demographic challenges — not to mention concerns about his own administration's longevity and how that could impact defense plans.

"At its core, there are two fundamental requirements for fully realizing Japan's new national defense and security strategies: resourcing and political will," said a former U.S.-Japan alliance manager who spoke on the condition of anonymity to freely discuss the issue.

"That sounds simple enough, but Japan's current economic and political situation are anything but simple."

In the 'danger zone'

Indeed, the economy remains sluggish, the consumer price index is rising, wages continue to fall when adjusted for inflation, and the yen remains weak, despite a recent rally. Japan is also grappling with myriad social and economic challenges amid

the country's declining and rapidly aging population.

This means that generating and sustaining such a large amount of funding for a military build-up over the next several years will not be easy.

"Absent an acute security crisis, it will be difficult for the Kishida administration to justify any significant increases in defense spending," said the former alliance manager.

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Political protectors

Far-right cow vigilantes in India eye positions in local assemblies | **ASIA, PAGE 4**

NOTICE: The New York Times International Edition will not be published on New Year's Day. Due to a newspaper holiday on Jan. 1, there will be no issue of The Japan Times /The New York Times International Edition on Jan. 2. The press holiday is to provide time off for delivery personnel.

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Japan sees evolution of Asian international schools

ANIKI OSAKI EXUM
STAFF WRITER

Most international schools in Japan are known for catering to wealthy Western expats, Japanese returnees, and children from multiracial or multicultural families.

In recent years, though, more international schools have opened to serve non-Japanese Asian communities, drawing more and more students as the populations of such communities rise across the country.

With lower tuition than legacy international schools, these schools are becoming an affordable option for expats of varied nationalities who might stay in Japan for the longer term and Japanese parents looking for accessible international education.

Global Indian International School (GIIS) Tokyo and Everest International School Japan (EISJ) are just two examples.

Over the past two decades, the number of students at GIIS has soared — from 60 in 2006 to 1,300 this year — alongside the growth of the Indian community in Japan. As of the end of June, there were 46,262 Indian residents in Japan, double the figure from a decade ago.



Initially established to appeal to Indian families in Japan wishing to have their children learn from Indian teachers, many of GIIS Tokyo's parents worked in the information technology and finance sectors. For its first decade in operation, the school only used the Indian national curriculum, according to Sumit Mishra, Japan director of GIIS.

The school has four campuses in Tokyo's Edogawa Ward and a newly opened one in Osaka.

Global Indian International School (GIIS) Tokyo opened in 2006 with 60 students and has now grown to over 1,300, the majority of whom are Japanese.
COURTESY OF GIIS

EISJ, a Nepalese school with three buildings in Suginami and Shinjuku wards, meanwhile, has also seen a surge in student numbers — from 13 when it was founded in 2003 to 430 now — as the Nepalese population increased fivefold from 31,537 in 2013 to 156,333 as of June.

EISJ is a registered Cambridge International School alongside GIIS. GIIS also has International Baccalaureate accreditation depending on the grade level.

Both schools are approved by the education ministry as designated international schools equivalent to Japanese high schools, meaning students who graduate from these schools can take entrance exams for Japanese universities.

This is just one of the reasons the schools are also attracting Japanese parents looking for affordable and accessible international education for their children. And for school operators, Japanese students have become important sources of tuition revenue, something that was particularly clear during the COVID-19 pandemic.

"When COVID struck and borders were

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