

2016

White Paper on Small Enterprises in Japan

Ongoing Business and New Challenges



Outline of the 2016 White Paper on Small Enterprises in Japan

This second White Paper on Small Enterprises in Japan (*) consists of three parts. Part I analyzes trends among micro businesses, and Part II looks to micro businesses' future sustainable development by focusing on the new and increasingly prominent form of work called "freelancing." Part III, entitled "Vigorous efforts of micro businesses—Paving the way to the future," then describes the activities being pursued by a number of micro businesses in practice.

More specifically, Chapter 1 of Part I uses government statistics to explore business conditions among micro businesses and examine trends in the number of micro businesses (establishments) in Japan, the number of workers employed by them, their sales, and so on. Using the results of a questionnaire survey of micro businesses, Chapter 2 analyzes the activities being pursued in business by micro businesses. Chapter 3 draws mainly on the results of a questionnaire on business support activities to analyze the state of business support being provided to micro businesses. In light of concerns over the effects of population decline, Chapter 4 then uses government statistics and other data to analyze changes in the numbers and industrial distributions of micro businesses by population size of the municipalities in which they are located.

Chapter 1 of Part II starts by determining the characteristics of better-performing micro businesses, and then analyzes the correlations between business owners' ages and trends in business performance, and micro businesses' significance as a source of employment for women. Following on from the *2015 White Paper on Small Enterprises in Japan*, Chapter 2 focuses on "freelancers," who are individuals who market their skills and expertise in various fields, such as software design and engineering (SE), web design, and writing, without being attached to a specific organization, and analyzes the conditions and approaches to business to be found among practitioners of this style of work

Building on the analyses in Parts I and II, Part III describes the activities being pursued in the real world by a number of micro businesses selected from the point of view of the four micro business development goals adopted by the government under the Basic Act for Promoting Small Enterprises.

* The "small enterprises" that are the concern of the White Paper on Small Enterprises are businesses with a regular workforce of 20 or fewer employees (or five or fewer employees in the case of businesses in the commerce and service industries), as defined by the Basic Act for Promoting Small Enterprises (Article 2, paragraph 1). In the text, however, the term "micro businesses" is used to make it clear that small enterprises include "sole proprietorships" as well as "companies."

Japan's 3.81 million SMEs, and especially the 3.25 million (85%) of them that are micro businesses, enjoy close ties with their communities. Leveraging local features, they create jobs and meet local demand, making them crucial contributors to maintaining regional economic stability, improving quality of life, and promoting interaction among local residents.

However, Japan is experiencing a number of structural changes, including population decline, demographic aging, rising competition in Japan and overseas, and regional economic stagnation, that are having a major impact on the micro businesses that underpin their local economies and employment. Because of their inherently constrained human, financial, and other business resources, their more limited sales areas and ranges of products and services, and their weaker price competitiveness and ability to cope with risk, micro businesses are particularly susceptible to the effects of structural change. The aging of their owners poses a further problem for micro businesses, and factors such as a shortage of successors are directly related to weak business performance and closures.

In the two-year period from 2012 to 2014, the number of SMEs excluding micro businesses increased by 47,000 (+9.2%) to approximately 557,000. The number of micro businesses, on the other hand, declined by 91,000 (-2.7%) during the same period to approximately 3,252,000, and the decline continues. Thus even compared with other SMEs, micro businesses face especially difficult conditions.

Under these circumstances, the Basic Act for Promoting Small Enterprises ("Small Enterprises Promotion Act") enacted in June 2014 adopted the "sustainable development of business" as a basic principle to go with the principle of promoting "growth and development of business," which is stipulated in the Small and Medium-sized Enterprise Basic Act, thereby allowing direct support to be provided to the hard-working micro businesses that maintain employment at the local level.

Part I Developments among micro businesses

It is with these developments in mind that Part I identifies short- and medium-term trends among micro businesses of approximately 3.25 million using government statistics, and then analyzes the current situation among micro businesses based mainly on the results of a questionnaire survey of micro business owners and business advisors at commerce and industry associations and chambers of commerce and industry.

- Chapter 1 is entitled "Developments among micro businesses," and it examines business conditions among micro enterprises, their numbers in Japan, how many people they employ, the scale of their sales, and so on using the latest government surveys and statistics (including the recompiled results of the *Survey on SME Business Conditions* conducted by the Small and Medium Enterprise Agency (SME Agency) and the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ), and the *2014 Economic Census for Business Frame* published by the Ministry of Internal Affairs and Communications (MIC)). Short-term comparisons are made with the results of the previous *2012 Economic Census for Business Frame*, while medium- to long-term trends among micro businesses in Japan are identified by using data dating as far back as 1963. Analyses are also performed by industry and type of organization (sole proprietorship or corporation).
- Chapter 2, which is called "Activities and initiatives undertaken by micro businesses," explores the results of a specially conducted questionnaire survey of micro business owners to shed light on the state of their business activities from various angles. More specifically, it analyzes trends regarding changes in sales and the sizes of sales areas, the state of use of IT in business, elements of business management such as the frequency of book entries and inventories, preparation of business plans, actions to retain and develop human resources (a pressing issue for many micro businesses), and initiatives for business successions.
- Chapter 3, entitled "Micro businesses from the perspective of support providers," draws on the results of a questionnaire survey and other data compiled concerning the business support activities of business advisors and other personnel at commerce and industry associations and chambers of commerce and industry (i.e., the sources of support that are closest to micro businesses at the local level) and experts (coordinators, etc.) at the Yorozu Support Centers established in every prefecture. More specifically, it analyzes the attributes of business advisors, coordinators, and other support staff, the numbers and types of consultations that they handle, their state of collaboration with outside support providers, and so on.
- Chapter 4 is entitled "Micro businesses at the local level," and it uses the results of government surveys and

statistics (including the recompiled results of MIC's *Basic Resident Registration* and *2014 Economic Census for Business Frame*) and the questionnaire survey used in Chapter 2 of Part I to analyze, among other things, differences in the numbers of micro businesses and the industries to which they belong, trends in sales, and numbers of micro businesses per 1,000 population at two points in time (1990 and 2015) when municipalities nationwide are broken down by population size.

Part II The future of micro businesses

Building on the analyses in Part I, Part II looks to the future and the sustainable development of micro businesses in the years ahead by analyzing the characteristics of better-performing micro businesses. It also analyzes the new style of work called “freelancing,” whose practitioners market their skills and expertise without being attached to a specific organization.

- Entitled “Characteristics of better-performing micro businesses,” Chapter 1 uses the same questionnaire as Chapters 2 and 4 of Part I, along with government statistics (MIC's *Basic Survey on Employment Structure*), to first identify the characteristics of better-performing micro enterprises, and then analyze the correlations of current owners' ages and other attributes with business performance (growth in sales and sales areas). Considering next women's employment, analyses are made of the state of development of working conditions for women at micro businesses, micro businesses' significance as employers of women who return to the workforce after an absence, the relationship between women's work styles and the sizes of their employers, and so on.
- Chapter 2, entitled “Diverse aspects of micro businesses,” follows on from the *2015 White Paper on Small Enterprises in Japan* by examining the situation of “freelancers,” who are individuals who market their skills and expertise in various fields, such as software design and engineering (SE), web design, and writing, without being attached to a specific organization. In addition to examining the attributes of freelancers, this year's white paper looks at the specific forms of action being taken by freelancers in business from the perspectives of their occupations, sales, sales areas, annual incomes, and other factors. With the growth of crowdsourcing as a new means of obtaining work, this chapter also analyzes the methods that freelancers' choose (or intend to choose) to use and the forms of support that they consider that they require.

Part III Vigorous efforts of micro businesses—Paving the way to the future

As observed at the outset, micro businesses are particularly susceptible to the effects of various structural changes, and they face a number of challenges, including the effects of demographic aging and a shortage of successors. Nevertheless, micro businesses enjoy strengths in business stemming from the trust fostered by face-to-face contact with their customers, and they are also well placed to be involved in broadening local appeal (both in Japan and abroad) and developing locally based brands.

Part III therefore presents 44 actual cases to put a human face to some of the bold, innovative initiatives being pursued by micro businesses and their owners. These cases were selected bearing in mind the four goals set by the Basic Plan for the Promotion of Small Enterprises adopted in October 2014 under the Small Enterprises Promotion Act. These are, namely, promoting business management that should be implemented for future demand, promoting business renovation, facilitating business activities contributing to regional economies, and developing a system for supporting micro businesses through community-wide collective efforts.

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Part I Developments among micro businesses

Chapter 3 Micro businesses from the perspective of support providers

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Case 1-3-2 Eguchi Home Delivery Center Representative: Fumihiko Eguchi	Ogi City, Saga Prefecture	Retail/home delivery service	Raising sales by expanding business with an eye to synergies with existing business	144

Part III Vigorous efforts of micro businesses —Paving the way to the future—

Chapter 1 Promoting business management that should be implemented for future demand

Enterprise and representative	Location	Industry	Case	Page
Case 3-1-1 Bath Care Co., Ltd. President: Mamoru Iio	Nakanojo Town, Agatsuma District, Gunma Prefecture	Development, manufacture and sale of business-use bath mats, etc.	Wanting to make Japanese bath culture more pleasant with bath mats both users and employees appreciate	248
Case 3-1-2 Soranoshita Co., Ltd. President: Takanori Muroto	Fujiyoshida City, Yamanashi Prefecture	Outdoor goods rental and leasing	If it doesn't exist, I will make it myself. Users increase sharply on boom in Mt. Fuji climbing	250
Case 3-1-3 Kuska Co., Ltd. President: Yasuhiko Kusunoki	Yosano Town, Yosa District, Kyoto Prefecture	Manufacture of textile products and apparel	Launching a company brand, cultivating direct sales routes, expanding uses and sales channel for Tango <i>chirimen</i>	252
Case 3-1-4 Nouen Planning Co., Ltd. President: Makoto Uchiyama	Sodegaura City, Chiba Prefecture	Food services	Management from a housewife's perspective, a total store makeover, customers lining up every day	256
Case 3-1-5 Sato Shoten Limited President: Kunihisa Sato	Yokosuka City, Kanagawa Prefecture	Agricultural and aquatic products processing and sales, food service activities	Establishing a café, charging to taste Japanese tea. Helping revitalize the region by selling Japanese tea and local dried goods online	258
Case 3-1-6 Japan Sogo Farm Co., Ltd. President: Yumi Nakasuji	Tondabayashi City, Osaka Prefecture	Agricultural product processing and sales	Developing and selling food without additives, that children and people around the world can eat safely	260
Case 3-1-7 Iwaki-Takahashi Co., Ltd. President: Masayuki Takahashi	Iwaki City, Fukushima Prefecture	Manufacture and sale of high-grade <i>waribashi</i> (disposable chopsticks)	Hoping to be of help toward forestry restoration, developing high-grade <i>waribashi</i> as part of activities to support affected areas	264

Case 3-1-8 Kasamori Co., Ltd. President: Yasutoshi Kasahara	Kiryu City, Gunma Prefecture	Embroidery work, manufacture and sale of embroidered products	Changes over 140 years, launching a new brand, and contributing to local revitalization	266
Case 3-1-9 Ism Co., Ltd. President: Hideyuki Tobita	Matsudo City, Chiba Prefecture	Manufacture, sale, maintenance of food processing machines	Popcorn machine production, inspired by “If it doesn’t exist, make it,” broke through in market monopolized by foreign machines	268
Case 3-1-10 Ikoma Seika Honpo Co., Ltd. President: Osamu Hiraguchi	Ikoma City, Nara Prefecture	Manufacturing and sale of sweet confections	Development and sale of “pop candy” when demand exceeds supply by 40 to 1. Doubling production in five years, with an eye out for a business successor	270
Case 3-1-11 Takahashi Sekizai Kogyo Co., Ltd. Chairperson: Katsuko Takahashi (Aoi Ceremony)	Yakumo Town, Futami District, Hokkaido	Stone material processing and sale, funeral services	Stone material processing company starts funeral services as its second business. Will establish a service system covering from funerals to grave care	274
Case 3-1-12 Taniguchi Komuten Co., Ltd. Chairman: Joshi Taniguchi President: Naotoshi Taniguchi	Mihama Town, Mikata District, Fukui Prefecture	Construction, related work, both public and private	Developed “kawaraBLOX” by reprocessing waste roof tiles. Environmentally friendly, rich textures, appealing to new customers	276
Case 3-1-13 Duo Design Limited President: Hirotaka Sakakibara	Chita City, Aichi Prefecture	Construction, services	Designing/building stores, regional revitalization, food preservation, making society rich through three different businesses	278
Case 3-1-14 Ginrei Corporation President: Yasufumi Kinumi	Daisen Town, Saihaku District, Tottori Prefecture	Hotel business, restaurant business	Opened locally oriented <i>soba</i> restaurant to overcome declining sales at ski hotel	280

Chapter 2 Promoting business renovation

Enterprise and representative	Location	Industry	Case	Page
Case 3-2-1 Lily and Daisy Co., Ltd. President: Mamiko Aso	Suita City, Osaka Prefecture	Online sales of baby clothes and children’s shoes	Devoting attention to customer service since founding and building a brand based on adorable children’s shoes from U.S. companies	284
Case 3-2-2 Hanamizuki Owner: Reiko Kitamaru	Takehara City, Hiroshima Prefecture	Preserved flower sales, educational classes, food service activities	Developing iced <i>amazake</i> using sake lees from three Takehara breweries to increase the store’s drawing power and increase sales of preserved flowers	286
Case 3-2-3 Nature and Future Inc. President: Aya Hoshiko	Kumamoto City, Kumamoto Prefecture	Manufacturing and selling organic chemical products and biodiesel fuel	Refining waste cooking oil into biodiesel fuel and aiming to spread natural energy around the world—starting from Kumamoto	288
Case 3-2-4 Monmaya Co., Ltd. Executive Managing Director: Kazuhiro Monma	Sendai City, Miyagi Prefecture	Manufacturing and selling <i>tansu</i>	A traditional Sendai <i>tansu</i> business associated with the Date Domain expands through overseas development and online retailing	292

Case 3-2-5 Marunao Co., Ltd. President: Takahiro Fukuda	Sanjo City, Niigata Prefecture	Manufacturing and selling chopsticks, cutlery, and carpenter's tools	Aiming to provide the world with painstakingly designed chopsticks that are pleasing to the palate and easy to use	294
Case 3-2-6 Yasuda Seisakusho Co., Ltd. President: Takeshi Yasuda	Miyoshi City, Aichi Prefecture	Manufacturing and selling truck canopies and canopy frames, pipe bending, welding	An entrepreneur carries on his father's tradition of caring for employees while creating new, user-friendly products	296
Case 3-2-7 Yamamoto Senkojo President: Hiroyasu Yamamoto	Kyoto City, Kyoto Prefecture	Making specialized costumes for theatrical productions, etc., Yuzen-style dyeing using paper patterns, gold leaf, embroidery, tailoring	Applying techniques used by a long-running family business to launch an original brand	298
Case 3-2-8 Japan Filter Co., Ltd. President: Tsuneyuki Kimura	Adachi Ward, Tokyo	Manufacturing metal filters and strainers for vehicles, electrical appliances, hydraulic/pneumatic equipment, and construction equipment	Adapting to a challenging business environment with filter microfabrication techniques and entering new business areas while passing on the skills and knowledge of its expert workers	302
Case 3-2-9 Kutsukake Kogyo Corporation President: Keisuke Kutsukake	Ueda City, Nagano Prefecture	Industrial sheet-metal working, welding, can processing, manufacturing of jigs, equipment, devices, etc.	Unable to grow solely by leveraging its skills and facilities, a small factory benefits from teamwork and workers' improved attitude	304
Case 3-2-10 Tanigami Shrine and Temple Services Co., Ltd. President: Nagateru Tanigami	Hashimoto City, Wakayama Prefecture	Shrine and temple roofing work	Promoting the systematic development of human resources with a view to passing on traditional techniques	306

Chapter 3 Facilitating business activities contributing to regional economies

Enterprise and representative	Location	Industry	Case	Page
Case 3-3-1 Meboso Hachirobei Company Co., Ltd. President: Yuji Meboso	Kanazawa City, Ishikawa Prefecture	Manufacturing and selling needles	One of Kanazawa's longest-running businesses continues tackling new challenges in order to preserve its <i>meboso</i> needles and fishing flies made with traditional Kaga techniques	310
Case 3-3-2 Aisaika Co., Ltd. Representative Director: Yasuo Yoshikawa Senior Managing Director: Hidehiko Tanaka Managing Director: Kihachiro Tomita	Aisai City, Aichi Prefecture	Retailing of various food products	Providing an environment that helps small-scale farmers keep operating by converting a former convenience store into a farm-to-table outlet	312
Case 3-3-3 Mitsuura Jozo Co., Ltd. President: Kentaro Mitsuura	Hofu City, Yamaguchi Prefecture	Producing and selling miso, soy sauce, and related processed foods	Expanding the company and contributing to community development—thanks to the success of tea with dried lemon	314

Case 3-3-4 Izumo Hostel Itoan Owner: Shiho Atsuta	Izumo City, Shimane Prefecture	Accommodations and food service activities	Offering a unique community space where visitors and local residents alike can gather freely and contribute their ideas to its management and operation	318
Case 3-3-5 Yumi-chan Store Representative: Yumi Hamada	Tosashimizu City, Kochi Prefecture	Retail trade	A “humble little supermarket” helps to create a community that looks out for its elderly and where people can live comfortably	320
Case 3-3-6 Office Heart & Co. President: Yoshiko Tsuchiya	Urasoe City, Okinawa Prefecture	Designing and selling toys and miscellaneous goods	An entrepreneur fulfills her dream of moving to Okinawa and founds a business based on the concept of nurturing children through playing with toys	322
Case 3-3-7 Dento Design Kobo Co., Ltd. President: Mantaro Takahashi	Maebashi City, Gunma Prefecture	Retail trade, online store operation	Making a difference in the world of traditional and local industries by serving as a bridge linking soy sauce breweries to consumers	326
Case 3-3-8 Aeru Co., Ltd. President: Rika Yajima	Minato Ward, Tokyo	Developing and selling products using traditional Japanese production techniques	Aiming to turn traditional craft products into everyday items for babies and children by combining the techniques and knowledge of previous generations with contemporary sensibilities	328
Case 3-3-9 Bluing Hearts Co., Ltd. President: Tetsuo Ito	Hamamatsu City, Shizuoka Prefecture	Manufacturing fishing lures, OEM business	An entrepreneur who believed ‘the future is in your own hands’ motivates staff to improve their skills by adopting the same mindset	330
Case 3-3-10 Kamedani Ceramics Co., Ltd. President: Norio Kamedani	Hamada City, Shimane Prefecture	Producing and selling roof tiles, tiles, tile tableware, etc.	Transforming traditional <i>Sekishu-gawara</i> roof tiles into modern-style dishes and opening up new sales channels, including the international market, by combining technical skill with creative ideas	332
Case 3-3-11 Nihonto Hocho Seisakusho Representative: Norihito Ueta	Setouchi City, Okayama Prefecture	Manufacturing and selling Japanese sword-knives made using the same process as Japanese swords	Applying sword-making techniques to knives to meet contemporary needs while passing on traditional Osafune techniques	334

Chapter 4 Developing a system for supporting micro businesses through community-wide collective efforts

Enterprise and representative	Location	Industry	Case	Page
Case 3-4-1 Sanriku Ocean Co., Ltd. President: Tatsuo Kimura	Sendai City, Miyagi Prefecture	Marine produce processing/sale	“I want them to fall in love with my hometown’s sea squirts”—A sea- loving Sanriku seller helps revitalize the community	338
Case 3-4-2 Eijudou Ltd. Representative Director: Tatsuzo Numano	Takahagi City, Ibaraki Prefecture	Japanese sweets manufacturing/sale	A traditional Japanese sweets shop raises its sales and employee awareness by developing new products from a female perspective	340

Case 3-4-3 Komatsu Art Design Co., Ltd. President: Shigeo Komatsu	Okegawa City, Saitama Prefecture	Sign design	Overcoming numerous management hardships to attempt a new noise-related problem-solving business	342
Case 3-4-4 Atelier May Co., Ltd. President: Mayumi Shiota	Hirakata City, Osaka Prefecture	Japanese reed and bamboo paper design	Original products made of Japanese reed and bamboo paper based on a desire to show off precious local resources as art	344
Case 3-4-5 Tsutsui Farm Representative: Norio Tsutsui	Shoo Town, Katsuta District, Okayama Prefecture	Production of grapes (pione), etc.; development/sale of processed food	Going from department store employee to grape farmer in his twenties, increasing profits with dried fruit products	346
Case 3-4-6 Takashi Glass Materials Ltd. Representative Director: Akio Takashi	Kamiita Town, Itano District, Tokushima Prefecture	Fixtures construction— residential renovation	Shifting from a corporate- to a consumer-oriented business, innovating with flyers to multiply consumers and boost performance	348
Case 3-4-7 Yame Gibier Co., Ltd. Representative Director: Yoshifumi Ideguchi	Yame City, Fukuoka Prefecture	Wildlife preparation— mainly boar, deer; manufacture/sale of meat, processed products	A change in thinking from wild animal damage prevention to new business creation turns Yame's wild boar into the Yame Gibier brand	350
Case 3-4-8 Kimuraya Sweets Shop Representative: Masataka Kimura	Murata Town, Shibata District, Miyagi Prefecture	Sweets manufacturing/sale	Stimulating the historic and cultural warehouse town of Murata by developing popular sweets to save an old sweets shop	354
Case 3-4-9 Mita Foods Ltd. Representative Director: Tomoya Mita	Kiryu City, Gunma Prefecture	Dining	The third-generation owner uses government support to renew a locally-loved Western restaurant and pursue a dream of restaurant management	356

Introductory notes

1. In this report, the term “small and medium enterprises (SMEs)” refers to small and medium enterprises as defined under Article 2, Paragraph 1 of the Small and Medium-sized Enterprise Basic Act (“SME Basic Act”), and the term “micro businesses” refers to micro businesses as defined under Article 2, Paragraph 5 of the SME Basic Act and Article 2, Paragraph 1 of the Basic Act for Promoting Small Enterprises (“Small Enterprises Promotion Act”). The term “micro enterprises” refers to micro enterprises as defined under Article 2, Paragraph 2 of the Small Enterprises Promotion Act. These definitions are laid out in more detail in the following table.

Industry	Small and Medium-sized Enterprise Basic Act definitions		Basic Act for Promoting Small Enterprises definitions	
	SMEs		Small enterprises	Micro enterprises
	Capital or number of regular employees	Number of regular employees	Number of regular employees	Number of regular employees
1) Manufacturing, construction, transportation, other industries (excluding 2)-4) below)*	Up to ¥300 million	Up to 300	Up to 20	Up to 5
2) Wholesale trade	Up to ¥100 million	Up to 100	Up to 5	Up to 5
3) Services*	Up to ¥50 million	Up to 100	Up to 5	Up to 5
4) Retail trade	Up to ¥50 million	Up to 50	Up to 5	Up to 5

* The following industries are separately stipulated as shown below, based on government ordinance related to SME legislation.

[SMEs]

1) Manufacturing

- Rubber product manufacturing industry: up to ¥300 million in capital or up to 900 regular employees

3) Services

- Software industry and information service industry: up to ¥300 million in capital or up to 300 regular employees
- Hotel industry: up to ¥50 million in capital or up to 200 regular employees

[Small enterprises]

3) Services

- Accommodations industry and amusement services industry: up to 20 regular employees

2. This report draws largely on recompiled statistical data published by the Japanese Government and the results of surveys conducted by various private-sector entities. Sources, methods of calculation and other relevant information are specified where data are cited, but notes specific to each data source are summarized below.

Ministry of Internal Affairs and Communications (MIC), *Establishment and Enterprise Census, Economic Census for Business Frame* and MIC/METI, *Economic Census for Business Activity*

This census provides statistics on both business establishments and enterprises. In this report, enterprise-based analyses using these statistics also include sole proprietorships. However, the size of sole proprietorships is determined based on the number of workers at their head office or principal place of business only, as name

gathering is unfeasible. Additionally, the *Economic Census for Business Frame* and the *Economic Census for Business Activity* cover the same survey subjects as the *Establishment and Enterprise Census*, but differ from it in that they (1) capture a greater range of business establishments and enterprises by using commercial and corporate registers and other administration records, and (2) adopt a method of surveying enterprises and establishments en bloc by having head offices report information on their branches and other operations. It should thus be noted that numerical differences compared to the results of the *Establishment and Enterprise Census* do not all indicate increases or decreases.

3. This report contains analyses based on questionnaire surveys on SMEs, micro businesses, and other respondents conducted by various private-sector organizations commissioned by the Small and Medium Enterprise Agency (SME Agency). It should be noted, however, that not all enterprises surveyed have responded to these questionnaires.
4. The indicators for SMEs and micro businesses vary more widely than those for large enterprises. Thus, when examining statistics on SMEs and micro businesses, it should be noted that the mean values may not necessarily represent the standard state of SMEs and micro businesses.
5. The maps of Japan included in this report do not show the entirety of Japanese territory.

Part I

Developments among micro businesses

Chapter 1 Developments among micro businesses

Part I mainly examines developments among micro businesses and the state of their business activities, the situation of micro businesses from the perspective of support agencies, and their significance to their local communities.

In this chapter, the focus is on the business conditions faced by micro businesses, trends in their numbers, and their present situation.

Section 1 Definition of micro businesses

Legal provision is made for micro businesses in Article 2, Paragraph 5 of the Small and Medium-sized Enterprise Basic Act and Article 2, Paragraph 1 of the Basic Act for Promoting Small Enterprises. These define “small enterprises” as “businesses with a regular workforce of 20 or fewer employees (or five or fewer employees in the case of businesses in the commerce and service industries).” In addition, the Basic Act for Promoting Small Enterprises defines businesses with a regular workforce of five or fewer employees as “micro enterprises” (Fig. 1-1-1).

The concern of the White Paper on Small Enterprises is with “small enterprises” as defined in these acts. As these enterprises include “sole proprietorships” as well as “companies,” however, the term “micro businesses” is used below to make this point more apparent, except when specific reference is being made to “small enterprises” as legally defined. When reference is made to SMEs other than micro businesses in this white paper, the term “medium businesses” is used.

Fig. 1-1-1 Definition of small enterprises

Industry	Small and Medium-sized Enterprise Basic Act definitions		Basic Act for Promoting Small Enterprises definitions		
	SMEs		Small enterprises	Small enterprises	Micro enterprises
	Capital or number of regular employees		Number of regular employees	Number of regular employees	Number of regular employees
1) Manufacturing, construction, transportation, other industries (excluding 2)-4) below)*	Up to ¥300 million	Up to 300	Up to 20	Up to 20	Up to 5
2) Wholesale trade	Up to ¥100 million	Up to 100	Up to 5	Up to 5	Up to 5
3) Services*	Up to ¥50 million	Up to 100	Up to 5	Up to 5	Up to 5
4) Retail trade	Up to ¥50 million	Up to 50	Up to 5	Up to 5	Up to 5
* Concerning 1) manufacturing and 3) services above, the industries on the right are separately stipulated as shown here, based on the government ordinances related to SME legislation (industry sectors specially designated by government ordinance).	<p>[SMEs]</p> <p>1) Manufacturing</p> <ul style="list-style-type: none"> • Rubber product manufacturing industry: up to ¥300 million in capital or up to 900 regular employees <p>3) Services</p> <ul style="list-style-type: none"> • Software industry and information service industry: up to ¥300 million in capital or up to 300 regular employees • Hotel industry: up to ¥50 million in capital or up to 200 regular employees <p>[Small enterprises]</p> <p>3) Services</p> <ul style="list-style-type: none"> • Accommodations industry and amusement services industry: up to 20 regular employees 				

Section 2 Business conditions of micro businesses

Drawing on the results of the *Survey on SME Business Conditions*¹⁾ conducted by the Small and Medium Enterprise Agency (SME Agency) and the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ), this section

reviews the business conditions, unit purchase prices and unit sales, profitability (ordinary profit), employment, and movements in the financial position of micro businesses relative to medium businesses.

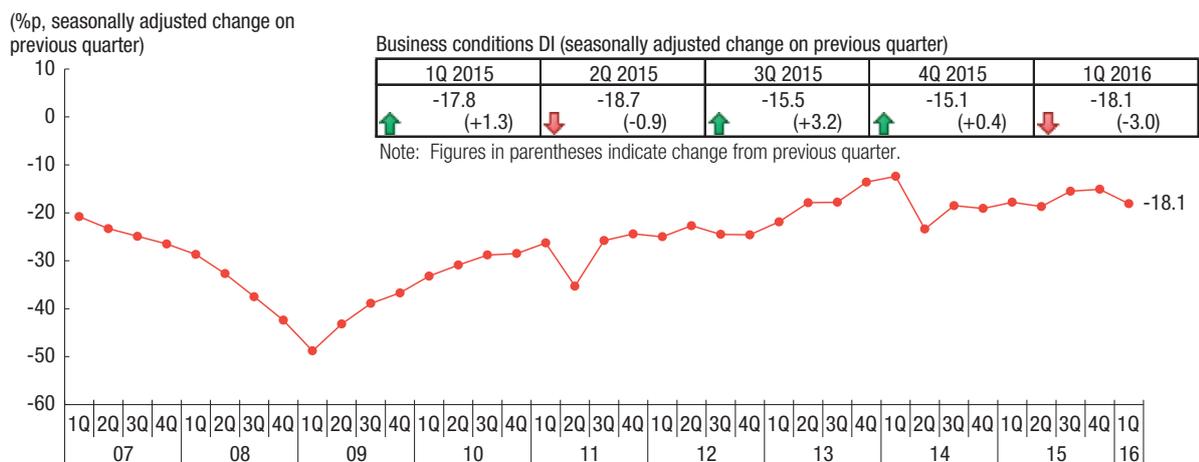
1 Business conditions

The business conditions experienced by micro businesses as a whole, as measured by the business conditions DI²⁾ reported in the *Survey on SME Business Conditions*, are examined first (Fig. 1-1-2). The business conditions DI for small and medium enterprises (SMEs) was slightly more negative in

the second (April-June) quarter of 2015 than the first quarter (going from -17.8 in 1Q to -18.7 in 2Q), but then improved in the next two quarters from the third (July-September) quarter (going from -18.7 in 2Q to -15.5 in 3Q and -15.1 in 4Q). In the first quarter of 2016, the index began to deteriorate for the first time

- 1) The *Survey on SME Business Conditions* is an interview survey of 19,000 SMEs and micro businesses as defined by the Small and Medium-sized Enterprise Basic Act, conducted by business advisors at societies of commerce and industry, chambers of commerce and industry across the country and researchers from the National Association of SMEs.
- 2) The business conditions DI represents the percentage of companies that described business conditions as more favorable than in the previous quarter, minus the percentage that described them as more unfavorable.

Fig. 1-1-2 Business conditions DI for SMEs



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The business conditions DI represents the percentage of enterprises that described business conditions as more favorable than in the previous quarter, minus the percentage that described them as more unfavorable.

in three quarters (going from -15.1 in 4Q 2015 to -18.1 in 1Q 2016), indicating that, despite the underlying recovery trend, signs of weakness remain.

The trend in the business conditions DI for SMEs as a whole shown in Fig. 1-1-2 is broken down in Fig. 1-1-3 to show micro businesses and medium businesses separately. While the business conditions DI for micro enterprises was slightly more negative in the second (April-June) quarter of 2015 than the first quarter (going from -19.7 in Q1 to -20.5 in Q2), the negative margin then shrank for two consecutive quarters from the third (July-September) quarter (going from -20.5 in 2Q to -17.7 in 3Q and -16.8 in 4Q). Presently (as of the first quarter of 2016), the negative margin widened

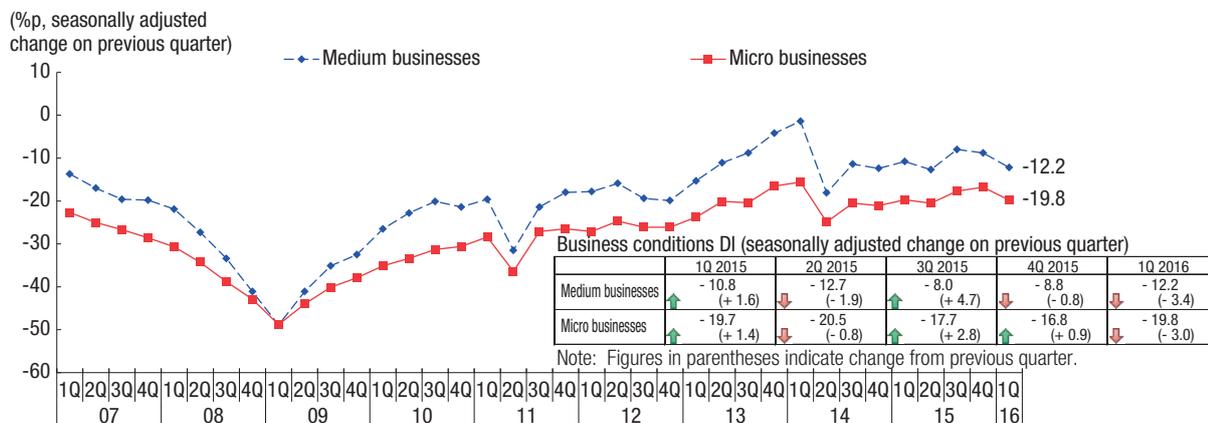
again for the first time in three quarters (going from -16.8 in 4Q 2015 to -19.8 in 1Q 2016), indicating that conditions remain weak.

Barring a slight increase in the negative margin in the fourth (October-December) quarter compared to the third quarter (going from -8.0 in 3Q to -8.8 in 4Q), the business conditions DI for medium businesses followed the same trend as for micro businesses over the same period.

The index for micro businesses currently remains lower than for medium businesses (-19.8 compared with -12.2 in 1Q 2016).

The trend in the business conditions DI for micro businesses shown in Fig. 1-1-3 is next broken down by

Fig. 1-1-3 Business conditions DI for medium and micro businesses



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The business conditions DI represents the percentage of enterprises that described business conditions as more favorable than in the previous quarter, minus the percentage that described them as more unfavorable.

region and industry, as shown in Fig. 1-1-4.

Looking at the business conditions DI for micro businesses by region between the second (April-June) quarter of 2015 and first (January-March) quarter of 2016, it can be seen that, with certain exceptions, conditions currently appear weak nationwide.

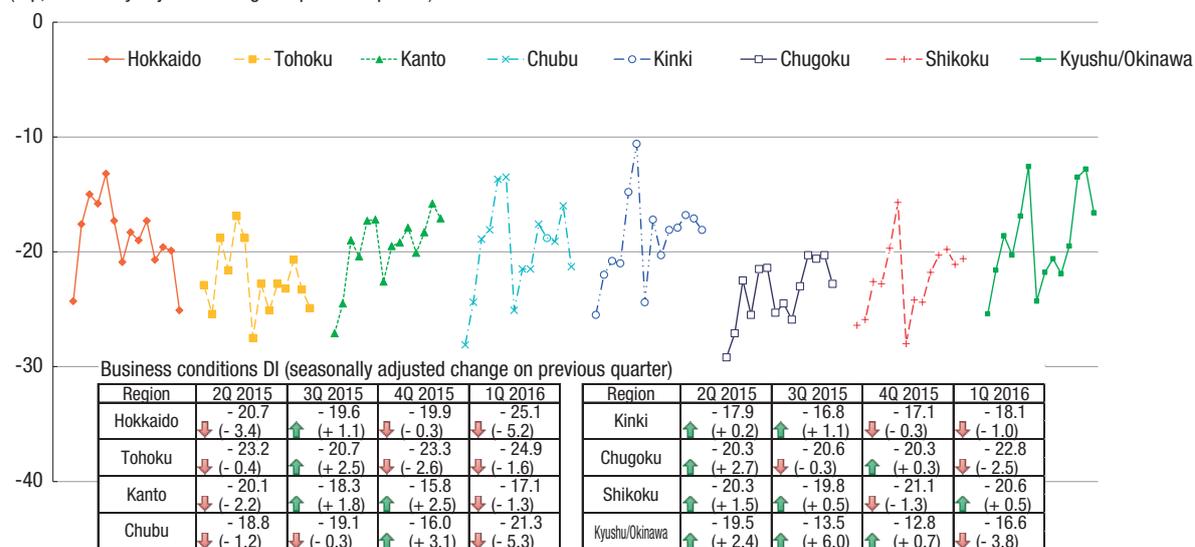
The breakdown by industry of the business

conditions DI between the second (April-June) quarter of 2015 and the first (January-March) quarter of 2016 shows that the index in the latest quarter was weak across all industries, with the negative margin greatest in the retail trade (-30.8 in 1Q) and smallest in construction (-11.4 in 1Q).

Fig. 1-1-4 Business conditions DI for micro businesses (by region and industry)

(1) By region

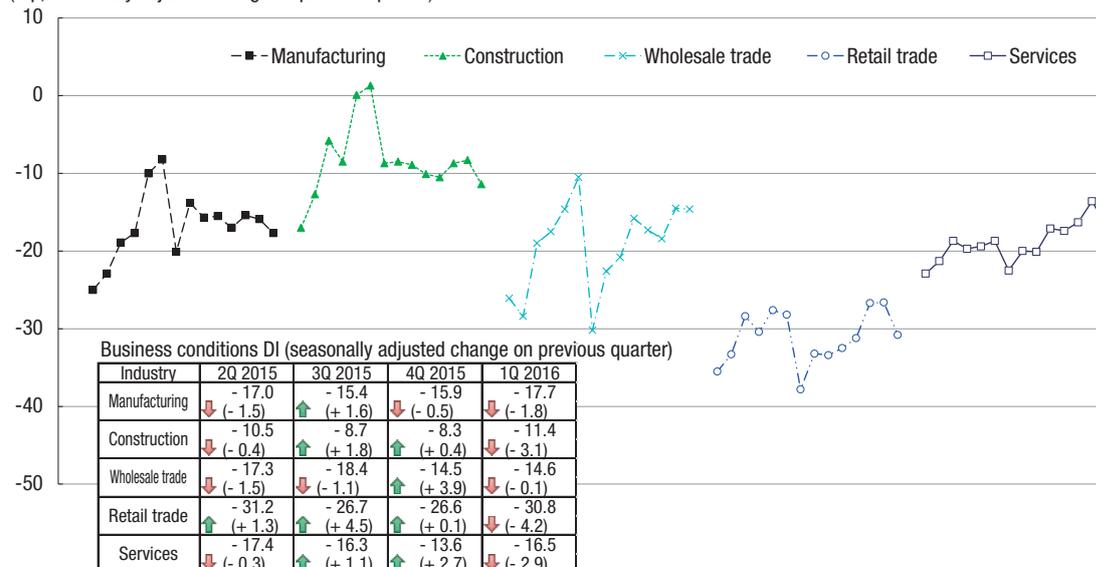
(%/p, seasonally adjusted change on previous quarter)



Note: Figures in parentheses indicate change from previous quarter.

(2) By industry

(%/p, seasonally adjusted change on previous quarter)



Note: Figures in parentheses indicate change from previous quarter.

Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

- Notes:
1. The above figures cover the period from the fourth (October-December) quarter of 2012 to the first (January-March) quarter of 2016.
 2. Regions are classified according to the prefectures under the jurisdiction of each regional Bureau of Economy, Trade and Industry.
 3. The figures for the first (January-March) quarter of 2016 are based on survey results as of the end of March 2016.

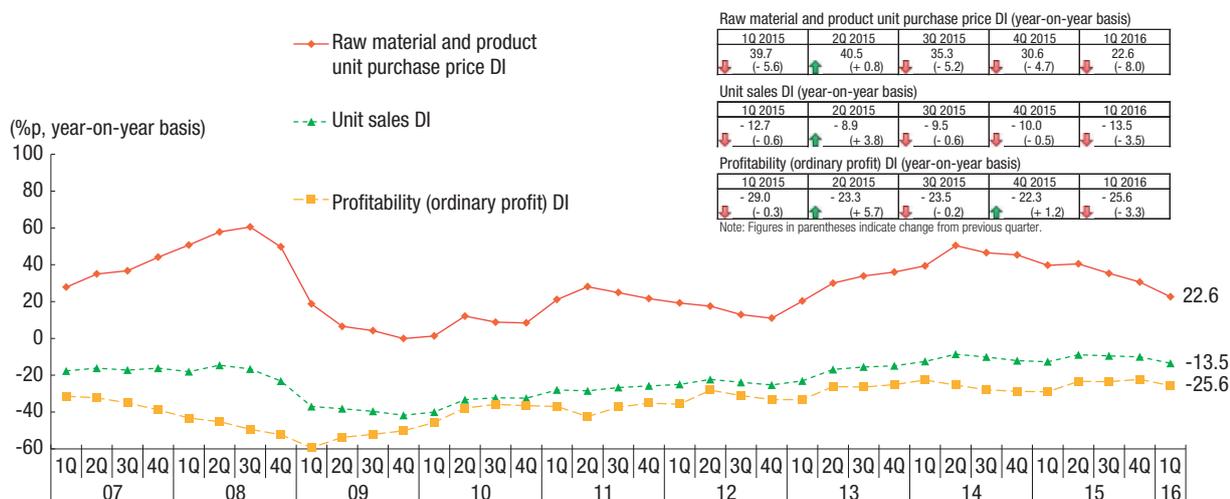
2 Raw material and product unit purchase prices, unit sales, and profitability (ordinary profit)

In this sub-section, the focus turns to trends in raw material and product unit purchase prices, unit sales, and profitability (ordinary profit). Fig. 1-1-5 shows trends in the raw material and product unit purchase price DI³⁾, the unit sales DI⁴⁾, and the profitability (ordinary profit) DI⁵⁾ for SMEs. In the second (April-June) quarter of 2015, the raw material and product unit purchase price DI was slightly more positive than in the previous quarter (going from 39.7 in 1Q to 40.5 in 2Q), but the unit sales DI became less negative (going from -12.7 in 1Q to -8.9 in 2Q). As a consequence, the profitability (ordinary profit) DI became less negative (going from -29.0 in 1Q to -23.3 in the 2Q).

While the positive margin of the raw material and product unit purchase price DI shrank for two

consecutive quarters from the third (July-September) quarter of 2015 (going from 40.5 in 2Q to 35.3 in 3Q and 30.6 in 4Q), the profitability (ordinary profit) DI improved slightly (from -23.3 in 2Q to -22.3 in 4Q) owing to the fact that the unit sales DI became only slightly more negative (going from -8.9 in 2Q to -9.5 in 3Q and -10.9 in 4Q). Presently (as of the first quarter of 2016), the raw material and product unit purchase price DI is less negative (going from 30.6 in 4Q 2015 to 22.6 in 1Q 2016), but the profitability (ordinary profit) DI has grown more negative (going from -22.3 in 4Q 2015 to -25.6 in 1Q 2016) owing to a widening of the negative margin of the unit sales DI (going from -10.0 in 4Q 2015 to -13.5 in 1Q 2016).

Fig. 1-1-5 Raw material and product unit purchase price DI, unit sales DI, and profitability (ordinary profit) DI for SMEs



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

- Notes:
1. The raw material and product unit purchase price DI represents the percentage of enterprises that said unit purchase prices of raw materials and products had increased over the previous year, minus the percentage that said they had decreased.
 2. The unit sales DI represents the percentage of enterprises that said their sales had increased over the previous year, minus the percentage that said they had decreased.
 3. The profitability (ordinary profit) DI represents the percentage of enterprises that said their profitability (ordinary profit) had improved over the previous year, minus the percentage that said it had worsened.

- 3) The raw material and product unit purchase price DI (year-on-year basis) represents the percentage of enterprises that said unit purchase prices of raw materials and products had increased over the previous year, minus the percentage that said they had decreased.
- 4) The unit sales DI (year-on-year basis) represents the percentage of enterprises that said their sales had increased over the previous year, minus the percentage that said they had decreased.
- 5) The profitability (ordinary profit) DI (year-on-year basis) represents the percentage of enterprises that said their profitability (ordinary profit) had improved over the previous year, minus the percentage that said it had worsened.

The trends in the DIs for material and product unit purchase prices, unit sales, and profitability (ordinary profit), shown for SMEs as a whole in Fig. 1-1-5, are next broken down to examine micro businesses and medium businesses separately.

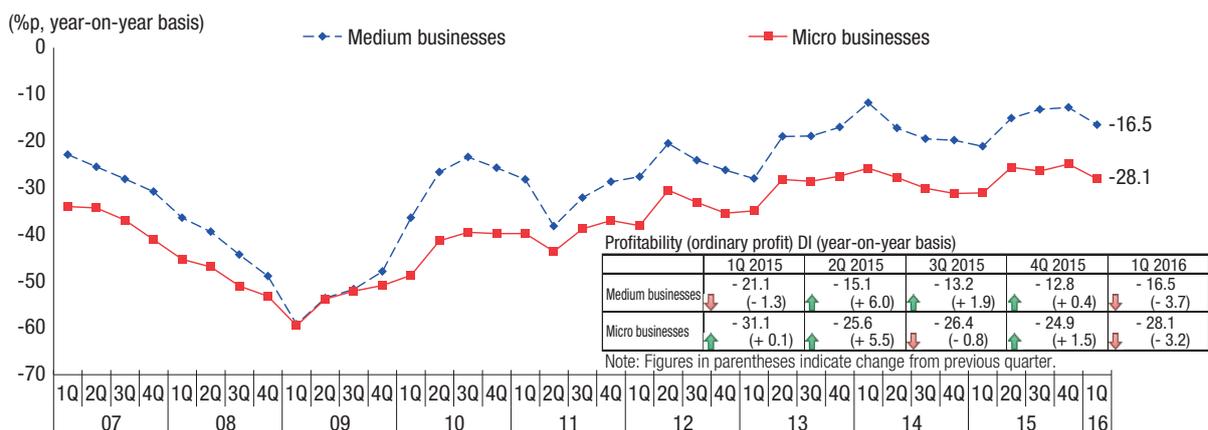
The profitability (ordinary profit) DI is considered first (Fig. 1-1-6). In the case of micro businesses, the profitability (ordinary profit) DI has repeatedly risen and fallen. In the second (April-June) quarter of 2015, the negative margin shrank compared with the previous quarter (going from -31.1 in 1Q to -25.6 in 2Q). The margin then widened slightly in the third (July-September) quarter (going from -25.6 in 2Q to -26.4 in 3Q) before shrinking again in the fourth (October-December) quarter (going from -26.4 in 3Q to -24.9

in 4Q). Presently (as of the first quarter of 2016), the negative margin has widened again (going from -24.9 in 4Q 2015 to -28.1 in 1Q 2016).

Over the same period, the profitability (ordinary profit) DI for medium businesses became less negative for three consecutive quarters from the second (April-June) quarter of 2015 (going from -21.1 in 1Q to -15.1 in 2Q, -13.2 in 3Q, and -12.8 in 4Q). Presently (as of the first quarter of 2016), however, the negative margin has widened again (going from -12.8 in 4Q to -16.5 in 1Q 2016).

The profitability (ordinary profit) DI for micro businesses currently remains lower than for medium businesses (-28.1% compared with -16.5 in 1Q 2016).

Fig. 1-1-6 Profitability (ordinary profit) DI for medium and micro businesses



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The profitability (ordinary profit) DI represents the percentage of enterprises that said their profitability (ordinary profit) had improved over the previous year, minus the percentage that said it had worsened.

To shed light on the background to these trends, the raw material and product unit purchase price DI and the unit sales DI are next examined separately for micro businesses and medium businesses.

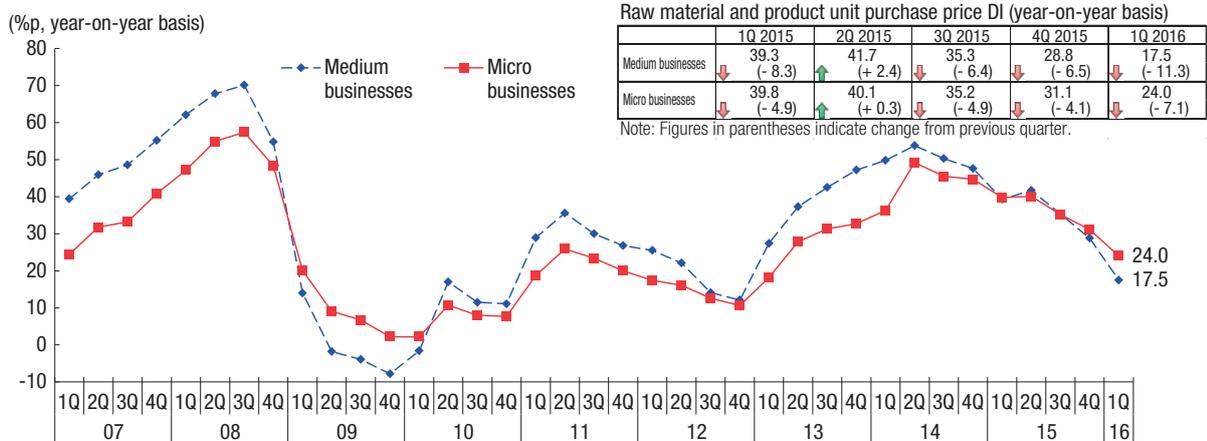
Considering firstly the raw material and product unit purchase price DI, shown in Fig. 1-1-7, it can be seen that whereas the index for micro businesses was slightly more positive in the second (April-June) quarter of 2015 than the first quarter (going from 39.8 in 1Q to 40.1 in 2Q), the positive margin shrank for three consecutive quarters from the third (July-

September) quarter (going from 40.1 in 2Q to 35.2 in 3Q, 31.1 in 4Q, and 24.0 in 1Q 2016), indicating that raw material and product unit purchase prices are on a downward trend.

Over the same period, the raw material and product unit purchase price DI for medium businesses followed the same trend as for micro businesses.

Presently, the index is slightly higher for micro businesses than for medium businesses (24.0 compared to 17.5 in 1Q 2016).

Fig. 1-1-7 Raw material and product unit purchase price DI for medium and micro businesses



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The raw material and product unit purchase price DI represents the percentage of enterprises that said unit purchase prices of raw materials and products had increased over the previous year, minus the percentage that said they had decreased.

Next, the trend in the unit sales DI is broken down to show micro businesses and medium businesses separately (Fig. 1-1-8).

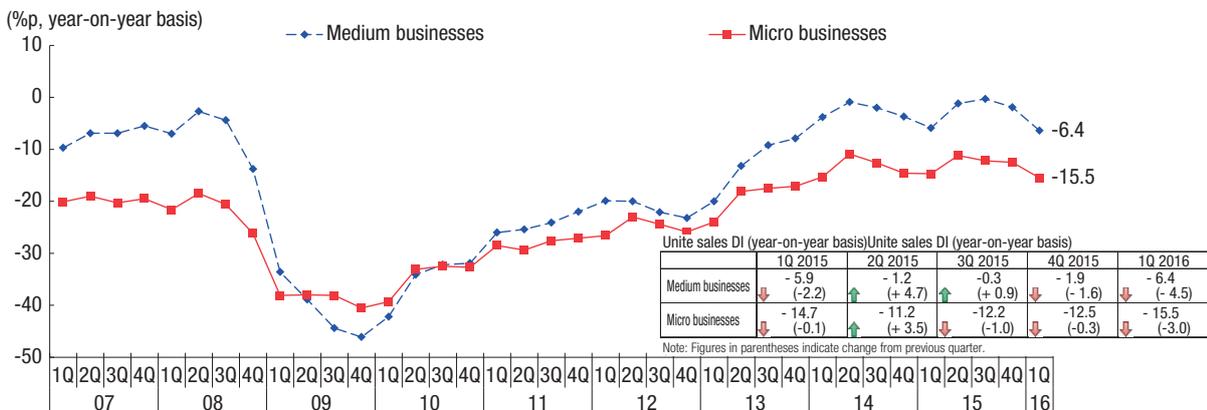
The unit sales DI for micro businesses was less negative in the second (April-June) quarter of 2015 than the first quarter (going from -14.7 in 1Q to -11.2 in 2Q), but the negative margin rose for three consecutive quarters from the third (July-September) quarter (going from -11.2 in 2Q to -12.2 in 3Q, -12.5 in 4Q, and -15.5 in 1Q 2016). The unit sales DI fluctuated less

during this period than the raw material and product unit purchase price DI.

The unit sales DI for medium businesses followed largely the same trend as for micro businesses over the same period, barring a slight decline in the negative margin in the third quarter (going from -1.2 in 2Q to -0.3 in 3Q).

Presently, the index for micro businesses remains lower than for medium businesses (-15.5 compared with -6.4 in 1Q 2016).

Fig. 1-1-8 Unit sales DI for medium and micro businesses



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The unit sales DI represents the percentage of enterprises that said their sales had increased over the previous year, minus the percentage that said they had decreased.

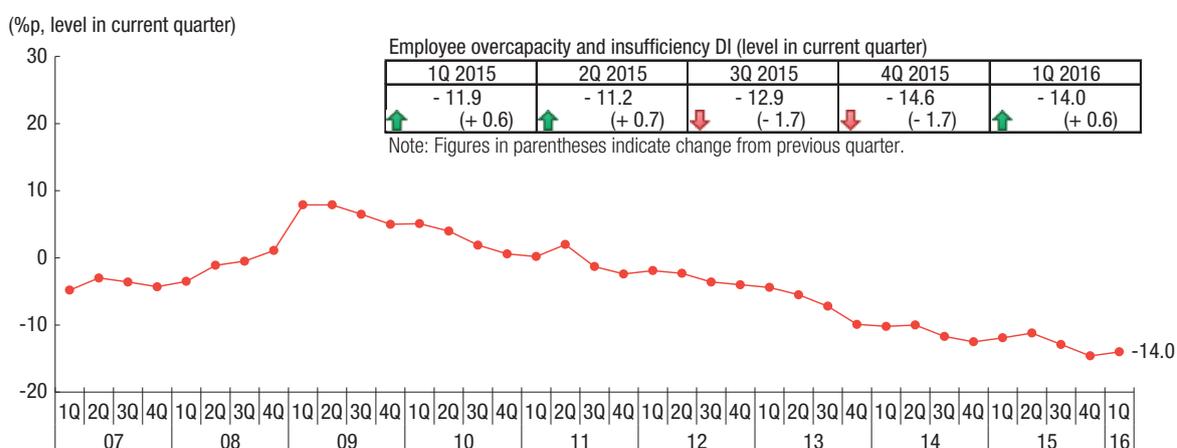
3 Employment

The employment situation is considered next. Looking at the trend in the employee overcapacity and insufficiency DI⁶⁾ for SMEs (Fig. 1-1-9), it can be seen that the index became slightly less negative in the second (April-June) quarter of 2015 than the first quarter (going from -11.9 in 1Q to -11.2 in 2Q), following which it became more negative for two consecutive quarters from the third (July-September) quarter of 2015 (going from -11.2 in 2Q to -12.9 in 3Q and

-14.6 in 4Q) before again becoming less negative (going from -14.6 in 4Q to -14.0 in 1Q 2016).

Excepting the fourth quarter of 2015, the employee overcapacity and insufficiency DI is presently (-14.0 in 1Q 2016) at its lowest level since the fourth quarter of 1992, about 23 years ago when it stood at -15.0, indicating that SMEs continue to have a strong sense that they have insufficient employees.

Fig. 1-1-9 Employee overcapacity and insufficiency DI for SMEs



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The employee overcapacity and insufficiency DI represents the percentage of enterprises that said they have an “overcapacity” of employees in the current quarter, minus the percentage of enterprises that said they have an “insufficiency” of employees.

The trend in the employee overcapacity and insufficiency DI for all SMEs shown in Fig. 1-1-9 is broken down into micro businesses and medium businesses in Fig. 1-1-10.

The employee overcapacity and insufficiency DI for micro businesses was slightly less negative in the second (April-June) quarter of 2015 than in the first quarter (going from -10.9 in 1Q to -10.6 in 2Q). However, it then became more negative for two consecutive quarters from the third (July-September) quarter of 2015 (going from -10.6 in 2Q to -12.0 in 3Q and -13.1 in 4Q) before becoming less negative again (going from -13.1 in 4Q to -12.7 in 1Q 2016).

The employee overcapacity and insufficiency DI is presently (-12.7 in 1Q 2016) at its lowest level since the fourth quarter of 1992, about 23 years ago when

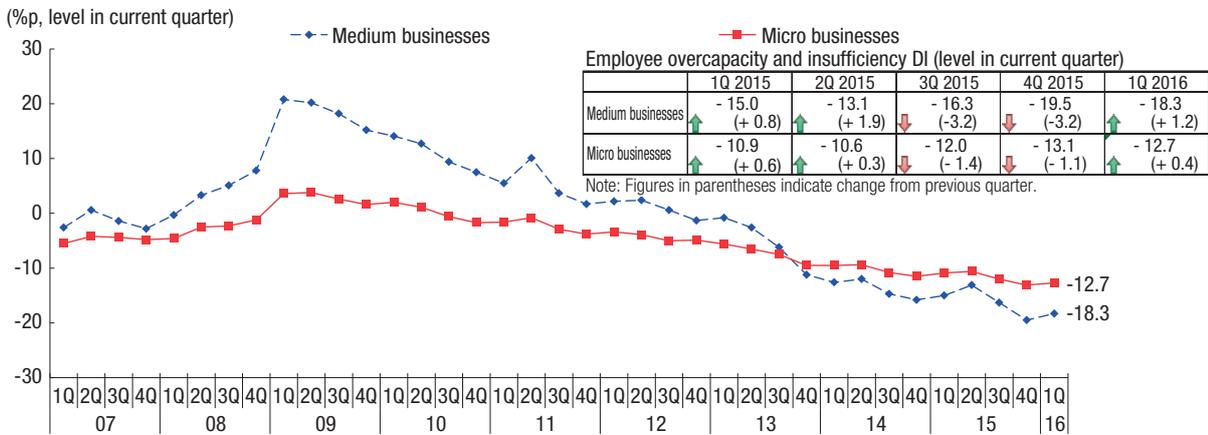
it stood at -15.4, indicating that micro businesses continue to have a strong sense that they have insufficient employees.

Medium businesses exhibited the same trend as micro businesses during the same period, although the negative margin was greater than for micro businesses. The employee overcapacity and insufficiency DI for medium businesses is presently (-18.3 in 1Q 2016) at its lowest level since the second quarter of 1992, some 23 years ago, when it stood at -23.8.

A comparison of present levels shows the index to be more negative for medium businesses than for micro businesses (-18.3 compared to -12.7 in 1Q 2016), indicating that medium businesses have a greater sense than micro businesses that they have insufficient employees.

6) The employee overcapacity and insufficiency DI represents the percentage of enterprises that said they have an “overcapacity” of employees, minus the percentage of enterprises that said they have an “insufficiency” of employees.

Fig. 1-1-10 Employee overcapacity and insufficiency DI for medium and micro businesses



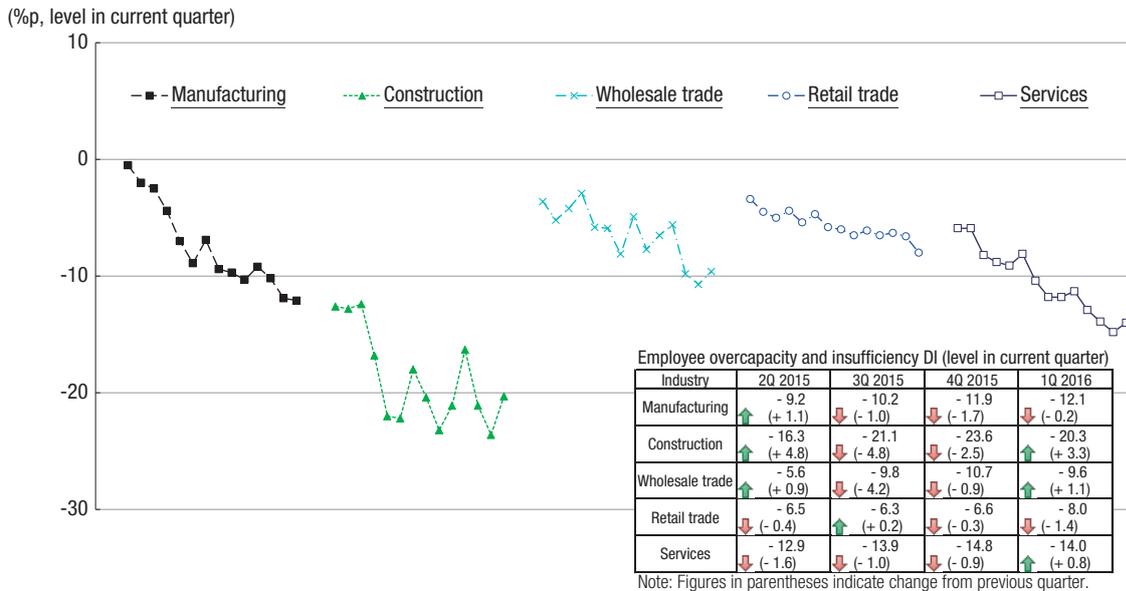
Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The employee overcapacity and insufficiency DI represents the percentage of enterprises that said they have an “overcapacity” of employees in the current quarter, minus the percentage of enterprises that said they have an “insufficiency” of employees.

The trend in the employee overcapacity and insufficiency DI for medium and micro businesses shown in Fig. 1-1-10 is next analyzed by industry (Fig. 1-1-11).

The employee overcapacity and insufficiency DI for micro businesses⁷⁾ shows that the sense of insufficiency grew more acute in all industries between the second (April-June) and fourth (October-December) quarters

Fig. 1-1-11 Employee overcapacity and insufficiency DI for micro businesses (by industry)



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

- Notes: 1. The above figures cover the period from the fourth (October-December) quarter of 2012 to the first (January-March) quarter of 2016.
- 2. Regions are classified according to the prefectures under the jurisdiction of each regional Bureau of Economy, Trade and Industry.
- 3. The figures for the first (January-March) quarter of 2016 are based on survey results as of the end of March 2016.

⁷⁾ The figures cover the period from the fourth (October-December) quarter of 2012 to the first (January-March) quarter of 2016.

of 2015. As of the first (January-March) quarter of 2016, however, the sense of insufficiency has receded in construction, wholesale trade and services.

A comparison of the negative margins of the

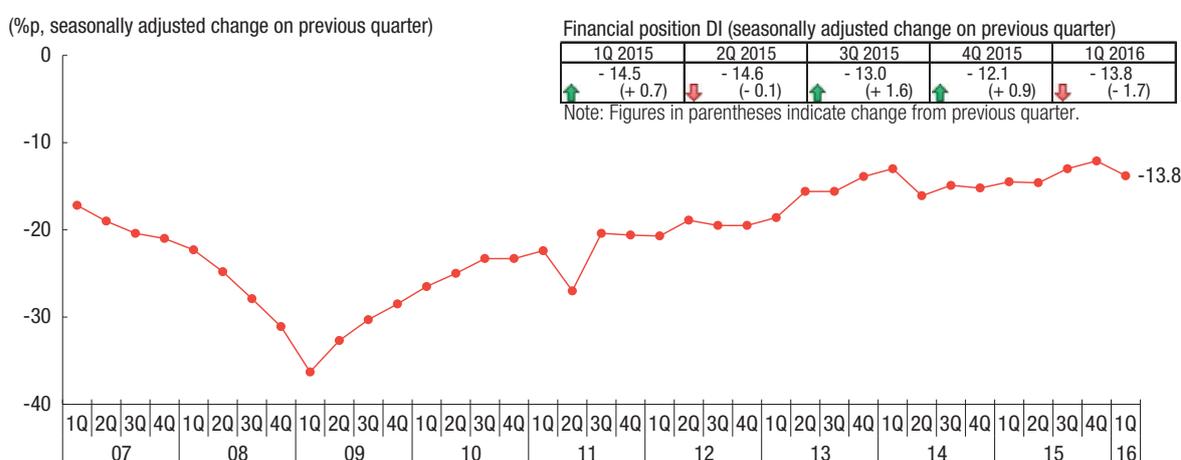
employee overcapacity and insufficiency DI at present shows the margin to be greatest in construction (-20.3 in 1Q 2016), indicating that the sense of insufficiency of employees is greatest in this industry.

4 Financial position

Changes in financial position are examined next. The financial position DI⁸⁾ for SMEs (Fig. 1-1-12) became slightly more negative in the second (April-June) quarter of 2015 (going from -14.5 in 1Q to -14.6 in 2Q). The negative margin then shrank slightly from

the third (July-September) quarter for two consecutive quarters (going from -14.6 in 2Q to -13.0 in 3Q and -12.1 in 4Q) before increasing again in the first quarter of 2016 (going from -12.1 in 4Q 2015 to -13.8 in 1Q 2016).

Fig. 1-1-12 Financial position DI for SMEs



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The financial position DI represents the percentage of enterprises that said their financial position had "improved" over the previous quarter, minus the percentage that said it had "worsened."

8) The financial position DI represents the percentage of enterprises that said their financial position had "improved" over the previous quarter, minus the percentage that said it had "worsened."

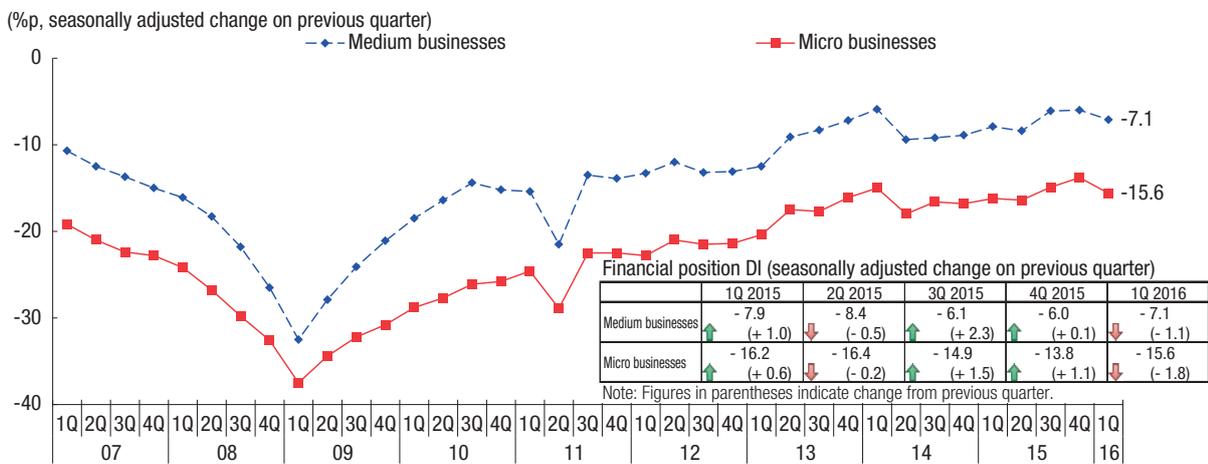
The trend in the financial position DI for SMEs shown in Fig. 1-1-12 is next broken down for micro businesses and medium businesses (Fig. 1-1-13). The financial position DI for micro businesses became slightly more negative in the second (April-June) quarter of 2015 (going from -16.2 in 1Q to -16.4 in 2Q), but the negative margin then shrank for two consecutive quarters from the third (July-September) quarter (going from -16.4 in 2Q to -14.9 in 3Q and -13.8 in 4Q). Presently (as of the first quarter of 2016),

the negative margin had increased again (going from -13.8 in 4Q 2015 to -15.6 in 1Q 2016).

The financial position DI for medium businesses followed the same trend as for micro businesses over the same period.

The financial position DI for micro businesses presently remains lower for micro businesses than for medium businesses (-15.6 compared to -7.1 in 1Q 2016).

Fig. 1-1-13 Financial position DI for medium and micro businesses



Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: The financial position DI represents the percentage of enterprises that said their financial position had “improved” over the previous quarter, minus the percentage that said it had “worsened.”

Section 3 Changes in numbers of micro businesses and establishments

This section examines changes in the number of micro businesses and the number of micro business establishments according to the latest data, as of 2014, which was produced by the SME Agency

by recompiling the results of the *2014 Economic Census for Business Frame* published by the Ministry of Internal Affairs and Communications (MIC) in November 2015.

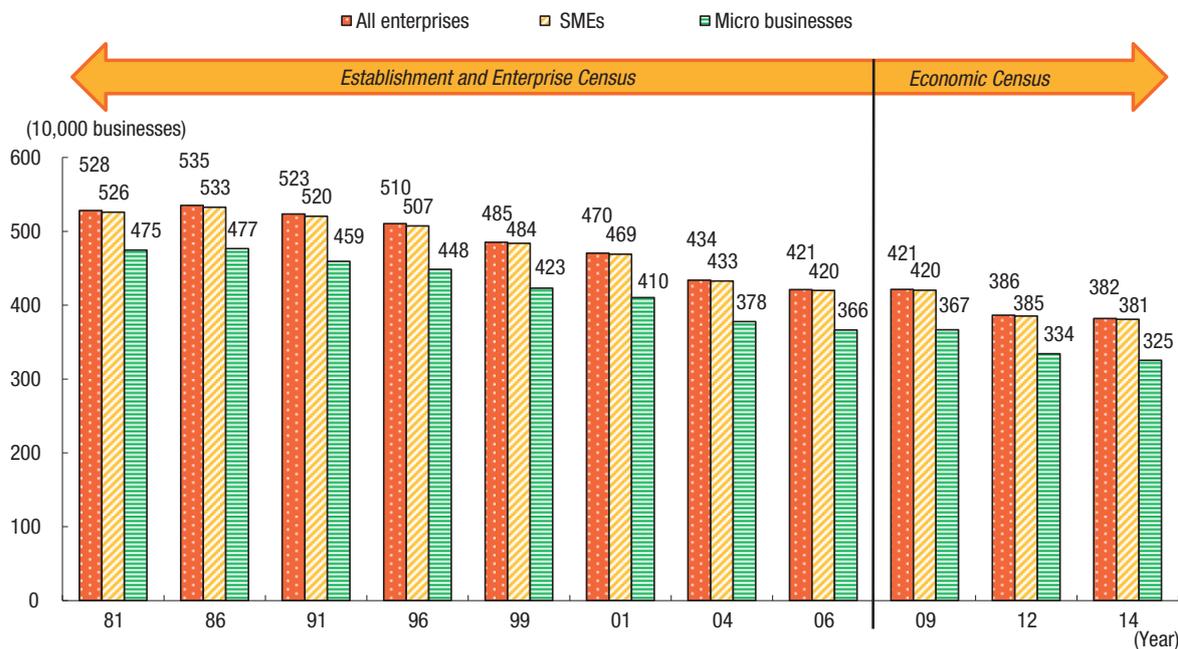
1 Changes in number of micro businesses

Fig. 1-1-14 shows long-term trends in the number of enterprises in Japan broken down by size of enterprise. The number of micro businesses (corporations plus sole proprietorships) peaked at approximately 4.77 million in 1986 before going into decline. By 2014, the number had fallen to approximately 3.25 million, a decline of approximately 1.52 million (-32%) in 28 years. The number thus declined by an average of approximately 54,000 per year.

During the three-year period between 2009 and 2012, the number declined by approximately 330,000 (-9%), which represents an average decline of approximately 110,000 per year. In the most recent two-year period from 2012 to 2014, however, the number decreased by approximately 92,000 (-2.7%). This represents an average decline of approximately 46,000 per year, which suggests that the pace of decline has slowed.

Section 3

Fig. 1-1-14 Changes in number of businesses in Japan



Sources: Recompiled from MIC, *Establishment and Enterprise Census*, *2009 Economic Census for Business Frame*; MIC and Ministry of International Trade and Industry (METI), *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

- Notes:
1. The survey was conducted as the *Establishment Census* until 1991.
 2. Statistics on the number of enterprises have been produced by MIC since 1986. The number in 1981 was recomputed and calculated by the SME Agency from statistics on business establishments.
 3. Starting with the 2012 figures, the numbers of SMEs and micro businesses reflect industry sectors specially designated by government ordinance.

2 Changes in number of micro business establishments

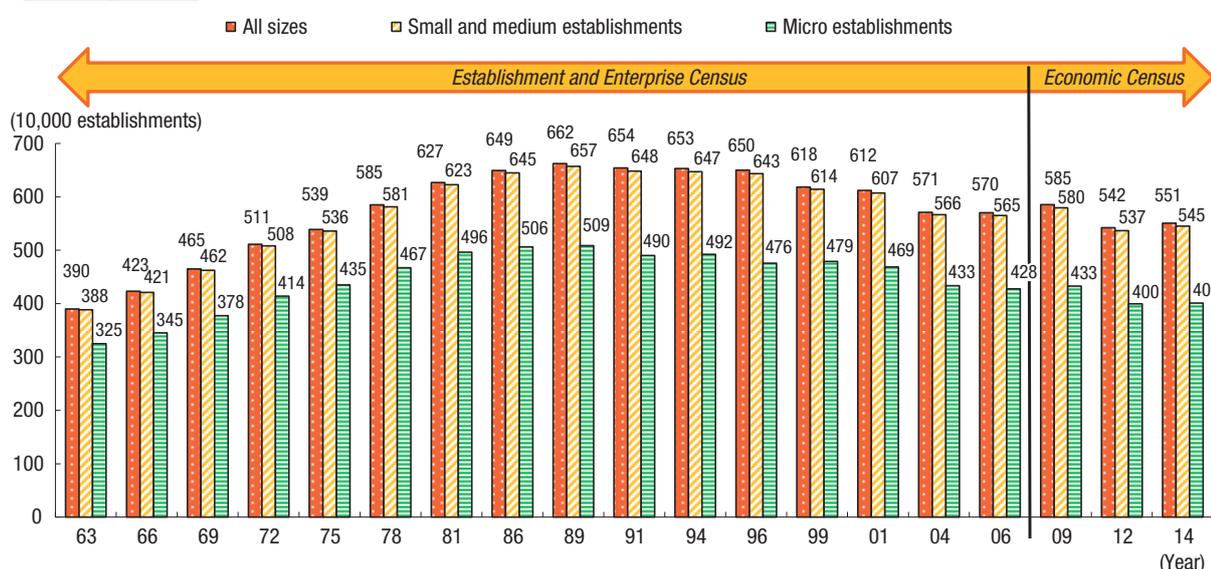
Fig. 1-1-15 shows changes over time in the number of business establishments in Japan, broken down by size.

From this it can be seen that the number of micro business establishments increased up to 1989, when it reached a peak of approximately 5.09 million. It then went into decline, falling to approximately 4.01 million in 2014. This represents a decline of approximately 1.08 million (-21%) over a 25-year period, for an average decline of approximately 43,000 per year.

The number of business establishments also fell in the decade from 2004 to 2014, during which time the number shrank by approximately 320,000 (-7%), for an average decline of approximately 32,000 per year.

Over the three-year period from 2009 to 2012, the number of business establishments declined by approximately 330,000 (-8%), which represents an average decline of approximately 110,000 per year. In the most recent two-year period from 2012 to 2014, the number increased by approximately 10,000 (+0.3%).

Fig. 1-1-15 Changes in number of business establishments in Japan



Sources: Recompiled from MIC, *Establishment and Enterprise Census, 2009 Economic Census for Business Frame*; MIC and METI, *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

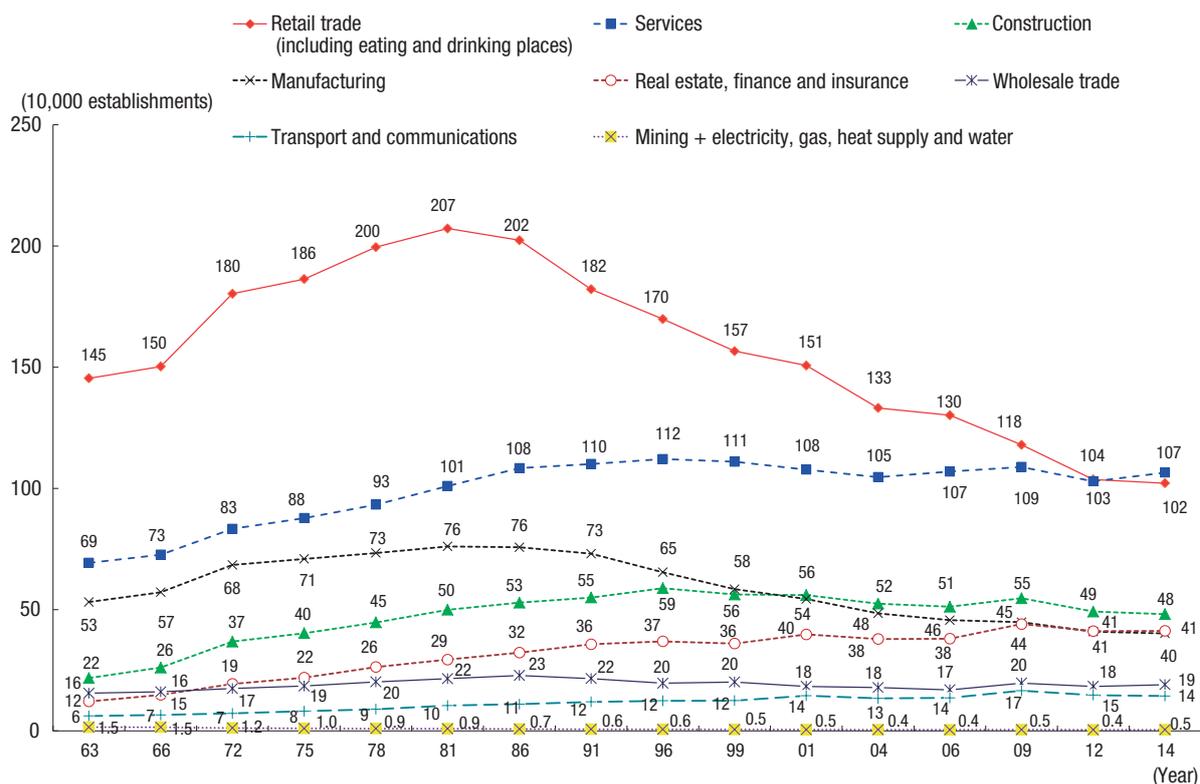
- Notes:
1. The survey was conducted as the *Establishment Census* until 1991, *Establishment Directory Maintenance* in 1989, and the *Establishment Directory Maintenance Survey* in 1994.
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Starting with the 2012 figures, the number of SMEs and micro businesses reflect industry sectors specially designated by government ordinance.
 4. Published statistics on “establishments with a total workforce of up to 19 or up to 4” are used for the number of micro establishments up to 1996. From 1999 onwards, values on the number of “establishments with a total workforce of up to 20 or up to 5” recompiled from individual data obtained by the *Establishment and Enterprise Census* and *Economic Census* are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).

Fig. 1-1-16 shows long-term trends in the number of micro business establishments by industry.

From this it can be seen that in the retail trade (including eating and drinking places), the number declined by 51% over 33 years from a peak in 1981

to 2014, while in manufacturing, the number almost halved over the same 33-year period from its peak in 1981. The service and real estate industries have exhibited slight increases, while the number in other industries has held steady.

Fig. 1-1-16 Changes in number of micro business establishments (by industry)



Sources: Recompiled from MIC, *Establishment and Enterprise Census* (1963-2006), *2009 Economic Census for Business Frame* (2009); MIC and METI, *2012 Economic Census for Business Activity* (2012); MIC, *2014 Economic Census for Business Frame* (2014).

- Notes:
1. The survey was conducted as the *Establishment Census* until 1991, *Establishment Directory Maintenance* in 1989, and the *Establishment Directory Maintenance Survey* in 1994.
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used. This differs from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 4. "Eating and drinking places" were categorized as "retail trade" until 2001. To allow comparison, "eating and drinking places" included in "services" were counted under "retail trade" for the years 2004-2012.

A percentage breakdown by industry of the above-mentioned changes in the number of micro business establishments in each of these years is shown in Fig. 1-1-17.

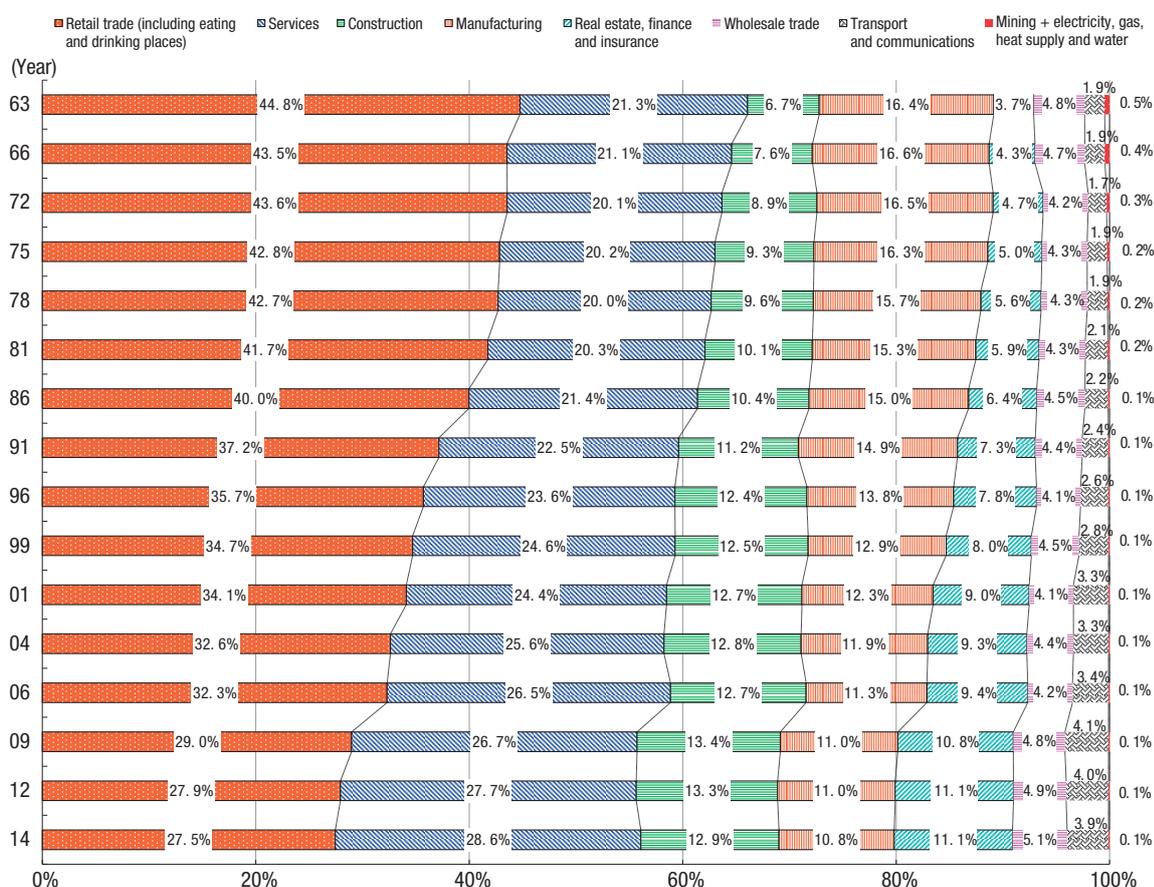
From this it can be seen that the retail trade (including eating and drinking places) and manufacturing accounted for shrinking shares from 1963 to 2014.

Services, construction, and real estate, finance,

and insurance, on the other hand, saw their shares steadily rise from 1963 to 2014. Services' share grew particularly sharply from 2009 and 2014, giving it the largest share overall.

It can also be seen that while the percentage accounted for by the wholesale trade trended downward from 1963 to 2006, this trend reversed itself from 2006.

Fig. 1-1-17 Changes in number of micro business establishments (percentage breakdown by industry)



Sources: Recompiled from MIC, *Establishment and Enterprise Census (1963-2006)*, *2009 Economic Census for Business Frame (2009)*; MIC and METI, *2012 Economic Census for Business Activity (2012)*; MIC, *2014 Economic Census for Business Frame (2014)*.

Notes: 1. The survey was conducted as the *Establishment Census* until 1991, *Establishment Directory Maintenance* in 1989, and the *Establishment Directory Maintenance Survey* in 1994.

2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.

3. Starting with the 2012 figures, the number of SMEs and micro businesses reflect industry sectors specially designated by government ordinance.

4. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used in this figure. This differs from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).

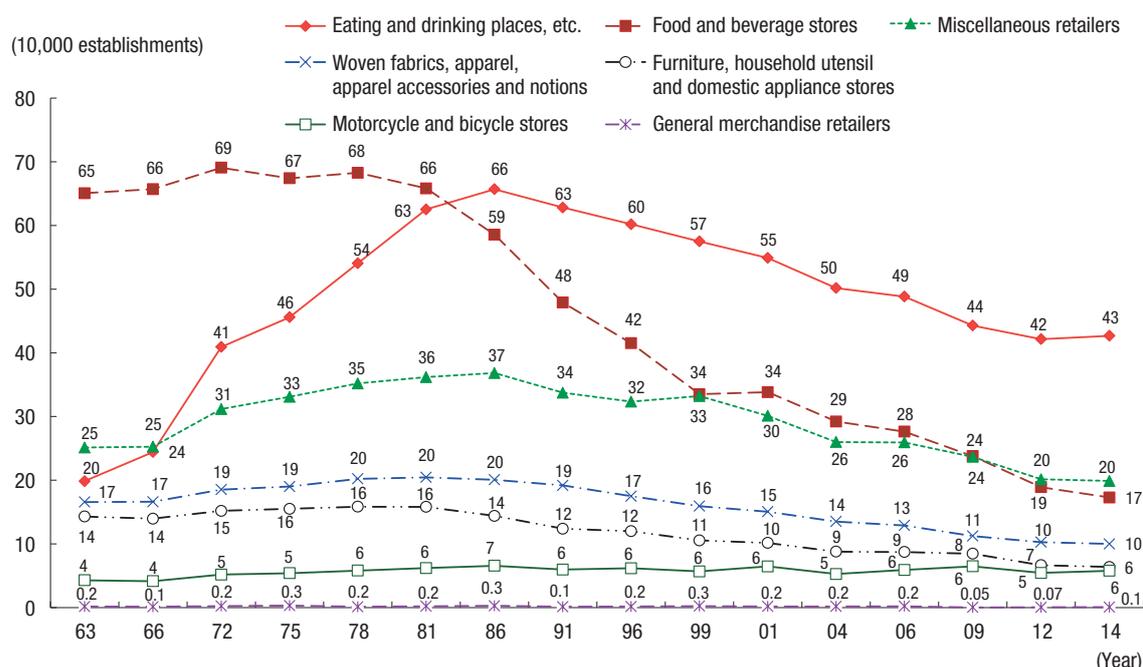
5. "Eating and drinking places" were categorized as "retail trade" until 2001. To allow year-over-year comparison, "eating and drinking places" included in "services" were counted under "retail trade" for the years 2004-2012.

Fig. 1-1-18 shows a breakdown of the changes in the retail trade (including eating and drinking places), which, as the data on long-term trends shown in Fig. 1-1-16 demonstrated, is the industry with the largest number of establishments.

From this, it can be seen that while the number of

micro business establishments followed a downward trend across the board in this industry group between 1986 and 2014, especially in categories such as food and beverage stores as well as eating and drinking places, the number of eating and drinking places increased slightly between 2012 and 2014.

Fig. 1-1-18 Changes in number of micro business establishments in the retail trade (including eating and drinking places) (at the intermediate industry group level)



Sources: Recompiled from MIC, *Establishment and Enterprise Census* (1963-2006), *2009 Economic Census for Business Frame* (2009); MIC and METI, *2012 Economic Census for Business Activity* (2012); MIC, *2014 Economic Census for Business Frame* (2014).

- Notes:
1. The survey was conducted as the *Establishment Census* until 1991, *Establishment Directory Maintenance* in 1989, and the *Establishment Directory Maintenance Survey* in 1994.
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used. This differs from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 4. "Eating and drinking places" were categorized as "retail trade" until 2001. To allow comparison, "eating and drinking places" included in "services" were counted under "retail trade" for the years 2004-2012.

Section 4 Current state of micro businesses

In this section, the number of micro businesses is analyzed in detail using the results of the 2014

Economic Census for Business Frame published by MIC in November 2015.

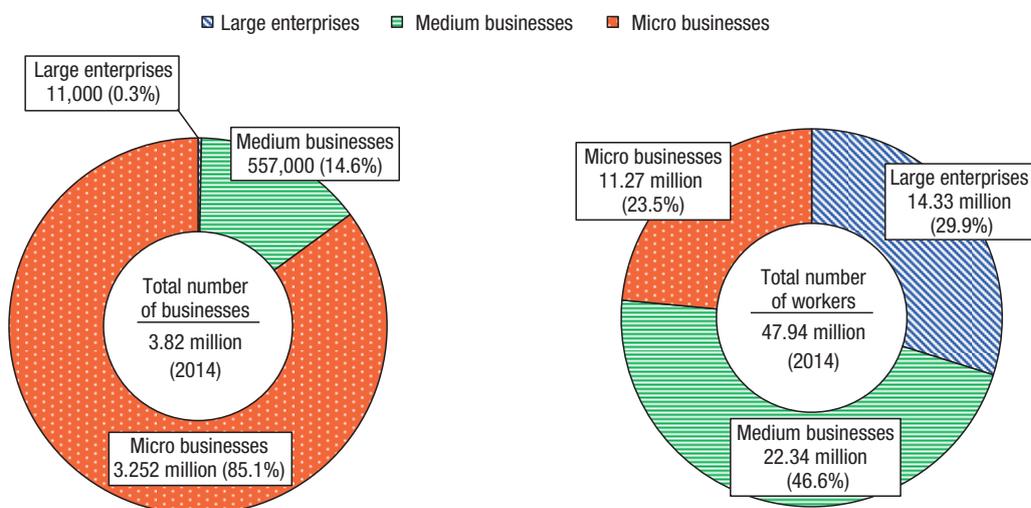
1 Micro businesses as a proportion of all enterprises in Japan (in terms of number of businesses, number of workers, and sales)

The section begins by looking at the proportions of the numbers of businesses, workers, and sales of all enterprises in Japan that are accounted for by micro businesses.

Approximately 3.252 million (85.1%) of Japan's

3.82 million businesses are micro businesses, employing approximately 11.27 million (23.5%) of the 47.94 million workers employed by all enterprises. Micro businesses thus make up an extremely large share of the Japanese economy (Fig. 1-1-19).

Fig. 1-1-19 Numbers of businesses and workers by enterprise size

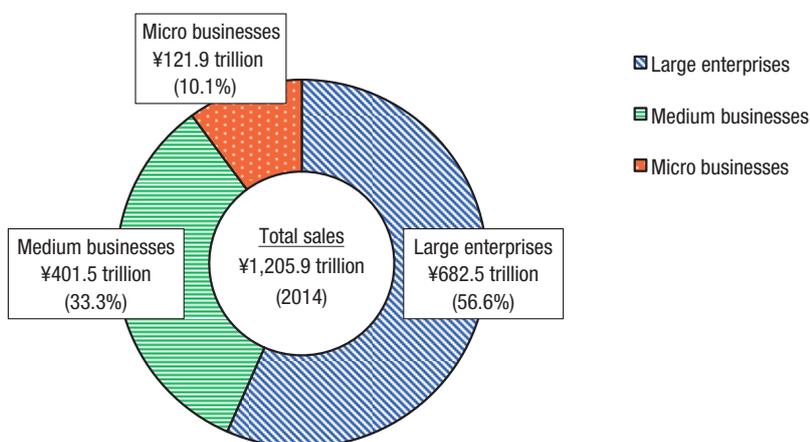


Source: Recompiled from MIC, 2014 Economic Census for Business Frame.
 Note: Non-primary industries only.

Micro businesses also account for approximately ¥121.9 trillion, or 10.1%, of the approximately

¥1,205.9 trillion in sales generated by all enterprises (Fig. 1-1-20).

Fig. 1-1-20 Sales by enterprise size



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.
 Note: Non-primary industries only.

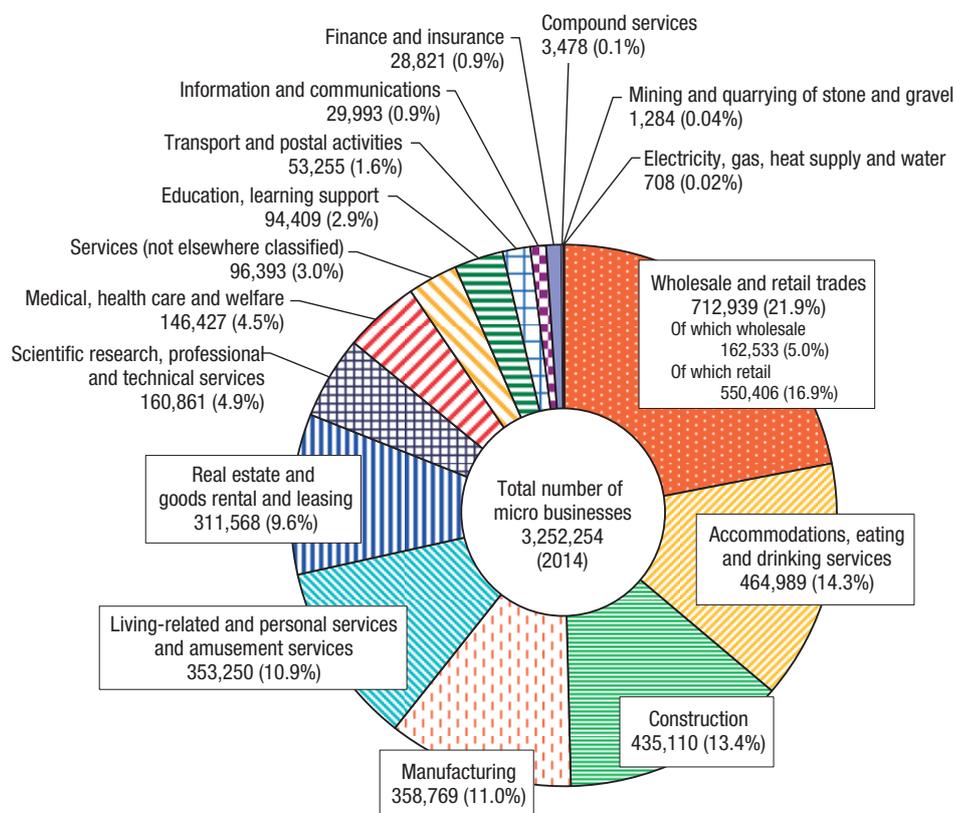
2 Breakdown of micro businesses by industry (number of businesses/ workers and sales at major industry group level)

Fig. 1-1-21 shows a breakdown of the number of micro businesses by industry.

From this it can be seen that the wholesale and retail trades account for the largest proportion (21.9%, of which 5.0% are in wholesale and 16.9% in retail) of the approximately 3.252 million micro businesses that exist in Japan, followed by accommodations, eating

and drinking services (14.3%), construction (13.4%), manufacturing (11.0%), living-related and personal services and amusement services (10.9%), and real estate and goods rental and leasing (9.6%). Together these six industries account for 81.1% of all micro businesses.

Fig. 1-1-21 Numbers of micro businesses (breakdown by industry)



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

Note: Non-primary industries only.

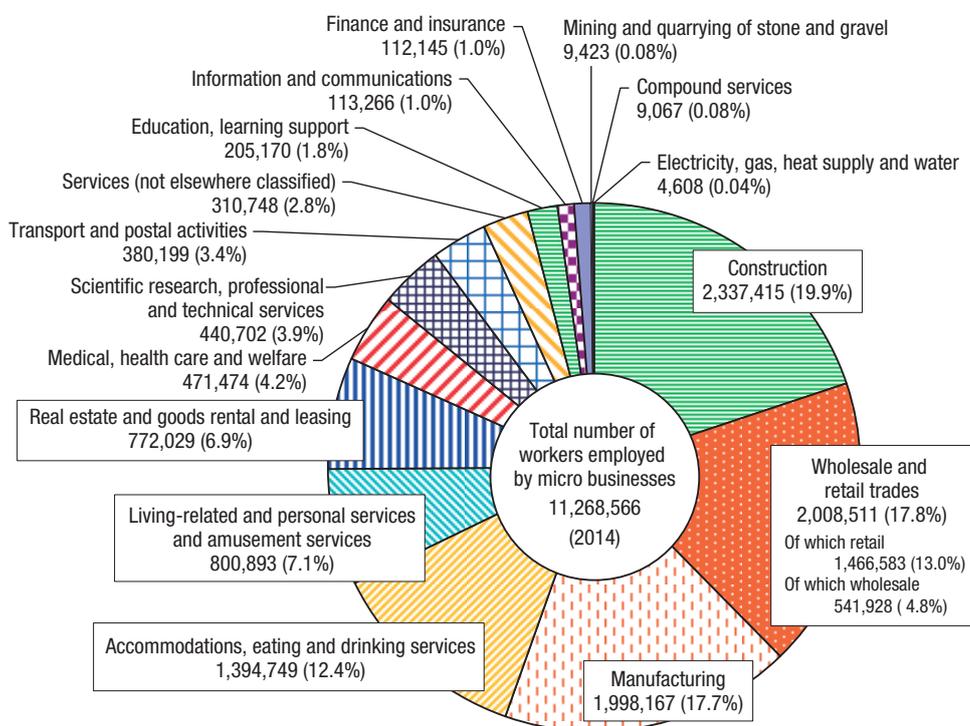
Figure 1-1-22 shows a breakdown of the number of workers at micro businesses by industry, from which it can be seen that each micro business has an average of 3.6 workers.

Construction accounts for the largest proportion (19.9%) of the approximately 11.269 million workers employed by micro businesses, followed by the wholesale and retail trades (17.8%), manufacturing (17.7%), accommodations, eating and drinking

services (12.4%), living-related and personal services and amusement services (7.1%), and real estate and goods rental and leasing (6.9%). These six industries together account for 81.8% of all employment by micro businesses.

It can thus be seen that these six industries together account for about 80% of both the number of businesses and the number of workers.

Fig. 1-1-22 Numbers of workers employed by micro businesses (breakdown by industry)



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

Notes: 1. Non-primary industries only.

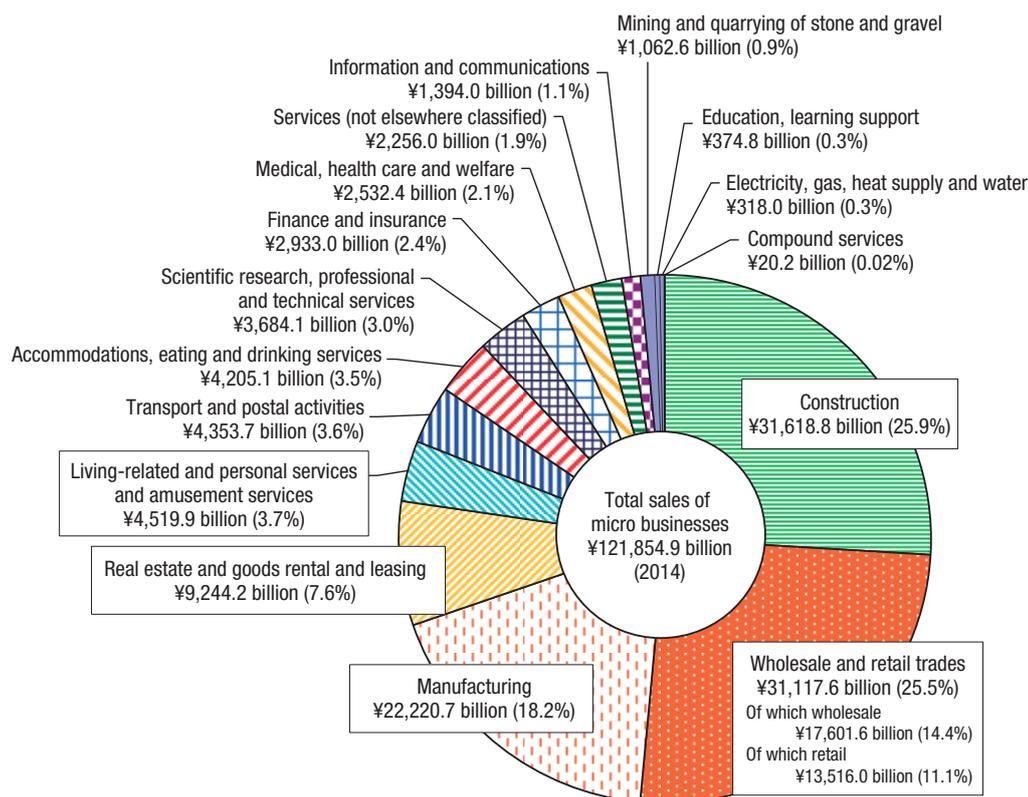
2. Based on total employment by micro businesses, including proprietors and company directors.

Figure 1-1-23 shows a breakdown of the sales of micro businesses by industry.

From this it can be seen that construction accounts for the largest proportion (25.9%) of micro businesses' total sales of ¥121.9 trillion, followed by the wholesale

and retail trades (25.5%), manufacturing (18.2%), real estate and goods rental and leasing (7.6%), and living-related and personal services and amusement services (3.7%). These five industries together account for 80.9% of the total sales of micro businesses.

Fig. 1-1-23 Sales of micro businesses (breakdown by industry)



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

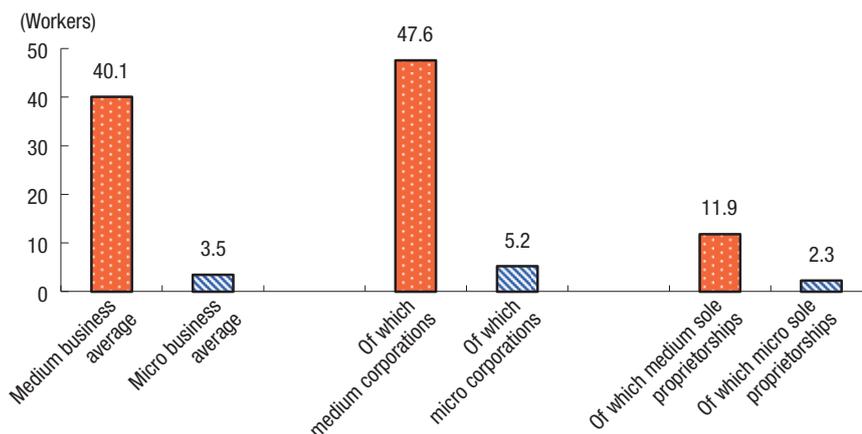
Note: Non-primary industries only.

3 Average number of workers per business

Fig. 1-1-24 shows the average number of workers per business by enterprise size. Whereas the average at medium businesses is 40.1, the average at micro businesses is 3.5. Breaking micro businesses down

further into corporations and sole proprietorships reveals that the average per business is 5.2 at corporations and 2.3 at sole proprietorships.

Fig. 1-1-24 Average number of workers per business by enterprise size



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

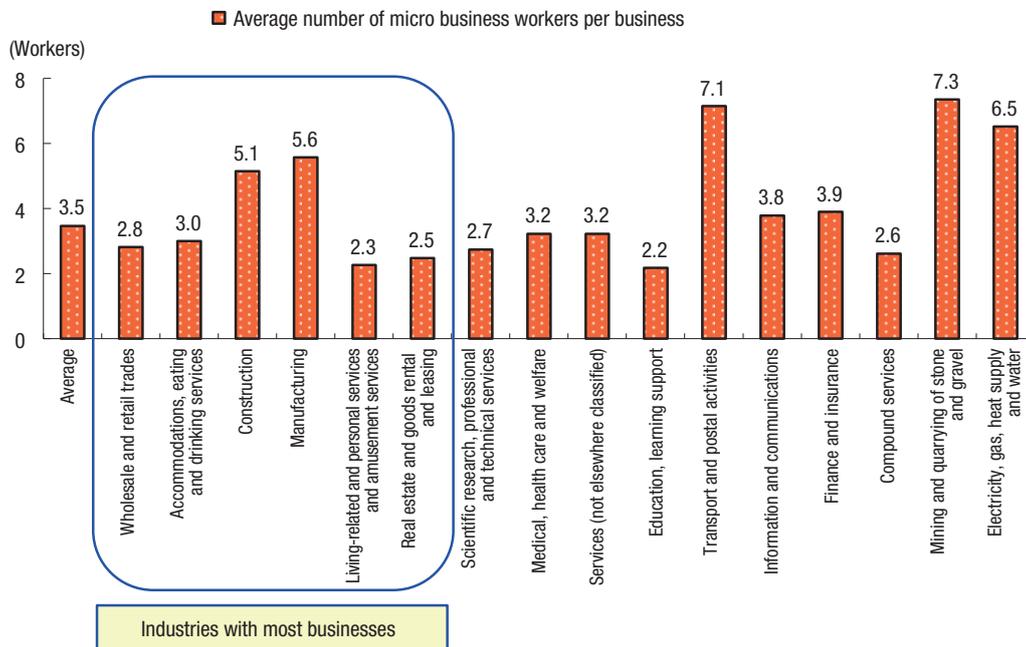
Figure 1-1-25 shows a breakdown of average number of micro business workers per business by industry. It can be seen that each micro business has an average of 3.5 workers. A comparison of the six industries in which micro businesses are especially numerous reveals the number of workers per business to be comparatively higher in construction (5.1 workers), which has the third most businesses, and in manufacturing (5.6 workers), with the fourth most.

The industries with the first and second most

businesses, namely the wholesale and retail trades and accommodations, eating and drinking services, have an average of 2.8 and 3.0 workers per business respectively, reflecting the prevalence of comparatively small businesses in these industries.

Despite being somewhat fewer in number, micro businesses in transport and postal activities employ a relatively high number of employees per business (7.1 workers).

Fig. 1-1-25 Average number of micro business workers per business (by industry)



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.
 Note: Industry sectors are shown in descending order of number of businesses.

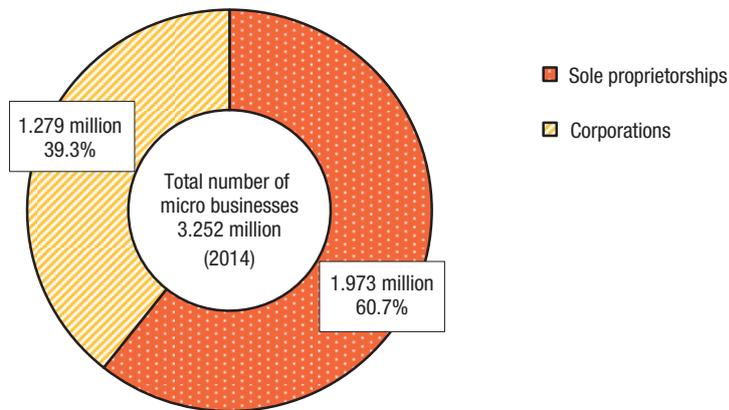
4 Sole proprietorships and corporations

One feature of micro businesses is the prevalence of unincorporated sole proprietorships. Fig. 1-1-26 shows how many of Japan's 3.252 million micro businesses are sole proprietorships and how many are corporations. From this it can be seen that sole proprietorships constitute approximately 1.973 million, or 60.7%,

of the total. Corporations account for approximately 1.279 million, or 39.3%.

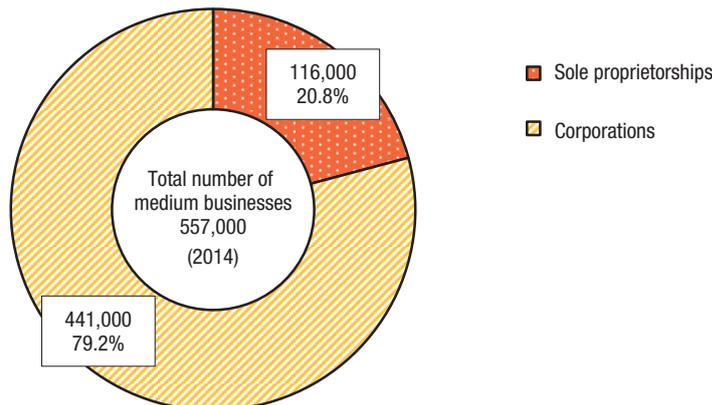
In contrast, sole proprietorships account for approximately 116,000 (20.8%) and corporations for approximately 441,000 (79.2%) of the approximately 557,000 medium businesses in Japan (Fig. 1-1-27).

Fig. 1-1-26 Micro businesses broken down into sole proprietorships and corporations



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

Fig. 1-1-27 Medium businesses broken down into sole proprietorships and corporations



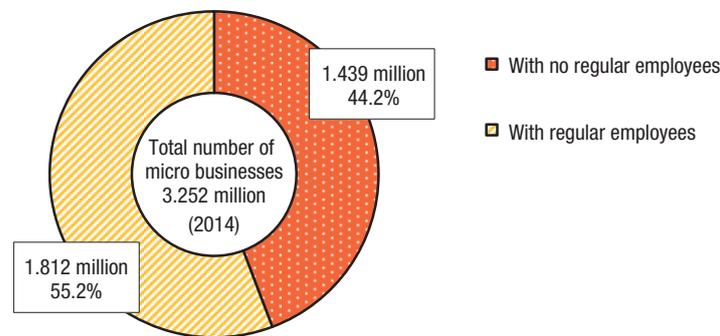
Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

5 Micro businesses with and without regular employees

Another distinguishing feature of micro businesses is the large number that have no regular employees. Fig. 1-1-28 shows the proportions of micro businesses that do and do not have regular employees. In all, 1.439 million, or 44.2%, of the approximately 3.252 million micro businesses in Japan have no regular employees. These figures are shown broken down further into sole proprietorships and corporations in Fig. 1-1-29.

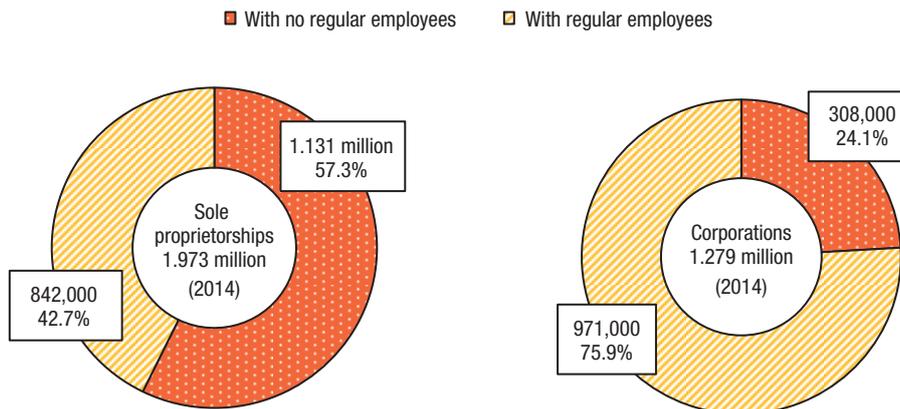
From this it can be seen that approximately 1.131 million (57.3%) of the 1.973 million sole proprietorships in Japan have no regular employees. In addition, approximately 308,000 (24.1%) of the 1.279 million corporations have no regular employees. In other words, more than one in two sole proprietorships have no regular employees, which provides a clear indication of their small size.

Fig. 1-1-28 Micro businesses with and without regular employees



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

Fig. 1-1-29 Micro businesses with and without regular employees (sole proprietorships/corporations)



Source: Recompiled from MIC, 2014 Economic Census for Business Frame.

Section 5 Changes in number of micro businesses and factors behind changes

This section continues to use the *2014 Economic Census for Business Frame* to examine how micro businesses changed during the two-year period from

2012 to 2014, and focuses in particular on changes in their numbers.

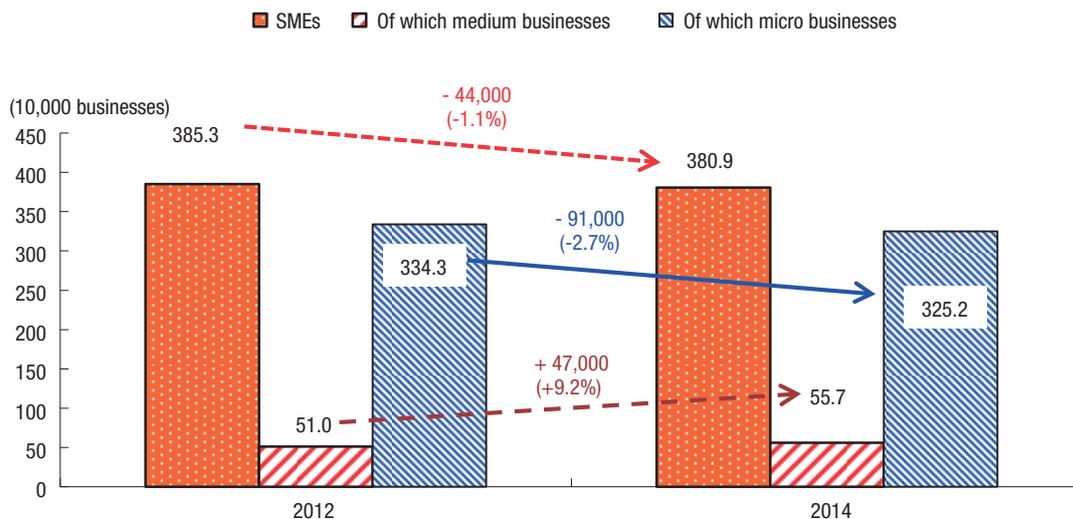
1 Changes in number of micro businesses

Fig. 1-1-30 shows how the number of SMEs changed over the two-year period from 2012 to 2014.

From this it can be seen that the total number of SMEs decreased by approximately 44,000 (-1.1%) from 3.853 million in 2012 to 3.809 million in 2014. Breaking these numbers down by size into

medium businesses and micro businesses reveals that whereas the number of medium businesses rose by approximately 47,000 (+9.2%) from 510,000 in 2012 to 557,000 in 2014, the number of micro businesses fell by approximately 91,000 (-2.7%) from 3.343 million in 2012 to 3.252 million in 2014.

Fig. 1-1-30 Changes in number of businesses (2012-2014)



Sources: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

2 Changes in number of workers at micro businesses

Changes in the number of workers at micro businesses are considered next.

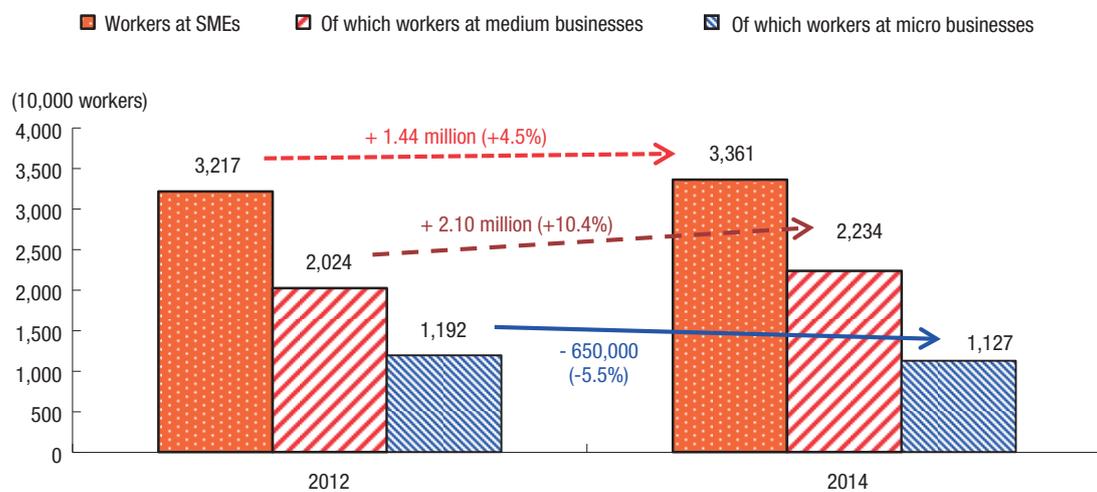
Fig. 1-1-31 depicts changes in the number of workers at SMEs over the two-year period from 2012 to 2014.

From this it can be seen that the total number of workers employed at SMEs rose by approximately 1.44 million (+4.5%) from 32.17 million in 2012 to

33.61 million in 2014.

Breaking SMEs down into medium businesses and micro businesses reveals that while the number of workers at medium businesses rose by approximately 2.1 million (+10.4%) from 20.24 million in 2012 to 22.34 million in 2014, the number at micro businesses fell by approximately 650,000 (-5.5%) from 11.92 million in 2012 to 11.27 million in 2014.

Fig. 1-1-31 Changes in number of workers (2012-2014)



Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity; MIC, 2014 Economic Census for Business Frame.

3 Changes in sales of micro businesses

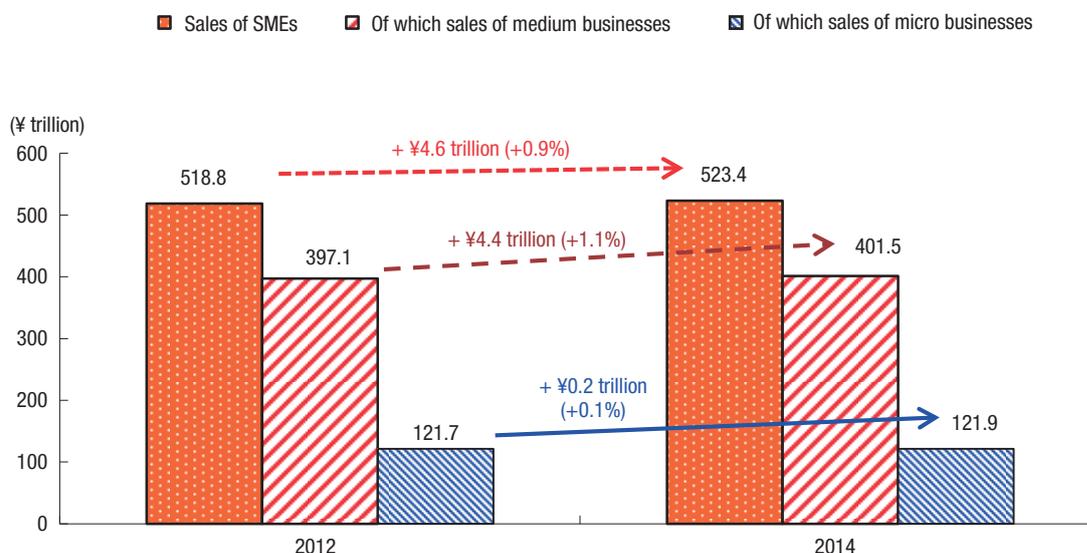
Changes in the sales generated by micro businesses are examined next.

Fig. 1-1-32 shows changes in the sales of SMEs over the two-year period from 2012 to 2014.

From this it can be seen that sales at SMEs as a whole rose by approximately ¥4.6 trillion (+0.9%) from ¥518.8 trillion in 2012 to ¥523.4 trillion in

2014. When SMEs are broken down by size, it can be seen that whereas sales at medium businesses rose by approximately ¥4.4 trillion (+1.1%) from ¥397.1 trillion in 2012 to ¥401.5 trillion in 2014, sales at micro businesses rose by approximately ¥0.2 trillion (+0.1%) from ¥121.7 trillion in 2012 to ¥121.9 trillion in 2014.

Fig. 1-1-32 Changes in sales (2012-2014)



Sources: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

Note: The years shown for the comparisons (2012-2014) indicate the years of the economic censuses used. The actual years in which sales were generated were January-December 2013 in the case of the *2014 Economic Census for Business Frame*, and January-December 2011 in the case of the *2012 Economic Census for Business Activity*.

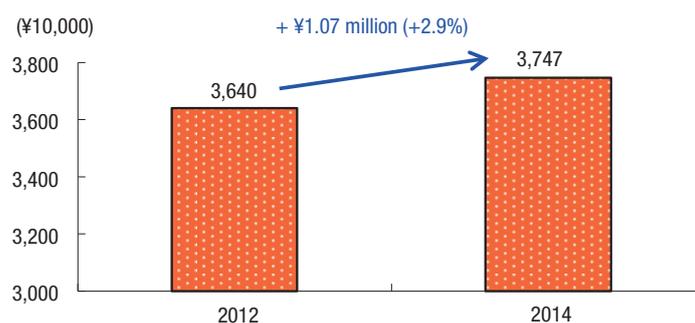
To recapitulate, the number of micro businesses declined by approximately 91,000 and the number of workers employed by them declined by approximately 650,000 between 2012 and 2014.

Over the same period, however, sales rose by approximately ¥0.2 trillion (+0.1%), which means that sales per micro business increased by approximately

¥1.07 million (+2.9%) from ¥36.4 million in 2012 to ¥37.47 million in 2014 (Fig. 1-1-33).

In addition, a comparison of sales per worker at micro businesses shows that sales rose by approximately ¥600,000 (+5.9%) from ¥10.21 million in 2012 to ¥10.81 million in 2014 (Fig. 1-1-34).

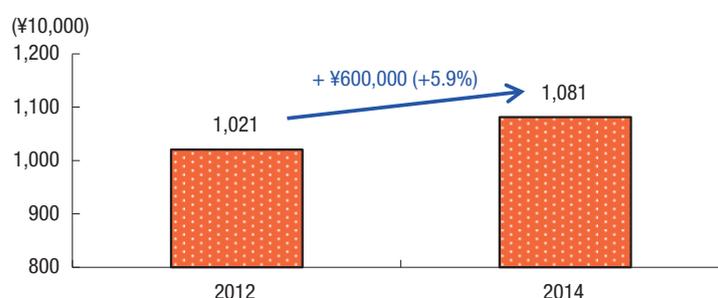
Fig. 1-1-33 Changes in sales per micro business (2012-2014)



Sources: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

Note: The years shown for the comparisons (2012-2014) indicate the years of the economic censuses used. The actual years in which sales were generated were January-December 2013 in the case of the *2014 Economic Census for Business Frame*, and January-December 2011 in the case of the *2012 Economic Census for Business Activity*.

Fig. 1-1-34 Changes in sales per worker (2012-2014)



Sources: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

Note: The years shown for the comparisons (2012-2014) indicate the years of the economic censuses used. The actual years in which sales were generated were January-December 2013 in the case of the *2014 Economic Census for Business Frame*, and January-December 2011 in the case of the *2012 Economic Census for Business Activity*.

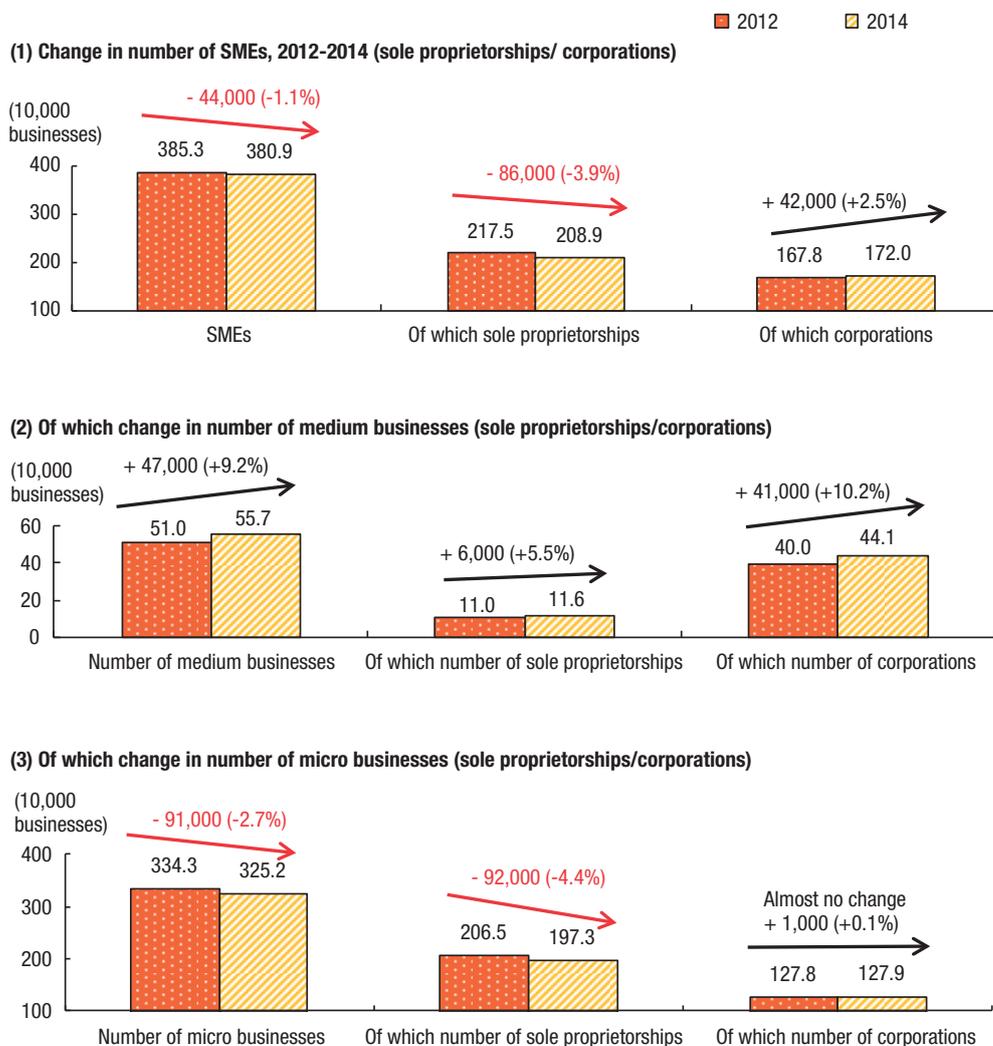
4 Structural factors behind changes in numbers of businesses/workers and sales by enterprise size

As observed in Fig. 1-1-30 (Changes in number of businesses) in the preceding sub-section, the number of SMEs decreased by approximately 44,000 overall between 2012 and 2014. The structural factors behind the changes in number of businesses are analyzed by enterprise size in Fig. 1-1-35. From this it can be seen that among medium business, the number of sole proprietorships rose by approximately 6,000 (up 5.5% from 2012) and the number of corporations

also rose by approximately 41,000 (up 10.2% from 2012). Among micro businesses, on the other hand, the number of sole proprietorships fell by approximately 92,000 (down 4.4% from 2012), while conversely the number of corporations rose by approximately 1,000 (up 0.1% from 2012).

This indicates that the decline in the number of sole proprietorships is the reason for the decline in the number of micro businesses.

Fig. 1-1-35 Factors behind changes in number of businesses by enterprise size (2012-2014)



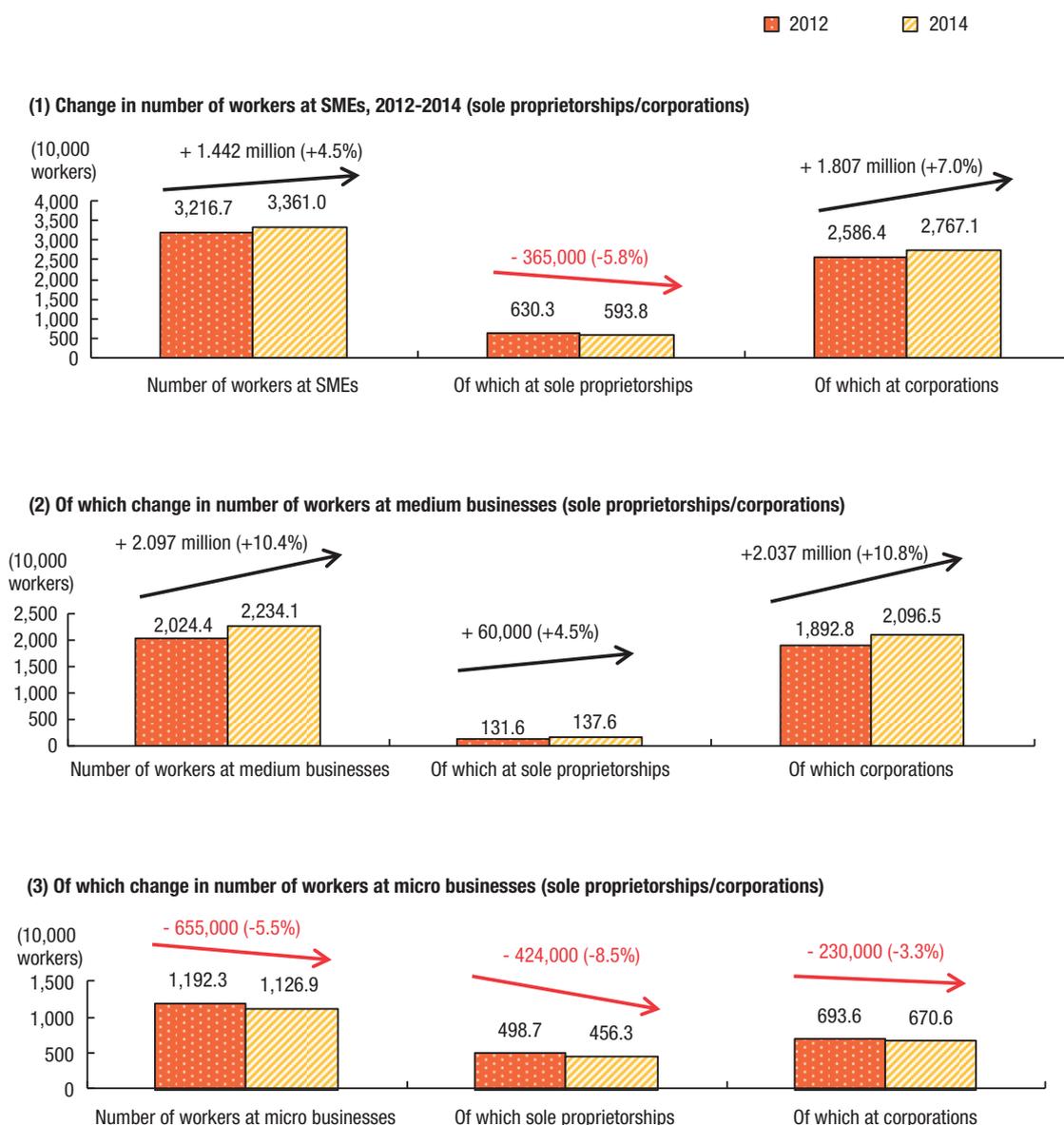
Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity; MIC, 2014 Economic Census for Business Frame.

Changes in the number of workers are next analyzed by size by dividing businesses into sole proprietorships and corporations, as shown in Fig. 1-1-36.

In the case of medium businesses, the number of workers at sole proprietorships rose by approximately 60,000 (up 4.5% from 2012), and the number at corporations also rose by approximately 2.037 million

(up 10.8% from 2012). Among micro businesses, on the other hand, the number of workers at sole proprietorships fell by approximately 424,000 (down 8.5% from 2012) and the number at corporations fell by approximately 230,000 (down 3.3% from 2012). It is thus evident that the decline in the number of employees at sole proprietorships had a greater impact.

Fig. 1-1-36 Factors behind changes in number of workers by enterprise size (2012-2014)



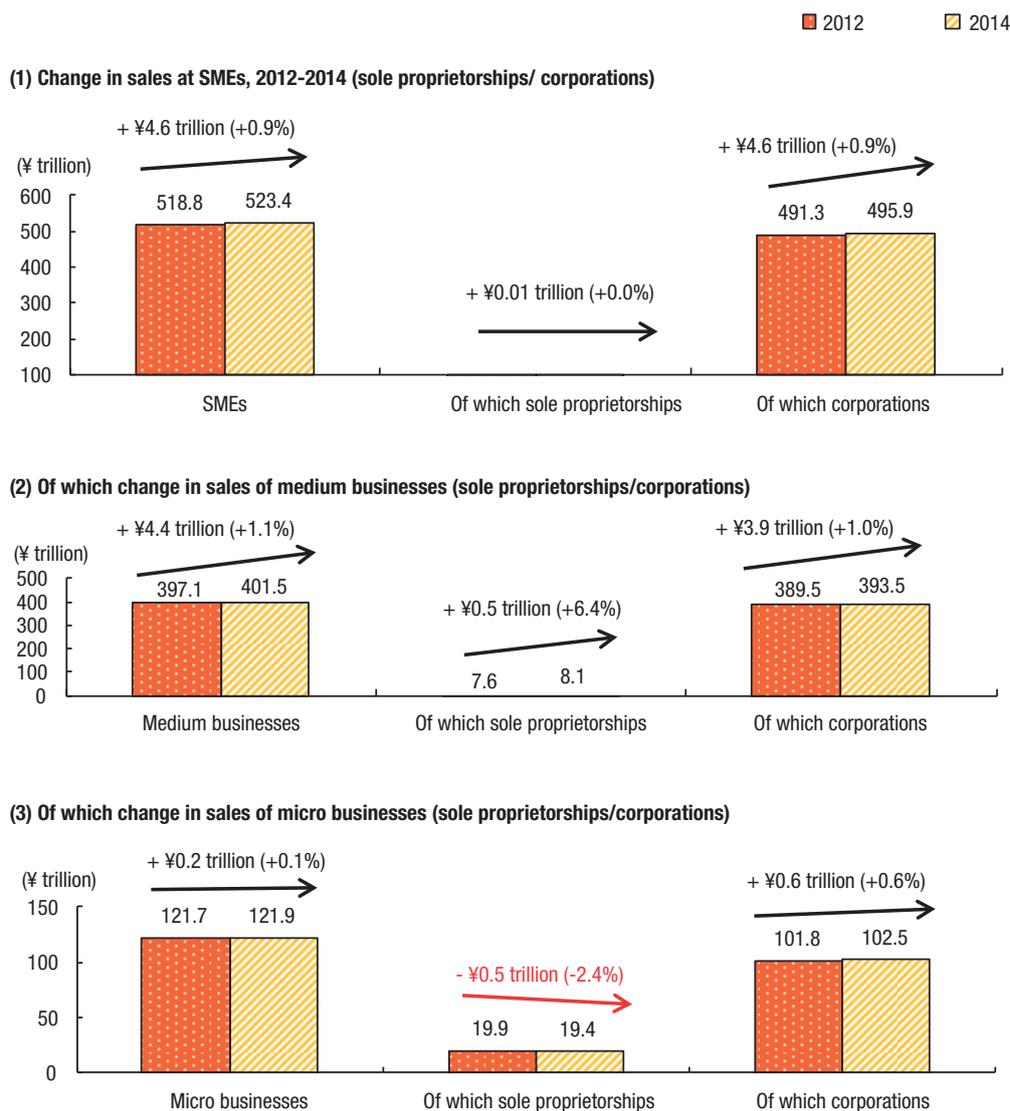
Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity; MIC, 2014 Economic Census for Business Frame.

Changes in sales according to enterprise size are next analyzed by dividing businesses into sole proprietorships and corporations, as shown in Fig. 1-1-37.

From this it can be seen that among medium businesses, sales at sole proprietorships rose by approximately ¥0.5 trillion (up 6.4% from 2012) and sales at corporations rose by approximately ¥3.9 trillion

(up 1.0% from 2012). At micro businesses, by contrast, sales at sole proprietorships fell by approximately ¥0.5 trillion (down 2.4% from 2012) and sales at corporations rose by approximately ¥0.6 trillion (up 0.6% from 2012), which means that the increase in sales at corporations outweighed the decrease in sales at sole proprietorships.

Fig. 1-1-37 Factors behind changes in sales by enterprise size (2012-2014)



Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity; MIC, 2014 Economic Census for Business Frame.

Note: The years shown for the comparisons (2012-2014) indicate the years of the economic censuses used. The actual years in which sales were generated were January-December 2013 in the case of the 2014 Economic Census for Business Frame, and January-December 2011 in the case of the 2012 Economic Census for Business Activity.

5 Changes in number of micro businesses by industry

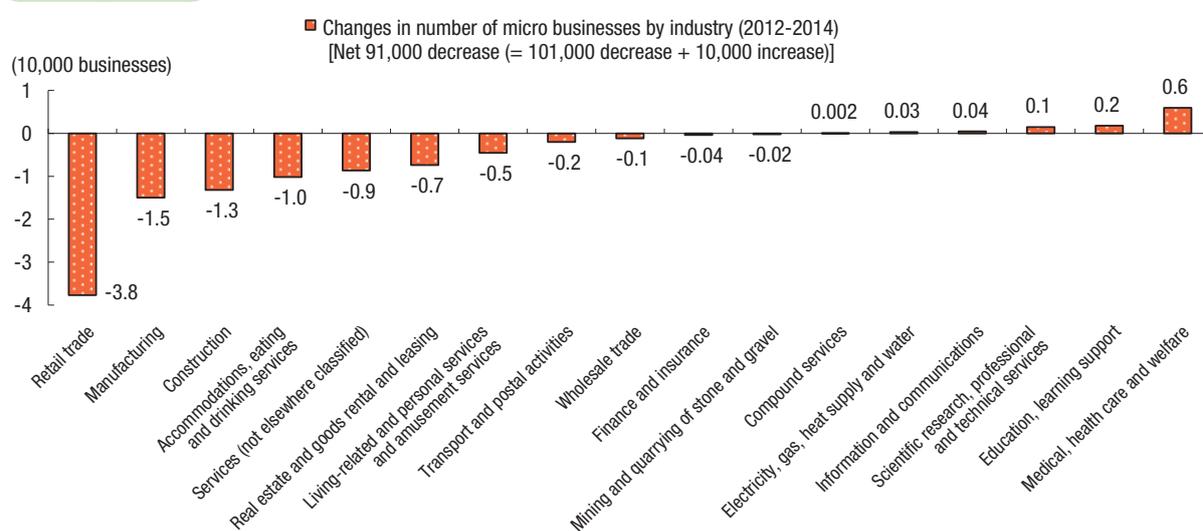
Fig. 1-1-38 shows a breakdown of the approximately 91,000 net decrease in the number of micro businesses by industry.

From this it can be seen that the number declined by approximately 101,000 in 11 industries. This includes declines of approximately 38,000 in the retail trade, 15,000 in manufacturing, 13,000 in construction, 10,000 in accommodations, eating and drinking

services.

However, there were increases in some industries. There was particularly marked growth in six industries, which together saw a combined increase of approximately 10,000, including 6,000 in medical, health care and welfare, 2,000 in education, learning support, and 1,000 in scientific research, professional and technical services.

Fig. 1-1-38 Changes in number of micro businesses by industry (2012-2014)



Sources: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*; MIC, 2014 *Economic Census for Business Frame*.

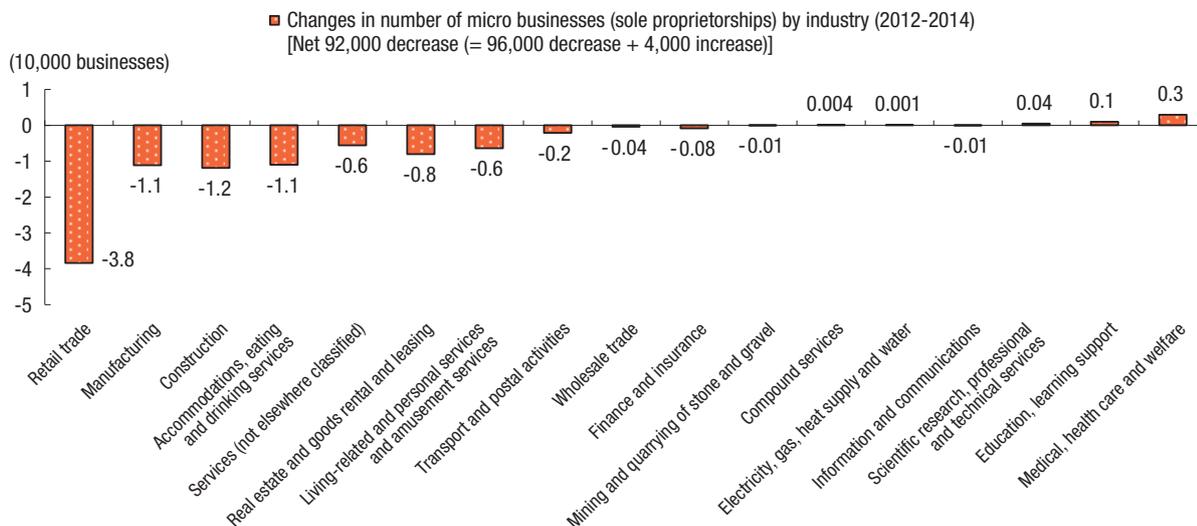
These changes are examined in further detail below by dividing micro businesses into sole proprietorships and corporations, shown in Fig. 1-1-39 and Fig. 1-1-40.

From these it can be seen that in eight industries (including the retail trade, accommodations, eating and drinking services, real estate and goods rental and leasing, living-related and personal services and amusement services, transport and postal

activities, finance and insurance, and information and communications), only sole proprietorships declined and there were no decreases in the number of corporations.

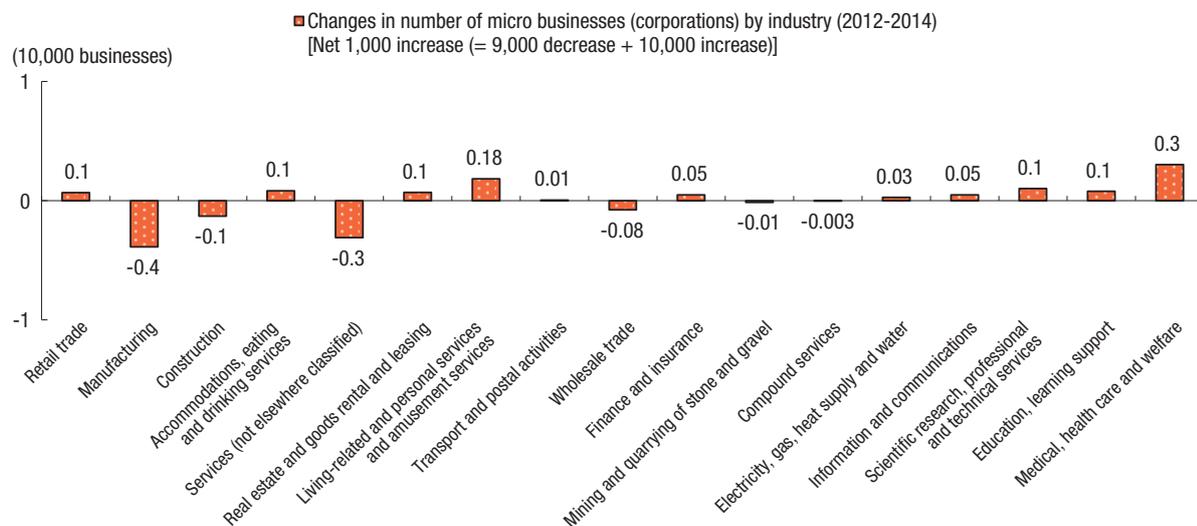
Industries such as medical, health care and welfare and education, learning support, on the other hand, saw growth among both sole proprietorships and corporations.

Fig. 1-1-39 Changes in number of micro businesses (sole proprietorships) by industry (2012-2014)



Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity; MIC, 2014 Economic Census for Business Frame.

Fig. 1-1-40 Changes in number of micro businesses (corporations) by industry (2012-2014)



Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity; MIC, 2014 Economic Census for Business Frame.

6 Micro business startups, closures, and changes in size

As the preceding sections have shown, while the number of micro businesses has fallen overall due primarily to falling numbers of sole proprietorships, a breakdown by industry reveals that the decline has not occurred across the board and that a certain number of industries have experienced growth.

However, changes in the number of micro businesses

alone do not tell the whole story, as they do not indicate whether a business was started up and closed as a micro business, or whether it expanded its workforce to become a medium business or was once a medium business that shrank and became a micro business.

Developments among micro businesses including enterprise startups, closures, and changes in size are

therefore examined more closely in this sub-section by analyzing in detail the results of economic censuses.

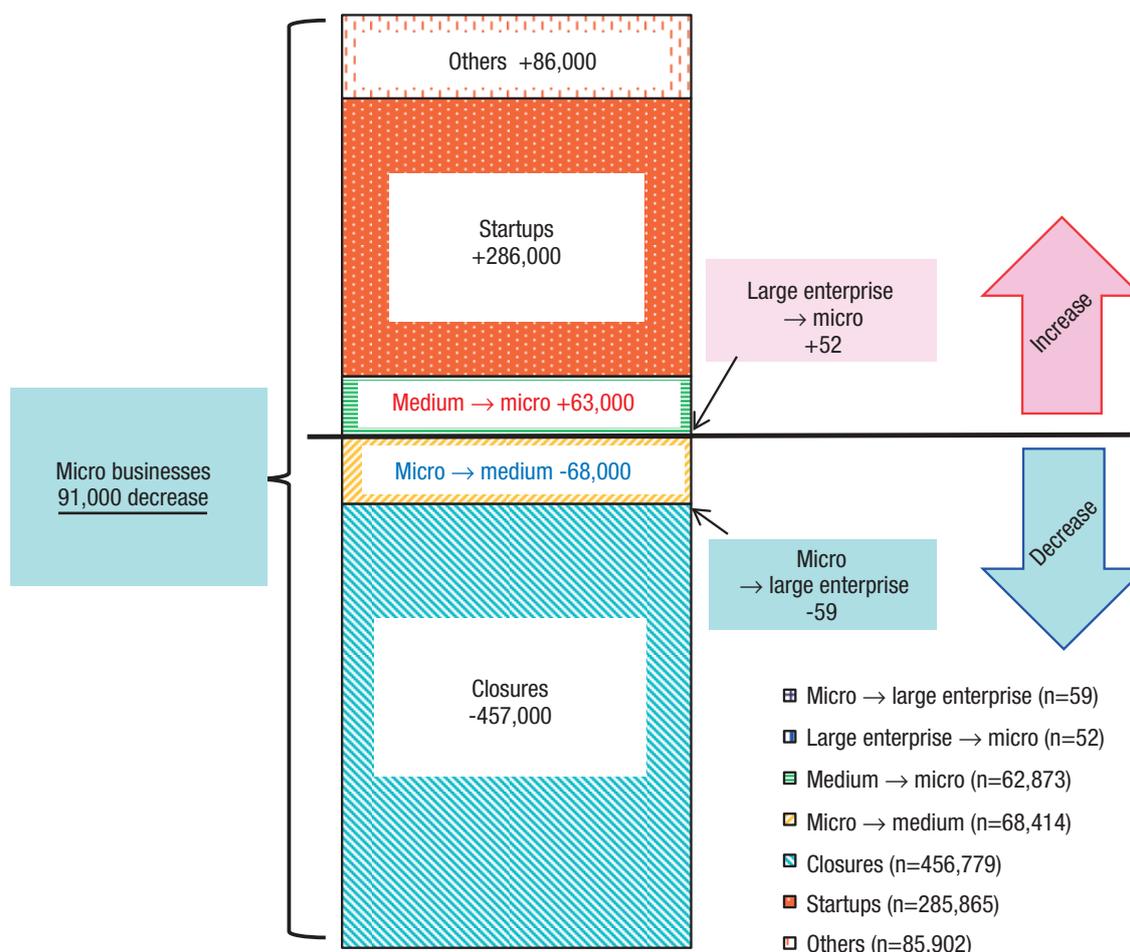
The results of an analysis of the number of businesses that were started up and closed as micro businesses, the number that grew in size from micro businesses to medium businesses, and the number that shrank in size from medium businesses to micro businesses between 2012 and 2014 are shown in Fig. 1-1-41.

From this it can be seen that the increase in the number of micro businesses was attributable to approximately 286,000 new startups, approximately 63,000 businesses that were medium businesses in 2012 but micro businesses in 2014, and approximately

86,000 other businesses, which together resulted in an increase of approximately 435,000. In contrast, the decrease in the number of micro businesses was due mainly to approximately 457,000 closures and approximately 68,000 businesses that were micro businesses in 2012 but medium businesses in 2014, which together resulted in a decrease of approximately 525,000.

These figures show that while the total number of micro businesses declined, considerable regeneration was taking place at the same time thanks to the relatively high number of startups.

Fig. 1-1-41 Factors behind changes in number of micro businesses (2012-2014)



Sources: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

Notes: 1. Number of enterprises = number of companies + number of sole proprietorships

2. Enterprises on which data could not be confirmed in both the *2014 Economic Census for Business Frame* and the *2012 Economic Census for Business Activity* were classified as "startups" if they appeared to have opened all their establishments since the 2012 census, and as "closures" if they appeared to have closed all their establishments since the 2012 census. Enterprises that did not fall into either of these categories were classified as "others."

3. For reasons such as relocations of establishments, the numbers of startups and closures estimated here may exceed actual numbers.

Increases and decreases in size of micro businesses are next examined by industry, as shown in Fig. 1-1-42.

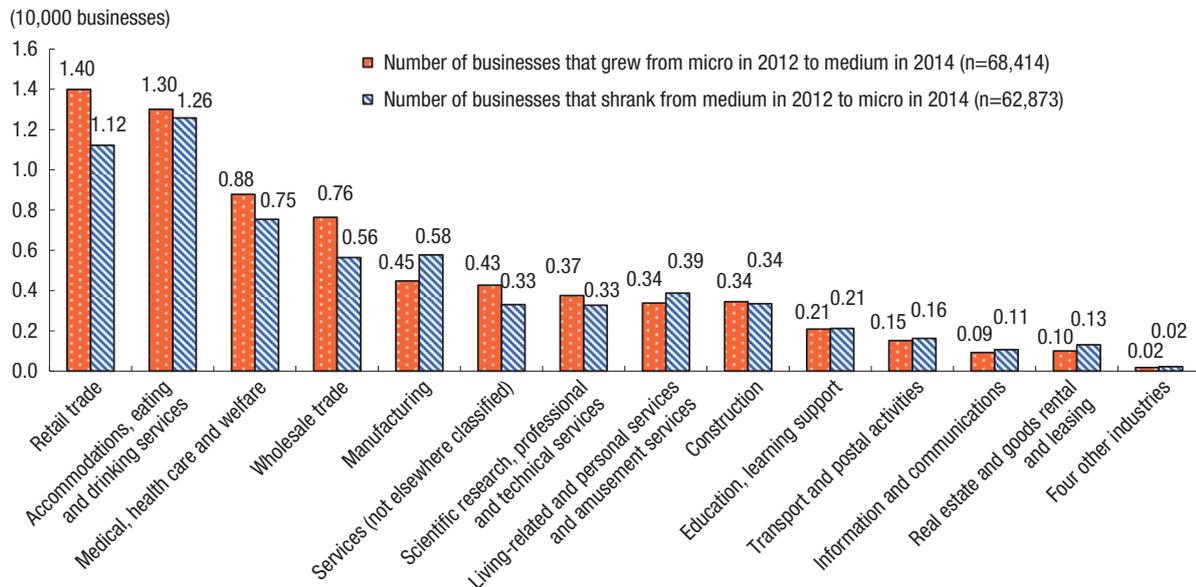
A breakdown of the approximately 68,000 businesses that were micro businesses in 2012 but had grown to become medium businesses in 2014 reveals that the retail trade accounted for the largest number (14,000), followed by accommodations, eating and drinking services (13,000), medical, health care and welfare (8,800), wholesale trade (7,600), and manufacturing (4,500). Together these five industries accounted for about 70% (48,000) of the total.

Conversely, a breakdown of the approximately

63,000 businesses that were medium businesses in 2012 but shrank to become micro businesses in 2014 reveals that accommodations, eating and drinking services accounted for the largest number (12,600), followed by the retail trade (11,200), medical, health care and welfare (7,500), manufacturing (5,800), and the wholesale trade (5,600). Together these five industries accounted for just under 70% (43,000) of the total.

When viewed in aggregate, the number of micro businesses that increased in size exceeded the number that decreased in size by approximately 5,500.

Fig. 1-1-42 Changes in size among micro businesses (size in 2014 compared with 2012)



Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity; MIC, 2014 Economic Census for Business Frame.

Note: "Four other industries" consists of the following: finance and insurance; compound services; mining and quarrying of stone and gravel; and electricity, gas, heat supply and water.

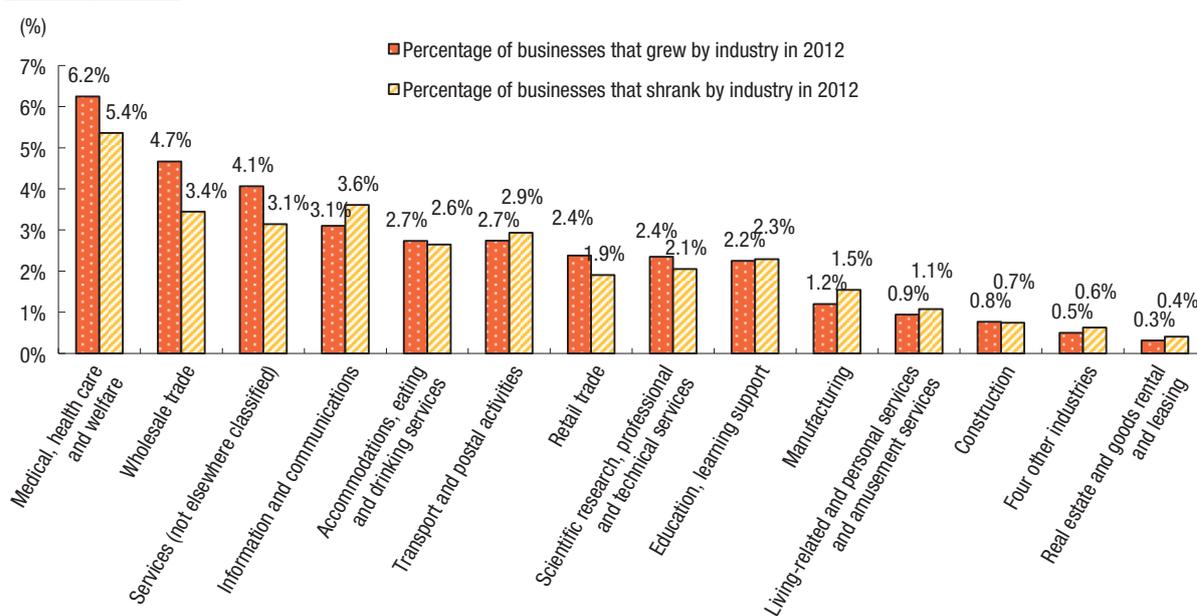
Fig. 1-1-43 shows the proportions of businesses in each industry in 2012 that then either increased or decreased in size.

From this it can be seen that the proportions were greatest in medical, health care and welfare (6.2% grew and 5.4% shrank), followed by the wholesale trade (4.7% grew and 3.4% shrank), services (not elsewhere

classified) (4.1% grew and 3.1% shrank), information and communications (3.1% grew and 3.6% shrank), and accommodations, eating and drinking services (2.7% grew and 2.6% shrank).

From the preceding analyses it is evident that, despite some variation according to industry, considerable regeneration has occurred among micro businesses.

Fig. 1-1-43 Percentages of businesses that changed in size by industry in 2012



Sources: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*; MIC, *2014 Economic Census for Business Frame*.

Note: "Four other industries" consists of the following: finance and insurance; compound services; mining and quarrying of stone and gravel; and electricity, gas, heat supply and water.

7 Factors behind decrease in number of micro businesses

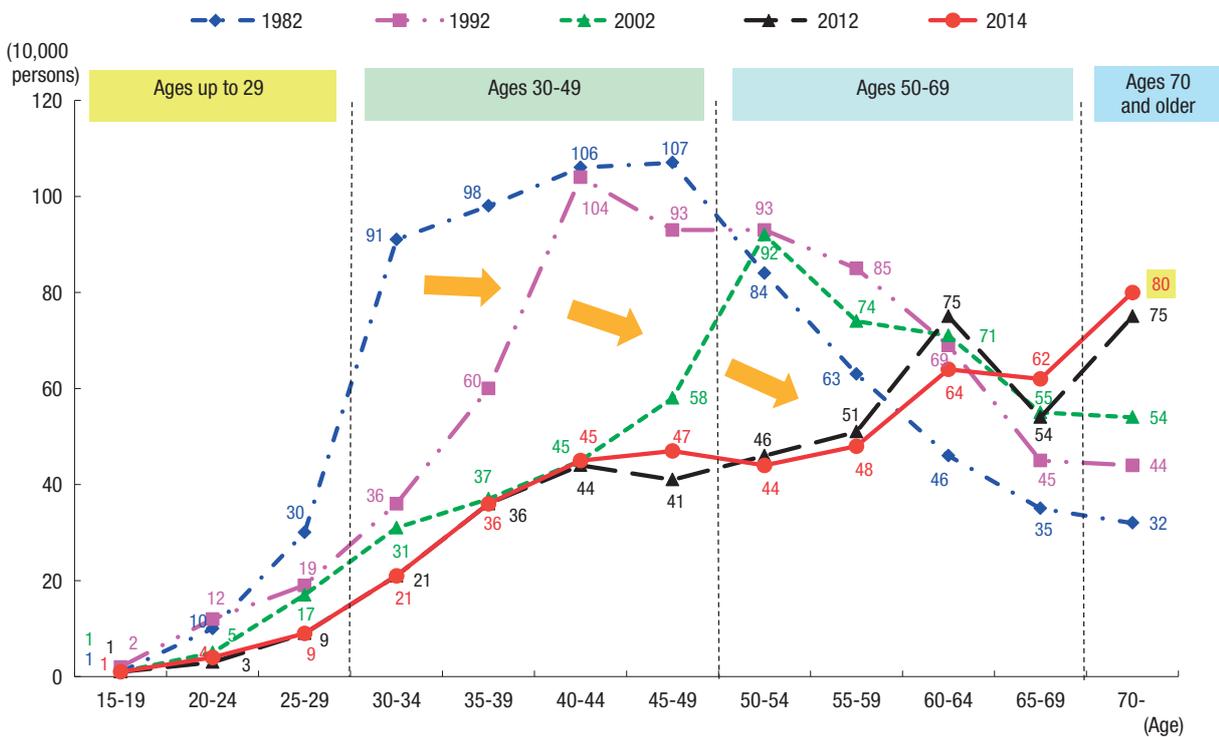
Fig. 1-1-44 shows the number of self-employed people by age group broken down by year.

From this it can be seen that in 1982, 30- to 49-year-olds accounted for the largest number of self-employed, and that there were relatively few aged 70 or older. Over time, the largest age group grew older and in 2012, three decades later, 70-year-olds and older

were the most numerous. In the two years from 2012 to 2014, moreover, the number of self-employed aged 70 or older rose by approximately 50,000 to reach 800,000, indicating that proprietors are aging further.

The figures also show that the number of younger self-employed people aged between 20 and 39 fell between 1982 and 2014.

Fig. 1-1-44 Changes in number of self-employed by age group



Source: MIC, Labour Force Survey.

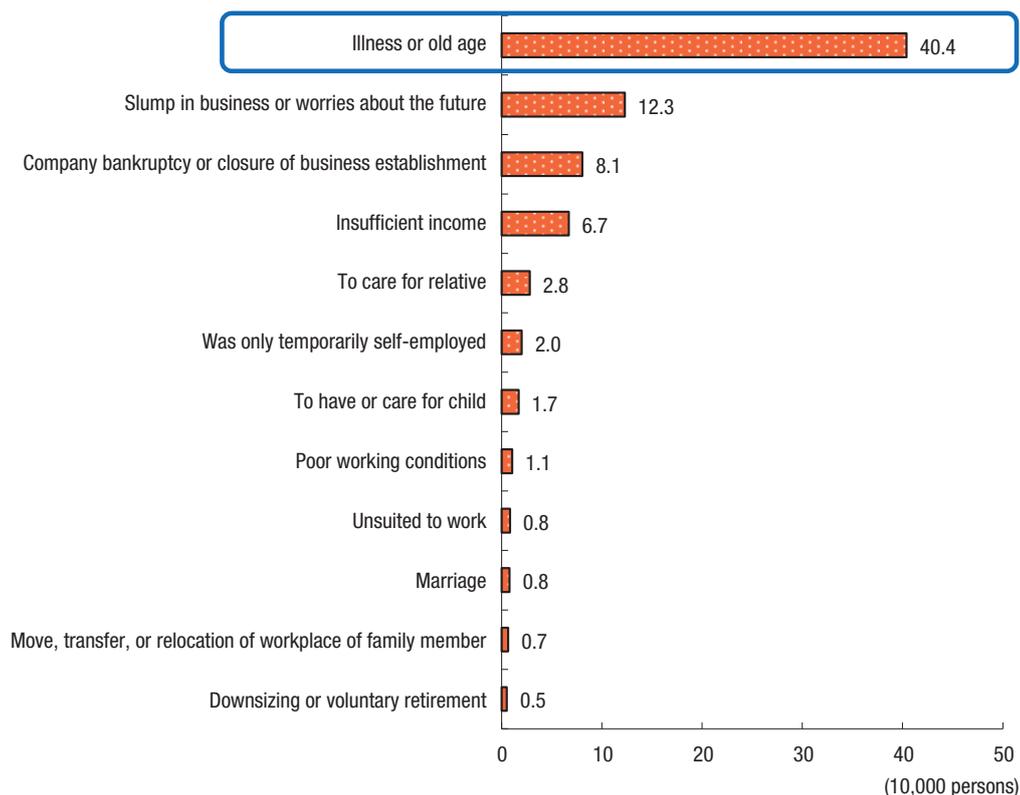
- Notes: 1. Total of non-agriculture and forestry.
2. Self-employed people: individuals who do business as sole proprietors.

The reasons given by self-employed people for ceasing to be self-employed, shown in Fig. 1-1-45, are analyzed next.

The commonest reason given for ceasing to be self-employed is “illness or old age,” followed by “slump in business or worries about the future,” and “company bankruptcy or worries about the future,” and “company

bankruptcy or closure of business establishment.” As observed in Section 3, one factor behind the decrease in the number of businesses has been the decline in sole proprietorships, and these figures indicate that the real reason for this is the increasing aging of proprietors.

Fig. 1-1-45 Reasons for ceasing to be self-employed



Source: MIC, 2012 *Employment Status Survey*.

Notes: 1. Respondents were asked to select the main reason for ceasing their job.

2. Respondents were asked about their reason for leaving their previous job in the last five years (between October 2007 and September 2012).

Chapter 2 Activities and initiatives undertaken by micro businesses

This chapter uses the questionnaire results of the *Survey on the Conditions of Business Activities of Micro Businesses*¹⁾ to examine the business activities of micro businesses from a variety of angles, including their sales areas, sales, use of IT, efficiency of management, acquisition and development of human resources, and business successions.

Section 1 Sales areas and sales

This section mainly analyzes the sales areas and sales of micro businesses as they stand at present.

1 Micro businesses' sales areas and changes in their size

Fig. 1-2-1 shows micro businesses' annual sales according to their latest financial results broken down proportionately by the geographical scope of the sales areas that comprise their markets.

From this it can be seen that approximately 60% of micro businesses' sales are generated within the same municipality and 20% are to neighboring municipalities. Together these two markets account for 80% of the total, and this figure rises to almost 90% when sales within the same prefecture are included. Micro businesses thus derive almost all of their sales from the prefecture in which they are located.

A breakdown by industry of the proportion of sales that micro businesses derive from each geographical sales area is shown in Fig. 1-2-2.

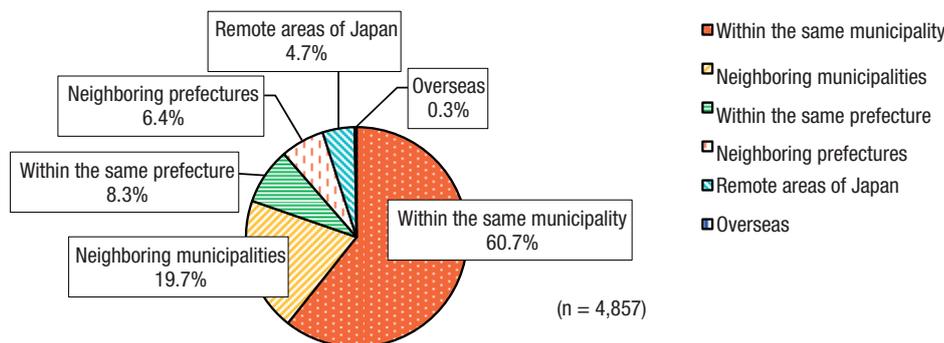
From this it can be seen that the industry that derives

the highest proportion of sales from within the same municipality is living-related and personal services (79.4%), followed by the retail trade (74.6%) and eating and drinking services (72.7%). At the other end of the scale are construction (58.5%), the wholesale trade (42.8%), and accommodations (17.4%). There thus exists considerable variation between industries.

These figures provide evidence that whereas the wholesale trade, manufacturing, and accommodations by their nature have geographically wider sales areas, living-related and personal services (especially businesses such as hair-dressing and beauty salons and barbershops), the retail trade, and eating and drinking services tend to be active over a smaller geographical area.

1) An online survey of micro businesses belonging to the Central Federation of Societies of Commerce and Industry and the Japan Chamber of Commerce and Industry. It was commissioned by the Small and Medium Enterprise Agency (SME Agency) and conducted by the Applied Research Institute, Inc. in January 2016. It received 4,857 valid responses.

Fig. 1-2-1 Breakdown of sales in last financial year by geographical sales area



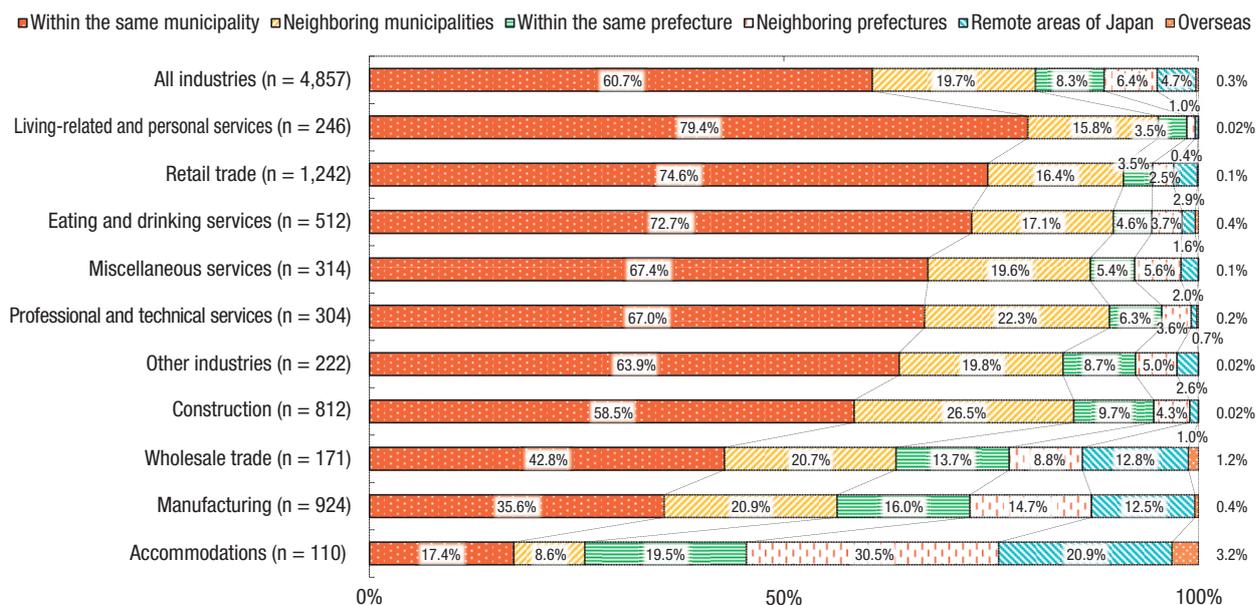
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Notes: 1. "Neighboring municipalities" are all municipalities (in the same prefecture) neighboring the administrative division of the "same municipality" in which a business has its principal place of business.

2. "Neighboring prefectures" are all the prefectures neighboring the administrative division of the "same prefecture."

3. The percentages shown above are based on simple averages of the sales of 4,857 micro businesses broken down by geographical sales area.

Fig. 1-2-2 Breakdown of sales in last financial year by geographical sales area (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Notes: 1. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.

2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

Changes in the geographical scope of micro businesses' sales areas are examined next.

Fig. 1-2-3 shows the trends in size of micro businesses' sales areas (i.e., whether they grew or shrank) over the last three years.

A total of 30.7% reported that their sales areas either "grew considerably" (6.5%) or "grew somewhat" (24.2%). On the other hand, 15.0% said that their sales areas either "shrank somewhat" (10.5%) or "shrank considerably" (4.5%). Overall, the results show that proportionately more micro businesses reported growth rather than shrinkage in their sales areas.

These results are broken down by industry in Fig. 1-2-4.

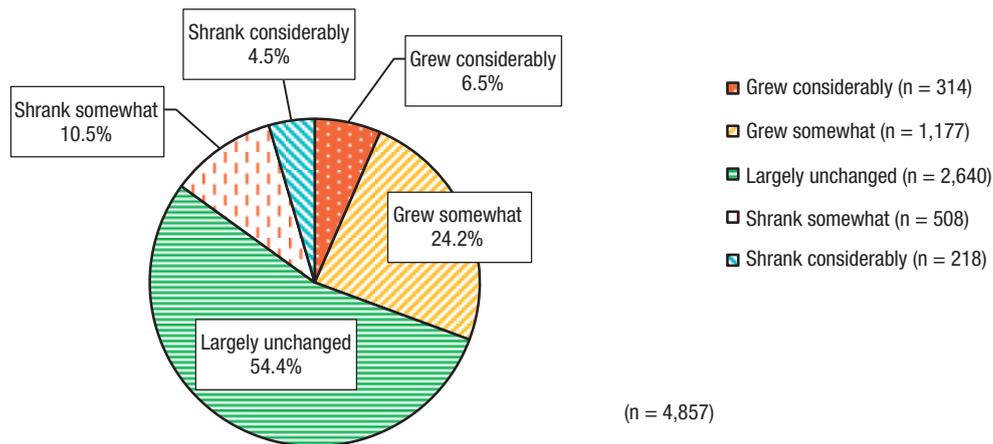
From this it can be seen that the three industries with the highest proportions of businesses reporting

growth in their sales areas were accommodations (39.1%), manufacturing (38.9%), and the wholesale trade (38.0%). The three industries with the smallest proportions were living-related and personal services (23.1%), the retail trade (24.1%), and construction (29.2%).

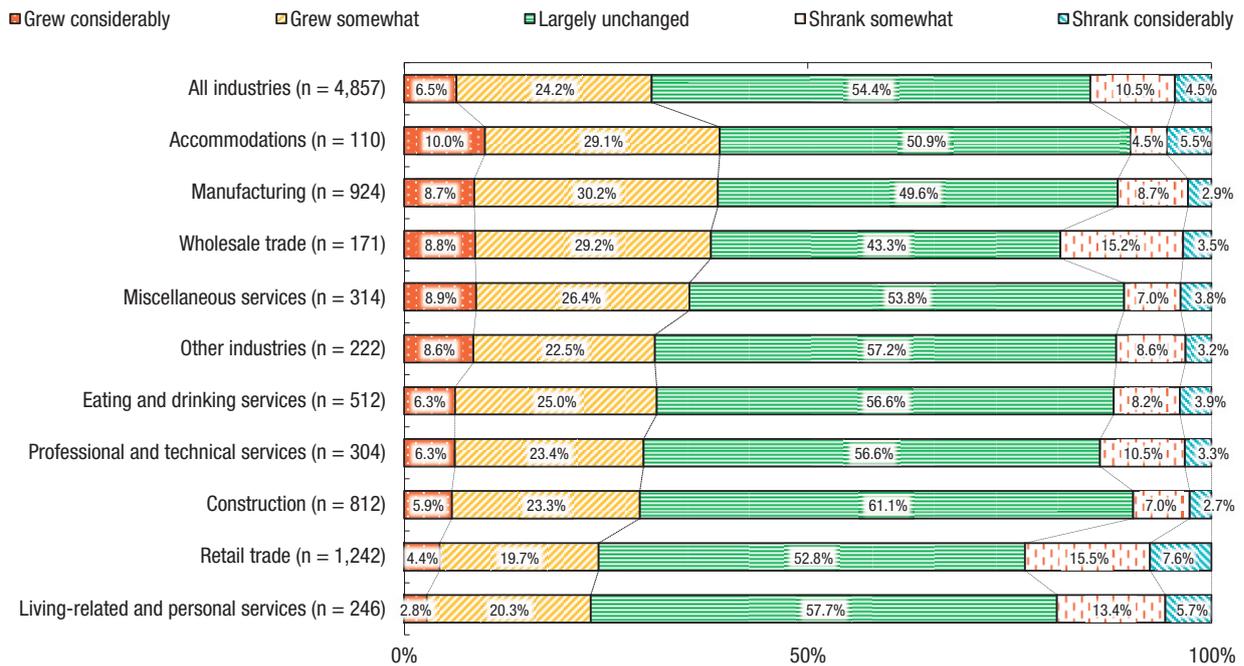
These results indicate that industries such as accommodations, manufacturing, and the wholesale trade, which by their nature do business over a wider geographical area, exhibit a stronger tendency to expand their sale areas.

On the other hand, businesses providing living-related and personal services that are entrenched in people's everyday lives, such as hair-dressing and beauty salons and barbershops, exhibit a weaker tendency to expand their sales areas.

Fig. 1-2-3 Trends in size of sales areas over the last three years



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-4 Trends in size of sales areas over the last three years (by industry)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes: 1. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.
 2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

Fig. 1-2-5 shows the correlations between sales trends and trends in the size of sales areas over the last three years.

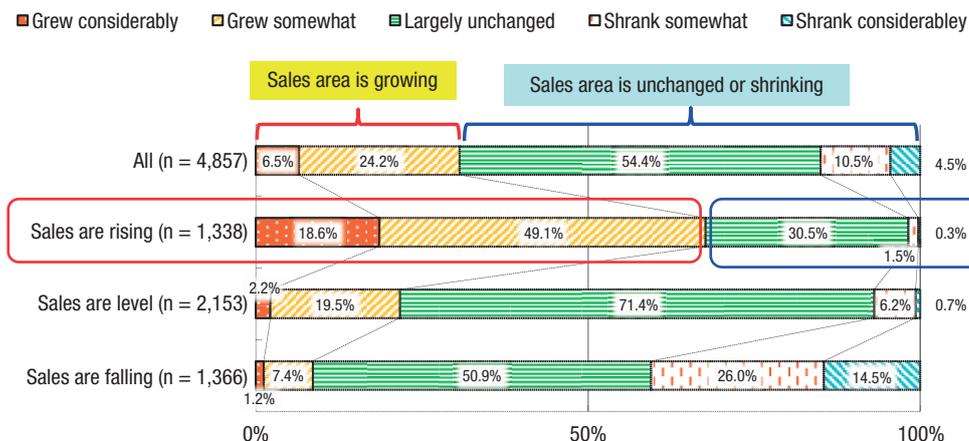
From this it can be seen that approximately 70% of businesses whose sales are rising report that their sales areas are growing. Conversely, only about 30% of businesses report that sales are rising but that their sales areas are unchanged or shrinking in size. This

points to the importance of taking steps to expand sales areas as a means of increasing sales.

Trends in the size of sales areas among businesses whose sales are rising are examined next in Fig. 1-2-6.

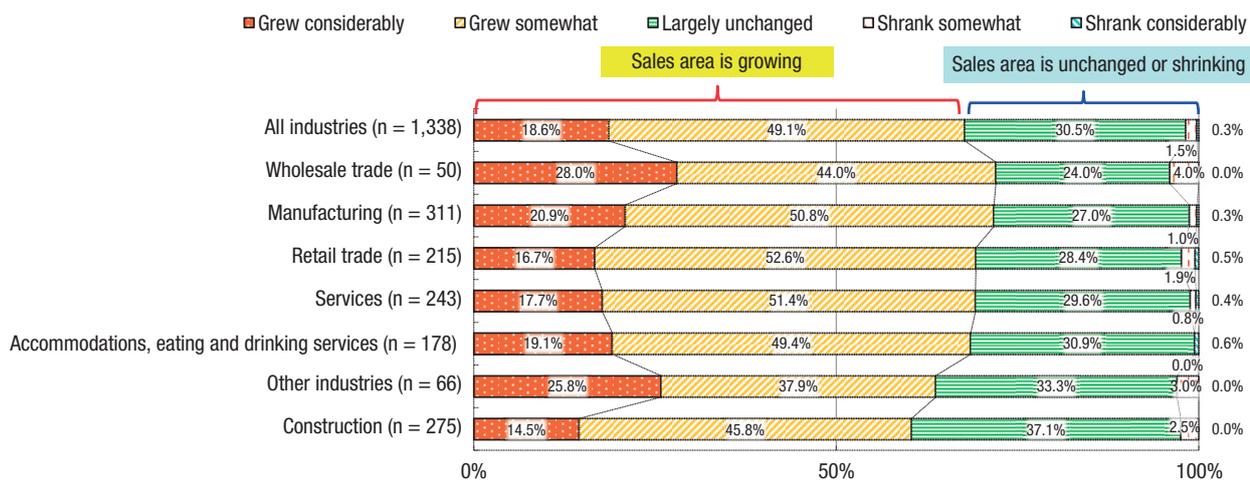
This reveals a similar trend, with the proportion whose sales areas are growing being high (between about 60% and 70%) in all industries.

Fig. 1-2-5 Trends in sales and trends in size of sales areas



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-6 Trends in size of sales areas among businesses whose sales are rising (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes:
1. "Services" covers the following: living-related and personal services; professional and technical services; amusement services; education, learning support; medical, health care and welfare; and other services.
 2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

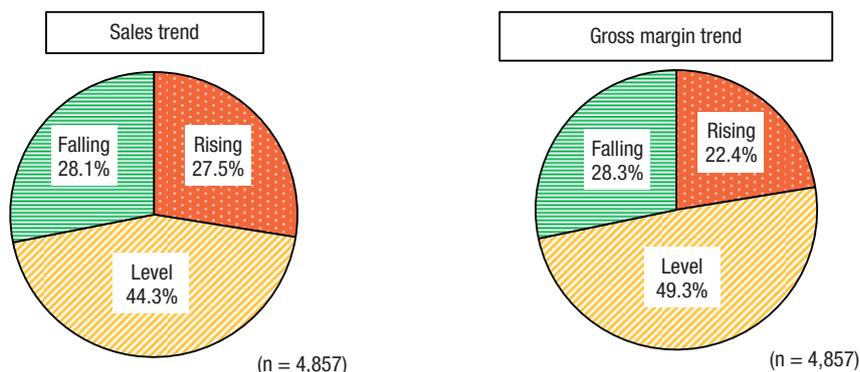
2 Sales trends and future outlook among micro businesses

Fig. 1-2-7 shows sales trends and gross margin trends reported by micro businesses over the last three years.

From this it can be seen that 27.5% said that sales were "rising," 44.3% said that they were "level," and

28.1% said that they were "falling." Regarding their gross margin, on the other hand, 22.4% said that it was "rising," 49.3% said that it was "level," and 28.3% said that it was "falling."

Fig. 1-2-7 Sales trends and gross margin trends over the last three years



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

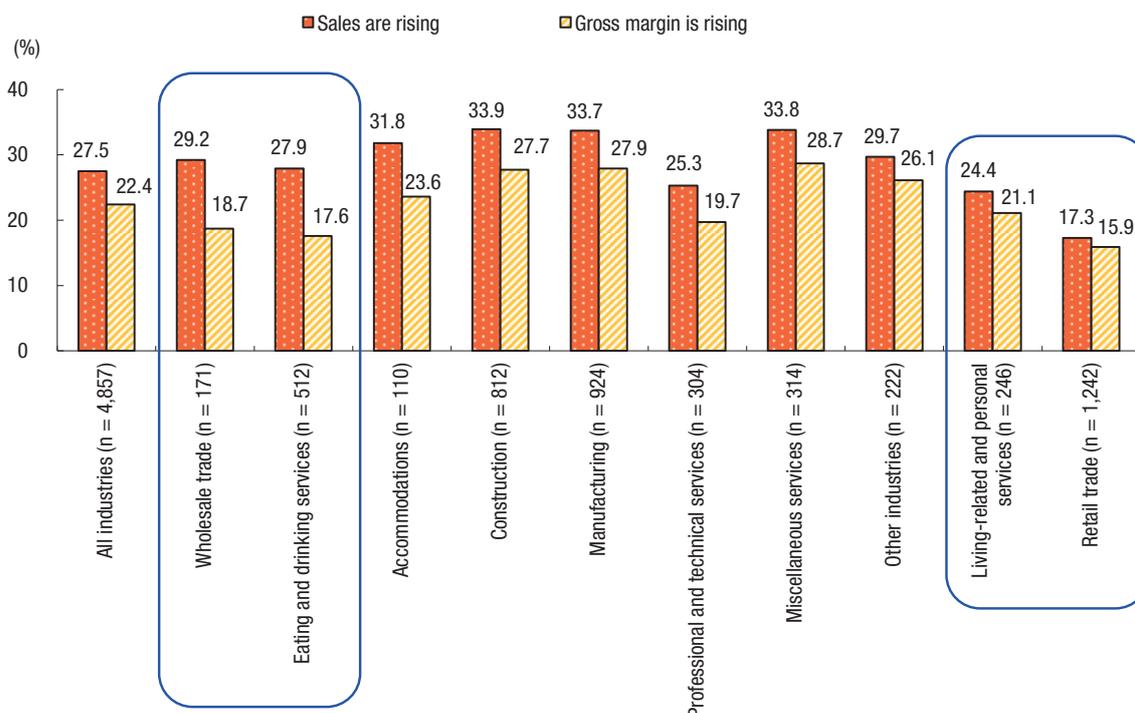
Fig. 1-2-8 compares the proportions of businesses reporting rising sales and rising sales margins by industry over last three years.

From this it can be seen that, depending on the industry, rising sales do not always correlate with rising gross margins. The gap between the percentage reporting rising sales and the percentage reporting rising sales margins is pronounced in the wholesale trade and eating and drinking services, where it exceeds

10 percentage point.

Among providers of living-related and personal services (especially hair-dressing and beauty salons, barbershops) and in the retail trade, on the other hand, the gap between rising sales and rising gross margins is comparatively small, indicating that in industries such as these, higher sales are more likely to translate into higher gross margins.

Fig. 1-2-8 Comparison of proportions reporting rising sales and rising gross margins over the last three years (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

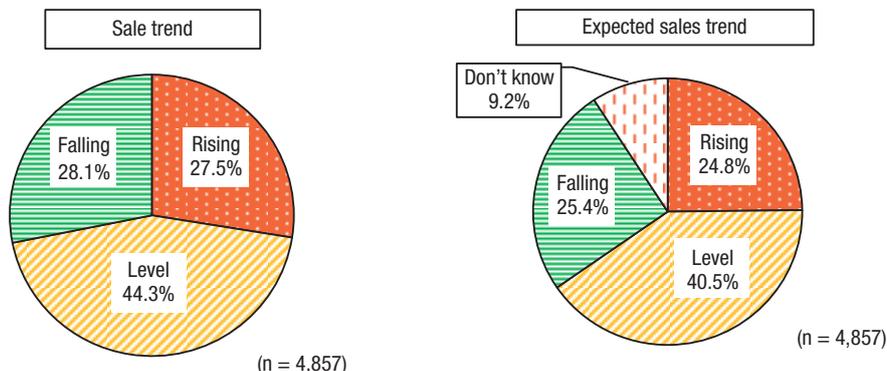
- Notes:
1. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.
 2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

Fig. 1-2-9 shows a comparison of sales trends over the last three years and expected sales trends over the next three years.

From this it can be seen that, excepting the 9.2%

who responded “don’t know,” sales are expected to follow the same trend over the next three years as over the last three years.

Fig. 1-2-9 Sales trends over the last three years and expected sales trends over the next three years



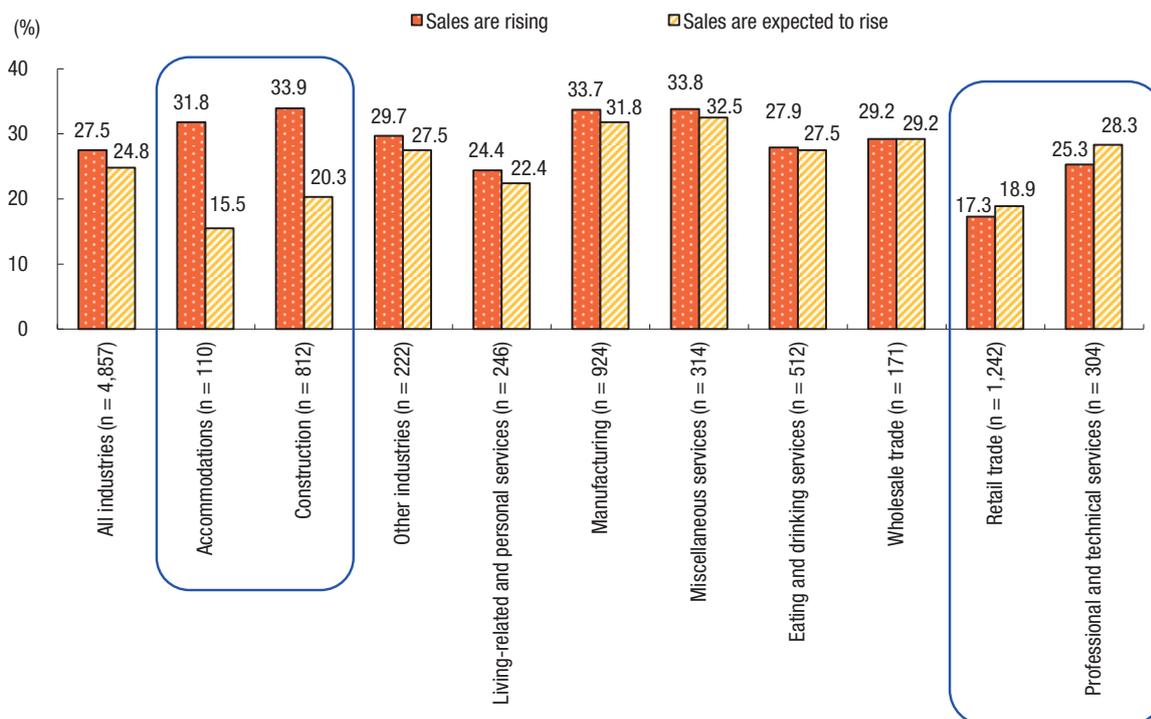
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-10 compares the proportion of businesses whose sales grew over the last three years and the proportion that expect them to grow over the coming

three years by industry.

From this it can be seen that the gap is particularly large in accommodations and construction, and that the

Fig. 1-2-10 Comparison of proportion of businesses reporting rising sales and the proportion that expect sales to grow in the future (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes:
1. “Miscellaneous services” covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.
 2. “Other industries” covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

proportion of businesses reporting that sales are on the rise is greater than the proportion that expect sales to grow in the future.

In the retail trade and among providers of professional and technical services, on the other hand, more businesses expect sales to grow in the future than

report that sales are presently rising.

Furthermore, in industries such as manufacturing, eating and drinking services, and the wholesale trade, the proportion of businesses reporting rising sales is almost the same as the proportion that expect sales to grow in the future.

3 Factors behind rising and falling sales

Fig. 1-2-11 shows the factors to which the rising and falling trends in sales over the last three years are attributed.

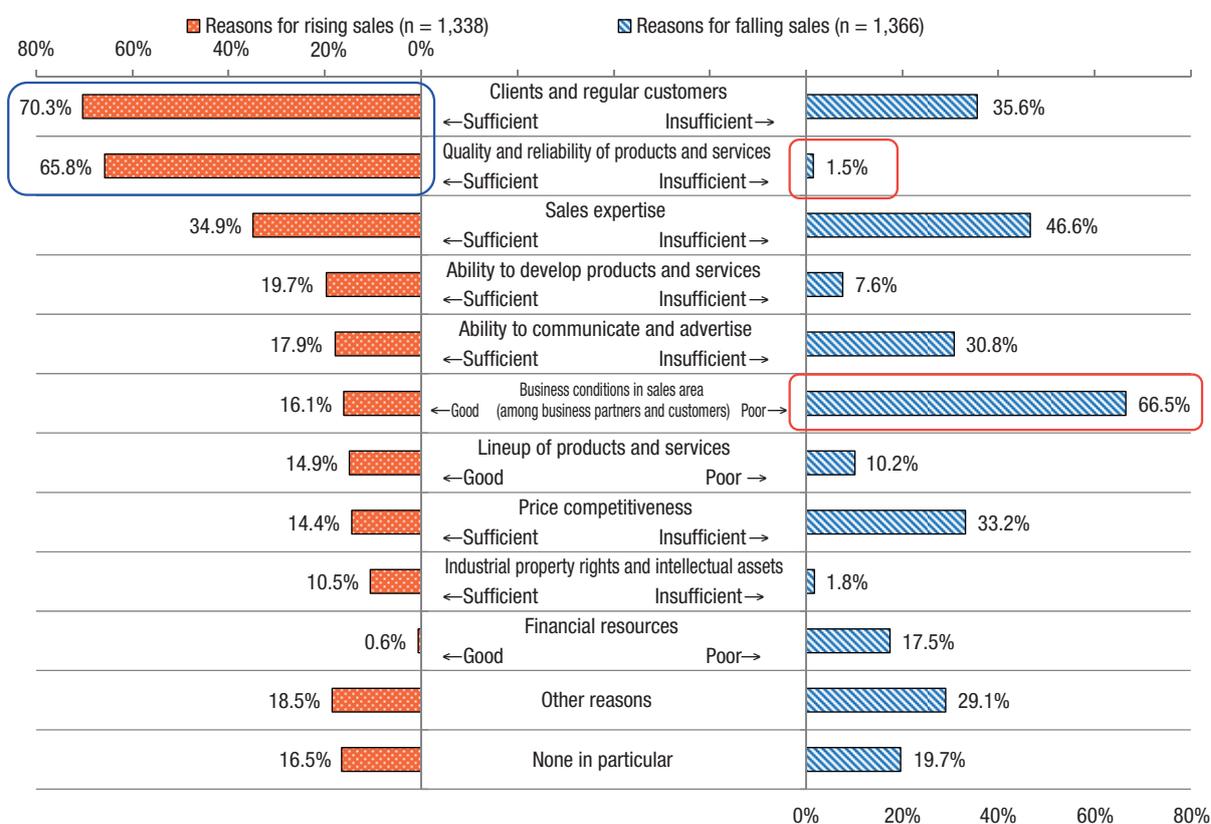
From this it can be seen that large proportions of businesses whose sales are rising attributed growth to “clients and regular customers” (70.3%) and the “quality and reliability of products and services” (65.8%).

Conversely, the commonest reason given for having falling sales was “poor business conditions in sales area (among business partners and customers),” which was cited by 66.5%, and only 1.5% attributed falling

sales to “low quality and reliability of products and services.”

This suggests that businesses whose sales are falling see this as being due to poor business conditions in their sales areas, and something that occurs despite their products and services not being of poor quality or reliability. They thus seek external reasons for sales declines. Although the sales of micro businesses are undoubtedly susceptible to the business conditions that pertain in their sales areas, it is hoped that they will step up action to, for example, improve the reliability of their own products and services.

Fig. 1-2-11 Factors to which rising and falling trends in sales are attributed (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Section 2 IT use by micro businesses

Advances in IT, exemplified by the spread of the Internet, have profoundly affected the business activities of enterprises of all sizes, and micro businesses are no

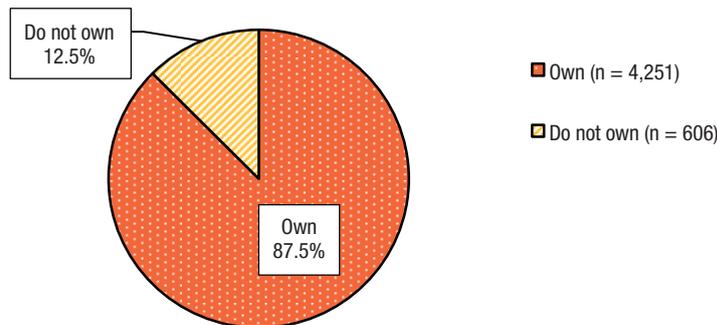
exception. The purpose of this section is to examine the extent to which IT has penetrated micro businesses and how it is presently used.

1 Ownership of information appliances among micro businesses

Fig. 1-2-12 shows micro businesses' ownership of information appliances used in business, such as personal computers, smartphones, and tablets. From this it can be observed that 87.5% own such appliances

but 12.5% do not, which means that one in eight micro businesses possesses no information appliances for business use.

Fig. 1-2-12 Ownership of information appliances

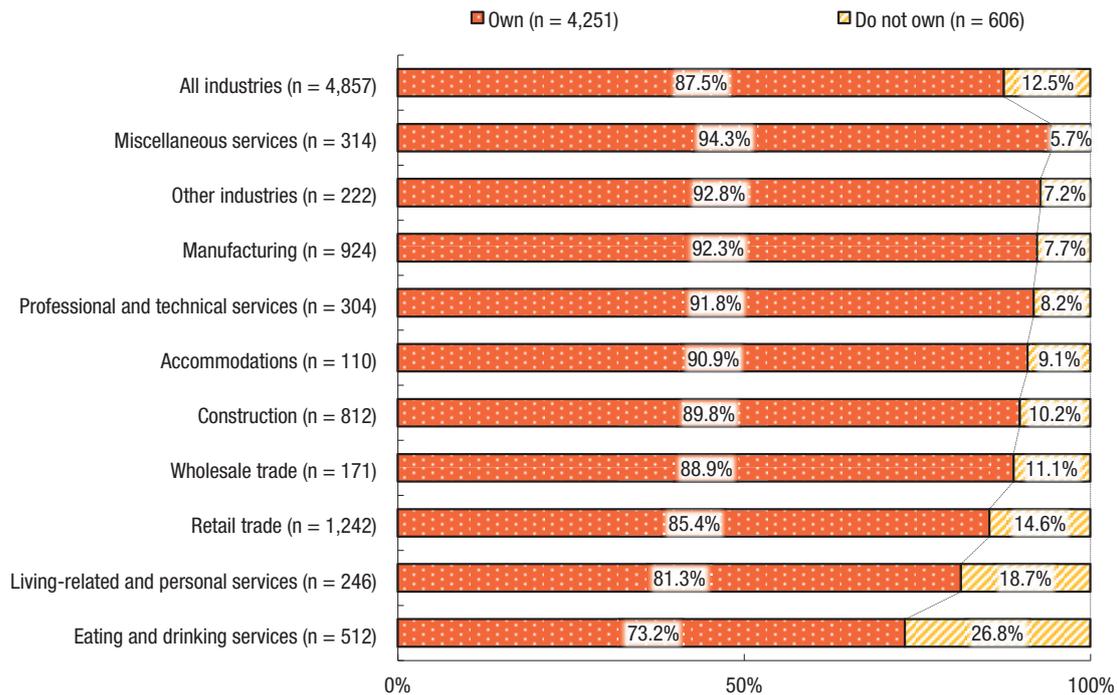


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Information appliances" here refers solely to devices such as personal computers, smartphones, tablets, and similar devices that are used in business.

Ownership of information appliances used in business is next broken down by industry in Fig. 1-2-13.

From this it can be seen that ownership is highest in miscellaneous services (94.3%), followed by other industries (92.8%), manufacturing (92.3%), and professional and technical services (91.8%).

On the other hand, ownership is lowest in eating and drinking services (73.2%), and also relatively low in living-related and personal services (81.3%) and the retail trade (85.4%). It can be seen that ownership of information appliances used in business is relatively low in these industries.

Fig. 1-2-13 Ownership of information appliances (by industry)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes: 1. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare, and other services.
2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

2 Use of IT in information management and advertising among micro businesses

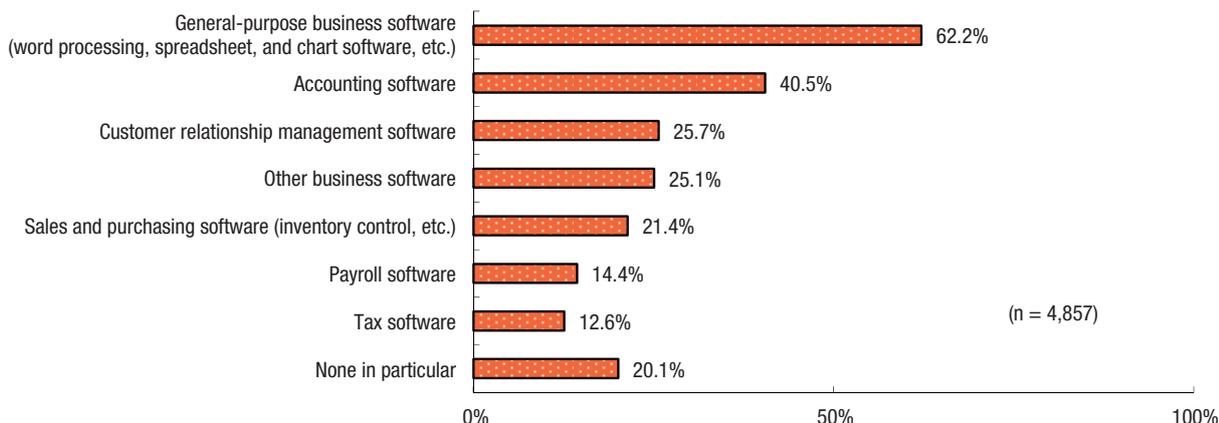
Fig. 1-2-14 depicts micro businesses' rates of IT use in information management.

From this it can be seen that while rates of use of general-purpose business software (word processing, spreadsheet, and chart software, etc.) (62.2%) and accounting software (40.5%) are comparatively high, rates of use of other types of software, such as customer relationship management software (25.7%),

other business software (25.1%), sales and purchasing software (e.g., inventory control, etc.) (21.4%), payroll software (14.4%), and tax software (12.6%), are generally low.

"None in particular" also accounts for 20.1% of the responses, indicating that about one in five businesses uses no IT at all in information management.

Fig. 1-2-14 Rates of use of IT in information management (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Respondents who answered “none in particular” chose no other responses.

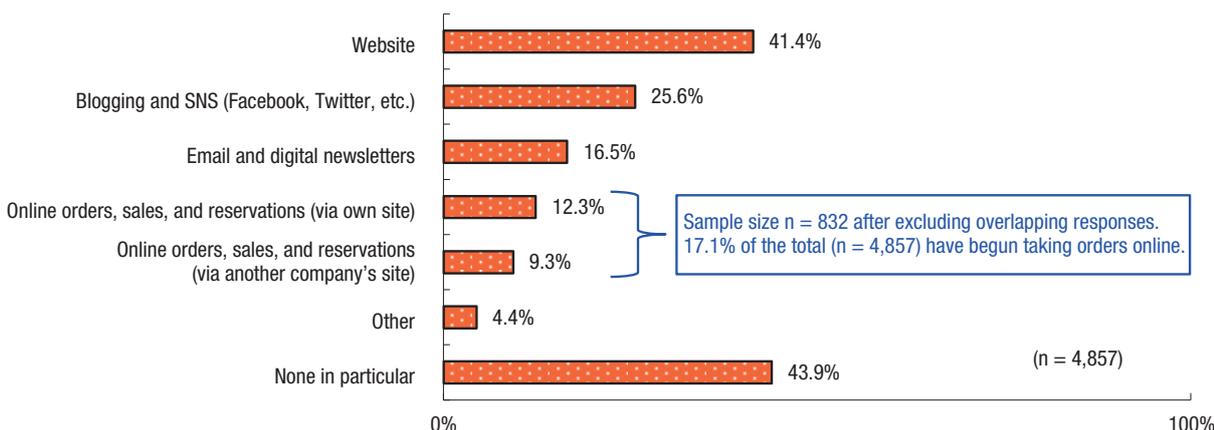
Micro businesses’ use of IT in advertising is shown next in Fig. 1-2-15.

From this it can be seen that IT is used by 41.4% for websites, 25.6% for blogging and SNS (social networking service) (such as Facebook and Twitter), 16.5% for email and digital newsletters, 12.3% for taking orders, sales, and reservations via their own sites, and 9.3% for taking orders, sales, and reservations via other companies’ websites. Given that 43.9% also said

that they make no particular use of IT in advertising, these results show that use of IT in advertising is generally low among micro businesses.

After discounting multiple responses by businesses that take orders and reservations and sell via both their own sites and other companies’ sites, these results indicate that 17.1% of all micro businesses have begun taking orders online.

Fig. 1-2-15 Rates of use of IT in advertising (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Notes: 1. “Via another company’s site” means use of an online marketplace.
 2. Respondents who answered “none in particular” chose no other responses.

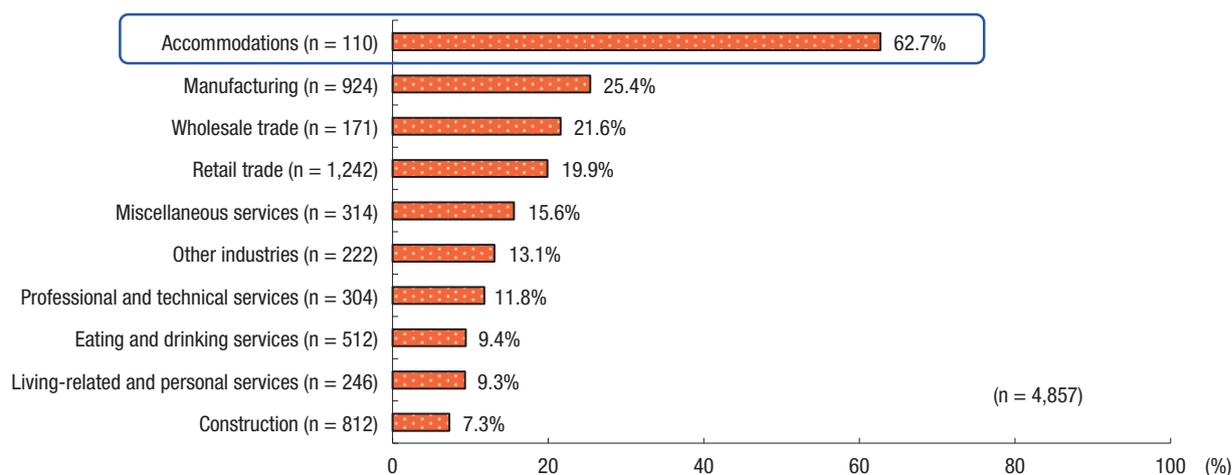
Fig. 1-2-16 shows a breakdown by industry of the proportions of micro businesses that said that they use IT in advertising for taking “online orders, sales, or reservations (via own site)” or “online orders, sales, or reservations (via another company’s site).”

From this it can be seen that use of IT for taking

orders and so on is highest in accommodations (62.7%), followed by manufacturing (25.4%) and the wholesale trade (21.6%).

On the other hand, rates of use are low in construction (7.3%), living-related and personal services (9.3%), and eating and drinking services (9.4%).

Fig. 1-2-16 Rates of use of IT for taking orders, etc. online via own or other sites (by industry) (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes:
1. “Other industries” covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.
 2. “Miscellaneous services” covers the following: amusement services; education, learning support; medical, health care and welfare, and other services.

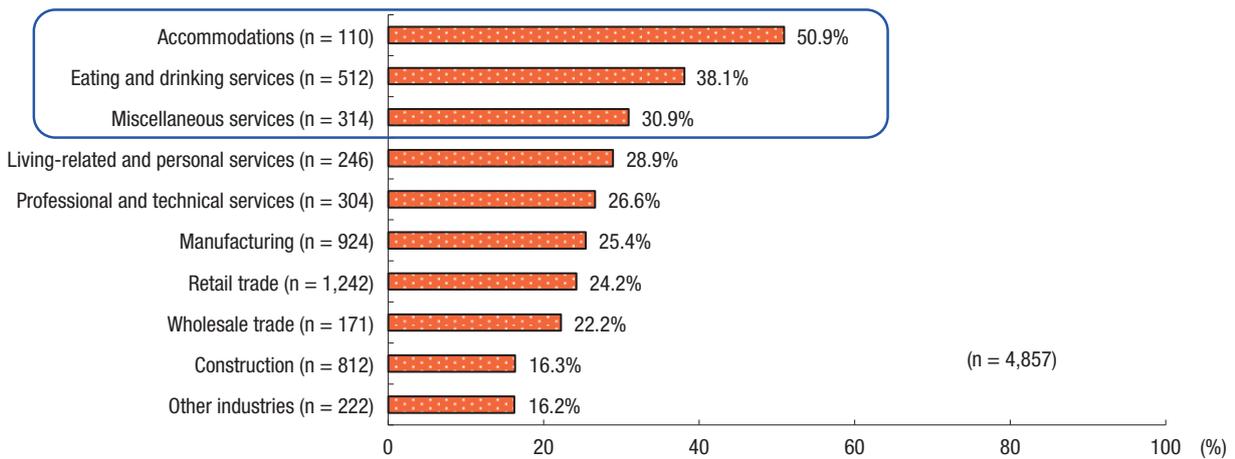
Fig. 1-2-17 provides a breakdown by industry of the proportions of micro businesses that said that they use IT in advertising for “blogging and SNS (Facebook, Twitter, etc.)”

From this it can be seen that blogging and SNS use is, as in the case of use of IT for taking orders and

so on online, highest in accommodations (50.9%), followed by eating and drinking services (38.1%) and miscellaneous services (30.9%).

On the other hand, rates of use are low in other industries (16.2%), construction (16.3%), and the wholesale trade (22.2%).

Fig. 1-2-17 Rates of use of use for blogging and SNS (by industry) (multiple responses)



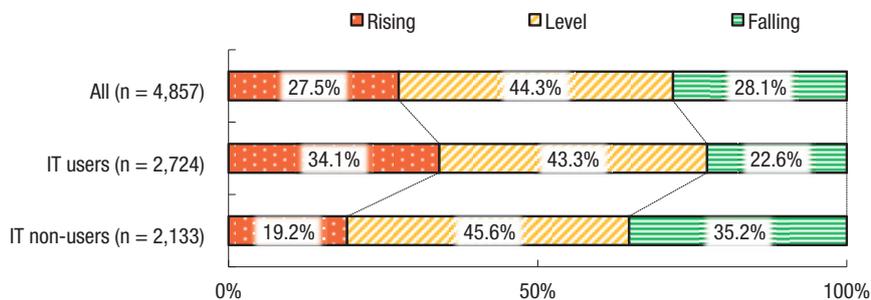
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Notes: 1. “Other industries” covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.
 2. “Miscellaneous services” covers the following: amusement services; education, learning support; medical, health care and welfare, and other services.

Fig. 1-2-18 shows a comparison of sales trends among users and non-users of IT in advertising.

From this it can be seen that whereas 34.1% of IT

users report that sales are on the rise, the corresponding figure among non-users is 19.2%, indicating that IT users tend to perform better.

Fig. 1-2-18 Use of IT in advertising and sales trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

3 Online sales situation

Fig. 1-2-19 shows the proportion of all sales made online in the latest financial year among micro businesses that have starting taking orders online.

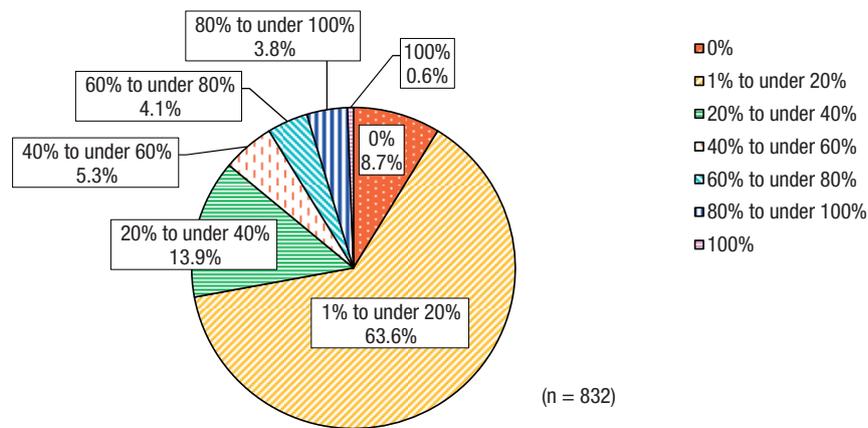
From this it can be seen that about 10% of businesses make no sales online despite having introduced online ordering, and approximately 60% make from 1% to under 20% of their sales online. Altogether, therefore, approximately 70% make 0% to 20% of their sales

online, indicating that online sales among micro businesses are generally low.

The analysis is taken a step further in Fig. 1-2-20, which shows the proportion of sales made online and sales trends.

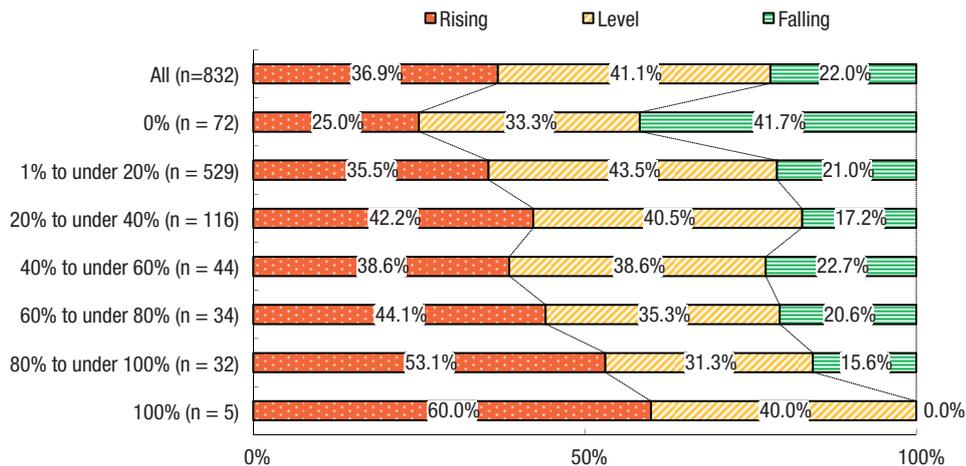
This indicates that businesses with high online sales rates are more likely to report rising sales.

Fig. 1-2-19 Proportion of all sales made online



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-20 Online sales rates and sales trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

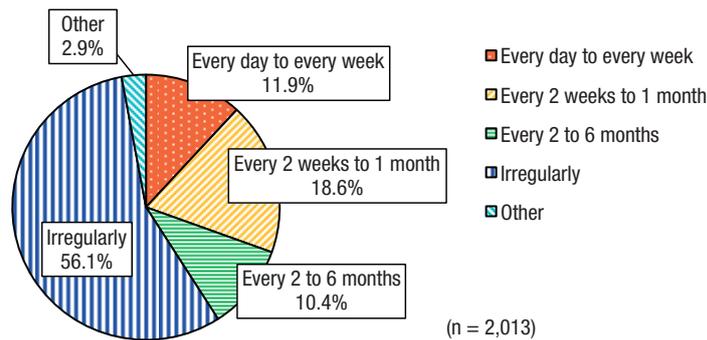
4 Frequency of website, blog, and SNS updates

Fig. 1-2-21 shows how frequently businesses update their websites. From this it is apparent that while approximately 60% update irregularly, about 30% update between once a day and once a month.

update their websites by industry. This reveals that many businesses in living-related and personal services, miscellaneous services, the retail trade, and other industries update their websites between once a day and once a month

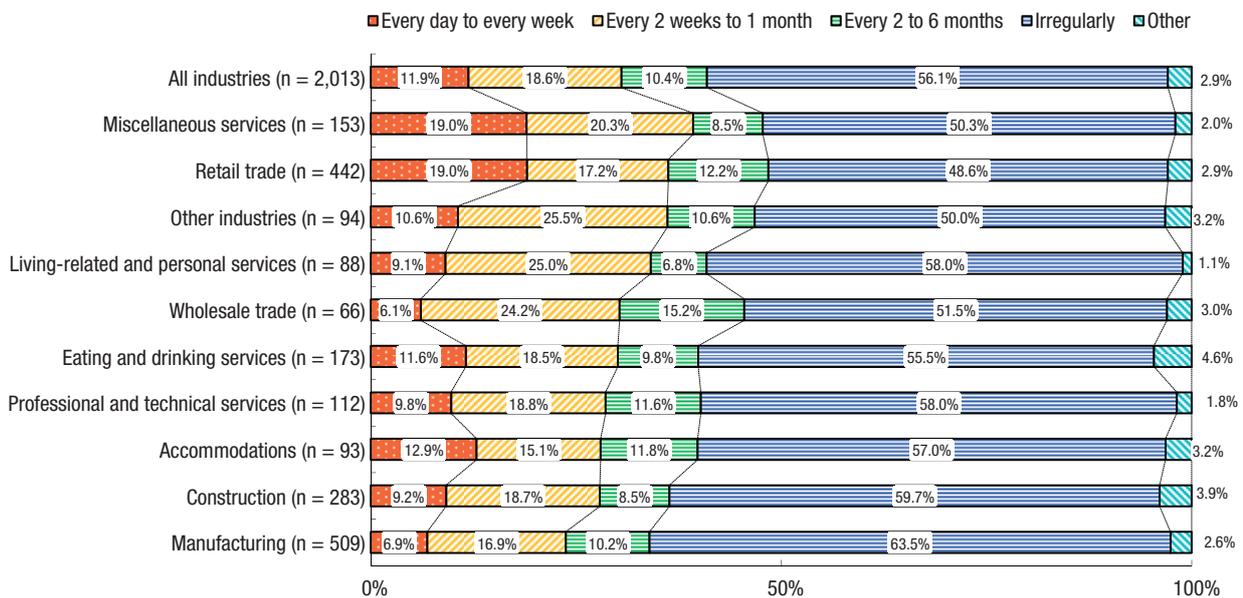
Fig. 1-2-22 breaks down how frequently businesses

Fig. 1-2-21 Frequency of website updates



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-22 Frequency of website updates (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Notes: 1. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare, and other services.
2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

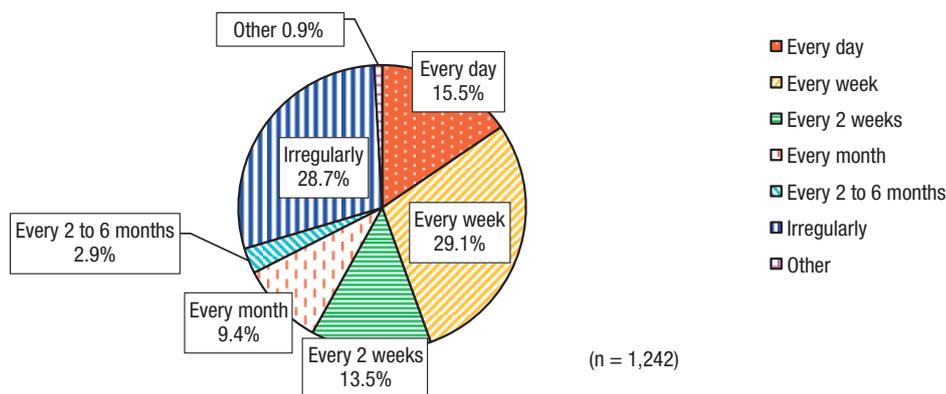
Frequency of blog and SNS updates is considered next in Fig. 1-2-23.

From this the commonest frequency can be seen to be “irregularly” (28.7%), followed by “every day” (15.5%), “every week” (29.1%), “every 2 weeks” (13.5%), “every month” (9.4%), and “every 2 to 6 months” (2.9%). Approximately 60% of micro businesses thus renew their websites on a daily to

fortnightly basis.

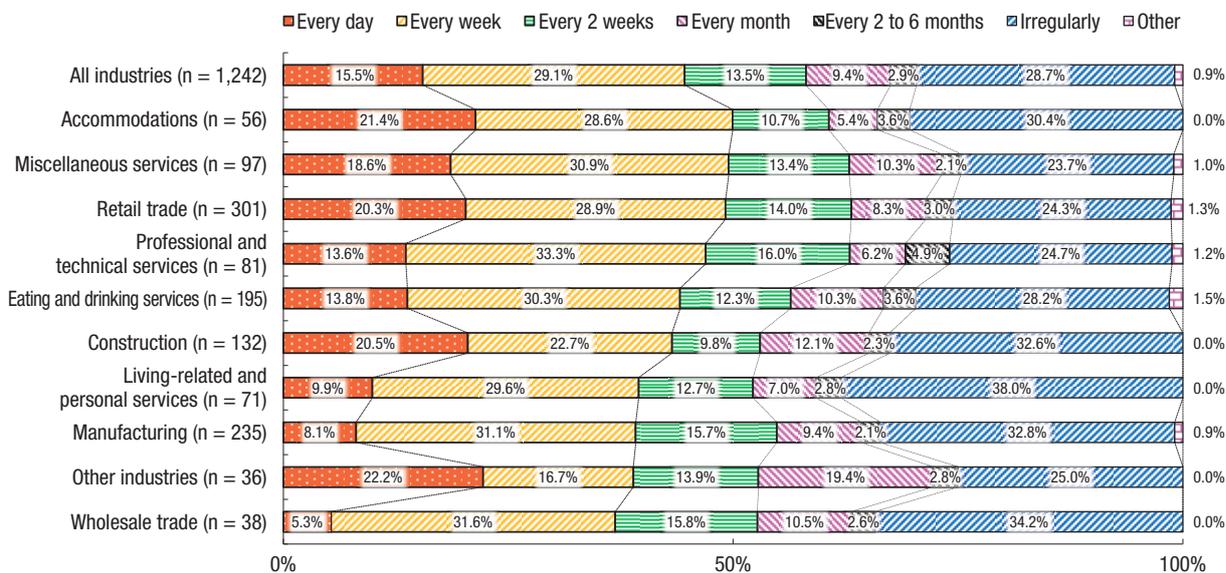
These results are shown broken down by industry in Fig. 1-2-24, from which it can be seen that the frequency of updates is high in industries such as accommodations, miscellaneous services and the retail trade, and low in industries such as manufacturing and the wholesale trade.

Fig. 1-2-23 Frequency of blog and SNS updates



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-24 Frequency of blog and SNS updates (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

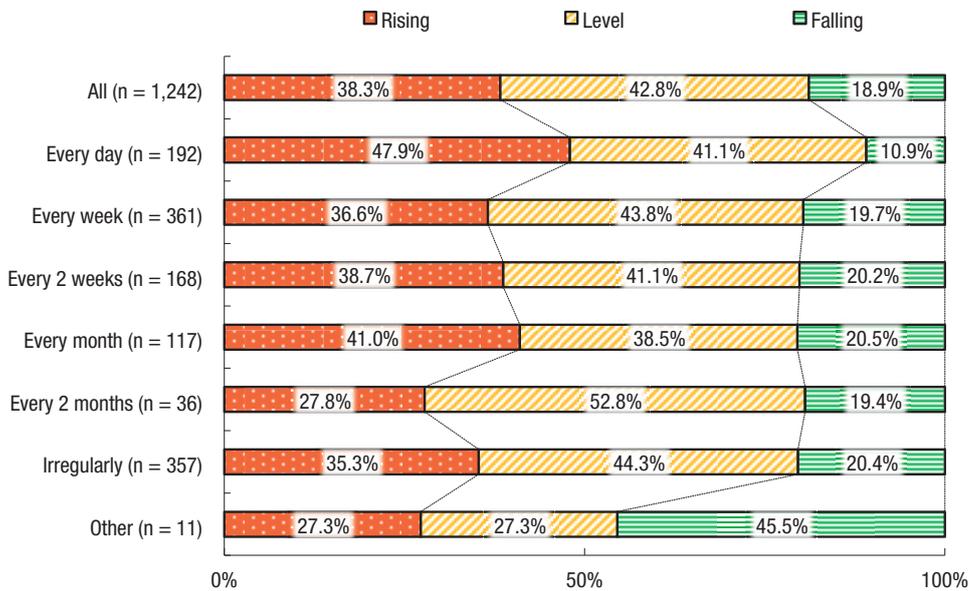
- Notes:
1. “Other industries” covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.
 2. “Miscellaneous services” covers the following: amusement services; education, learning support; medical, health care and welfare, and other services.

Frequency of blog and SNS updates and sales trends are shown next in Fig. 1-2-25.

From this it can be seen that, although there is no

clear correlation between the frequency of blog and SNS updates and sales trends, businesses that update daily appear more likely to have rising sales.

Fig. 1-2-25 Frequency of blog and SNS updates and sales trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Section 3 Actions by micro businesses to improve management efficiency

This section examines the moves being taken by micro businesses to enhance their efficiency of

management.

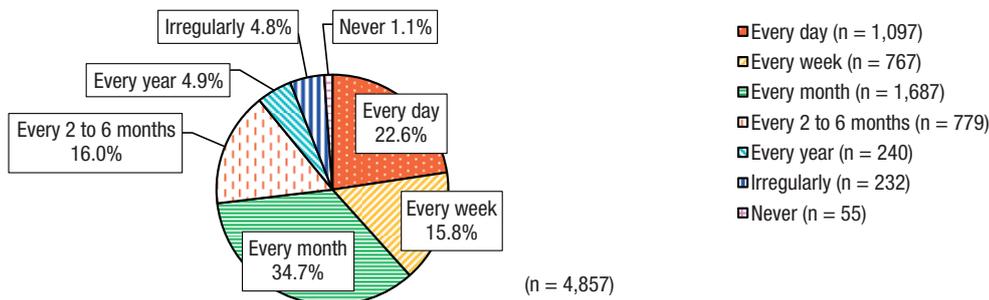
1 Frequency of book entries for own transactions and account settlements

Fig. 1-2-26 shows how frequently micro businesses make book entries for their own transactions, which constitutes the most fundamental element of a micro business’s business activities. From this it can be seen that the commonest frequency is “every month” (34.7%), followed by “every day” (22.6%), and “every week” (15.8%). Altogether, therefore, approximately 70% of micro businesses make book entries for their

transactions between once a day and once a month.

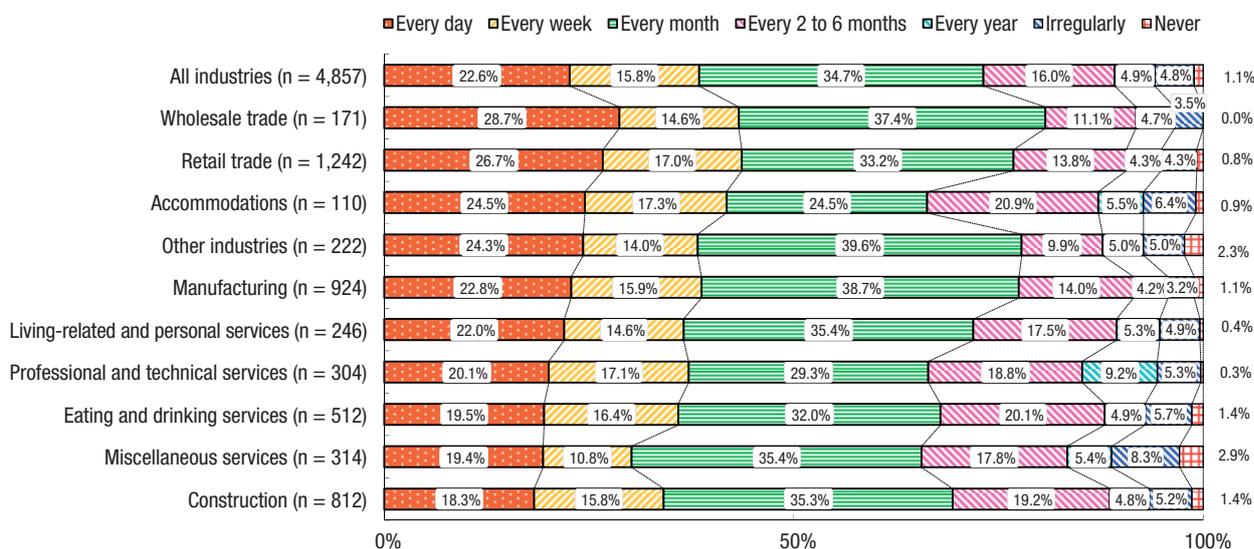
Fig. 1-2-27 breaks these results down by industry. From this it can be seen that the frequency of book entries is higher in industries such as the wholesale trade, the retail trade, and accommodations, and relatively lower in industries such as eating and drinking services, miscellaneous services, and construction.

Fig. 1-2-26 Frequency of book entries for own transactions (sales, costs, business expenses, etc.)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-27 Frequency of book entries for own transactions (sales, costs, business expenses, etc.) (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

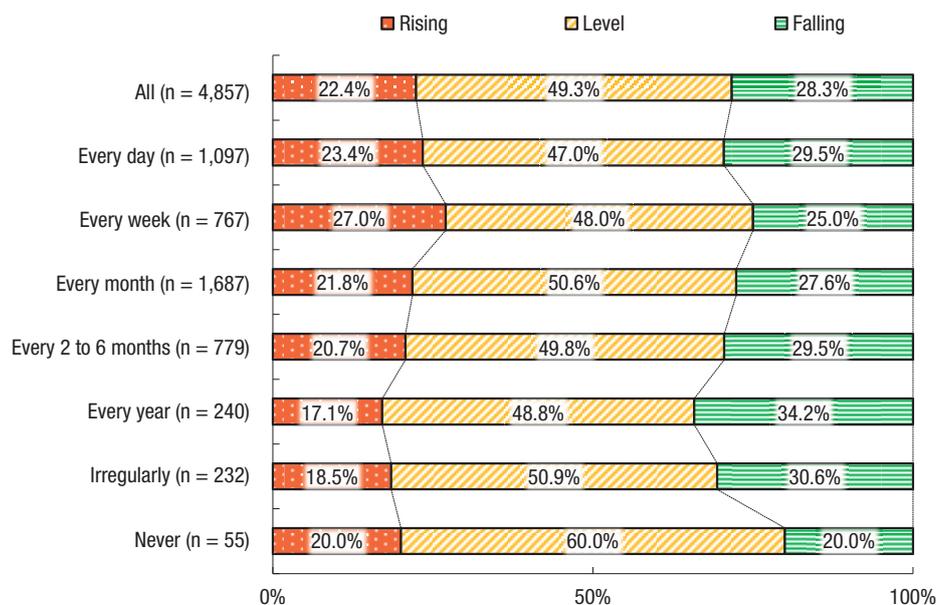
- Notes:
1. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.
 2. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.

Frequency of book entries and gross margin trends are considered next, as shown in Fig. 1-2-28.

From this it can be seen that although no clear correlation is observable between the frequency of

book entries and gross margin trends, businesses that make frequent book entries are slightly more likely to have rising gross margins.

Fig. 1-2-28 Frequency of book entries for own transactions and gross margin trends



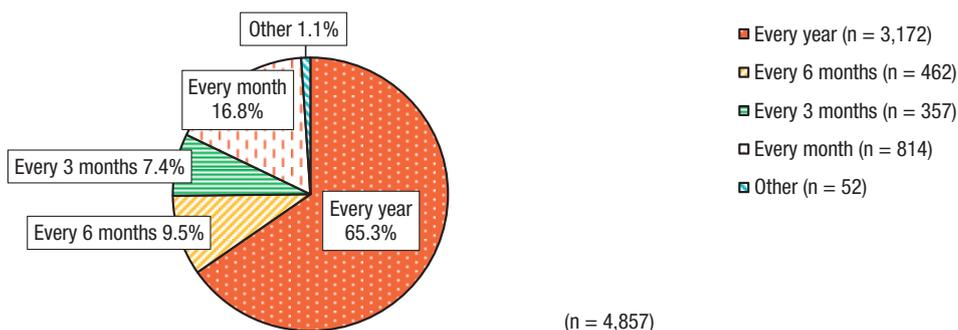
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-29 shows how often micro businesses settle their accounts or conduct inventories. From this it can be seen that the commonest frequency, accounting for over 60% of the total, is “every year” (65.3%), followed by “every month” (16.8%), “every 6 months” (9.5%), and “every 3 months” (7.4%).

These figures are broken down by industry in Fig. 1-2-30. From this it can be seen that account settlements

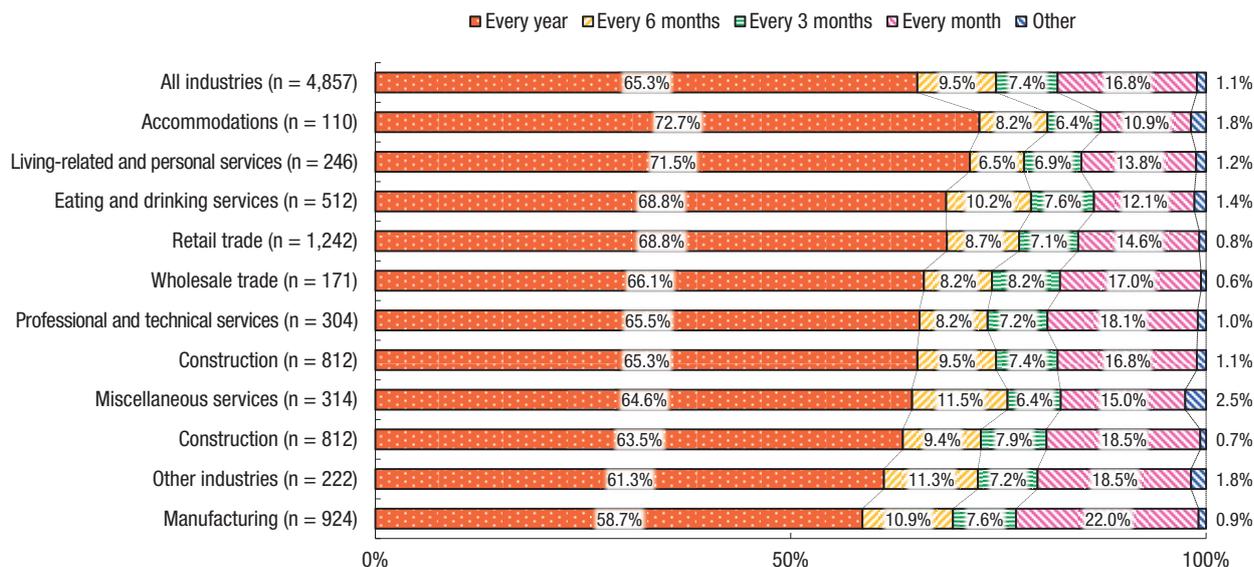
and inventories are conducted most frequently in manufacturing, followed by other industries and construction. On the other hand, account settlements and inventories can be seen to be conducted relatively less frequently in industries such as accommodations, living-related and personal services, and eating and drinking services.

Fig. 1-2-29 Frequency of own account settlements and inventories



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-30 Frequency of own account settlements and inventories (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Notes: 1. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

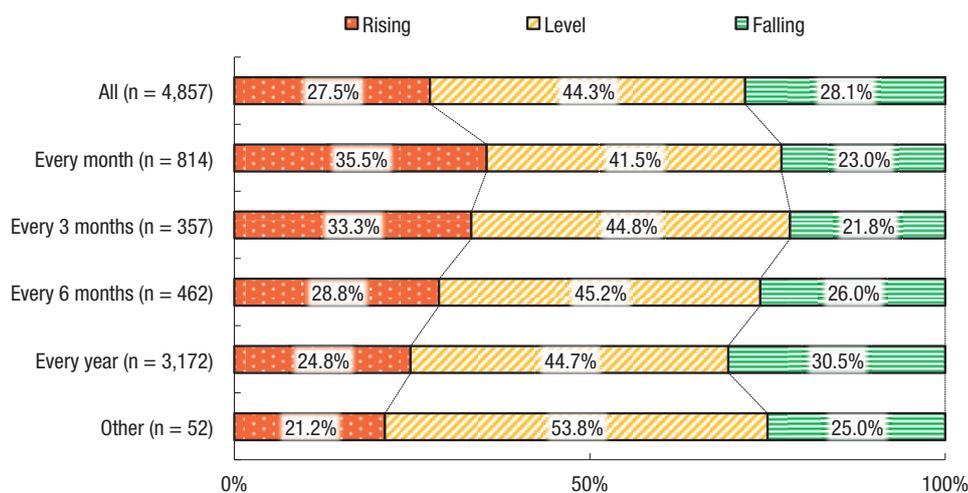
2. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare, and other services.

Next, the frequency of own account settlements and inventories is shown against sales trends in Figure 1-2-31, and against gross margin trends in Fig. 1-2-32.

Both graphs indicate that more frequent account settlements and inventories are clearly associated with

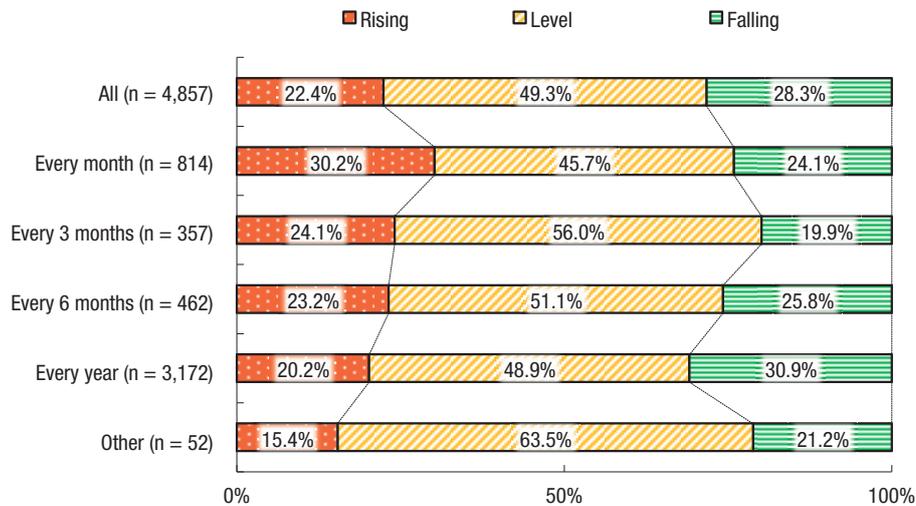
a rising trend in sales and gross margin. It may be concluded from this that carefully conducting account settlements and inventories is an important contributor to efficient management at micro businesses.

Fig. 1-2-31 Frequency of own account settlements/inventories and sales trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-32 Frequency of own account settlements/inventories and gross margin trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

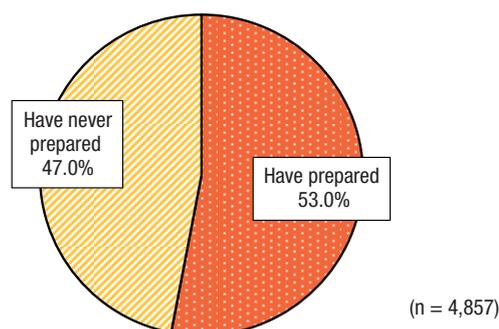
2 Preparation of business plans, etc.

Fig. 1-2-33 shows the proportions of micro businesses that have and have not prepared business plans in the past.

From this it can be seen that only 53.0% of micro

businesses “have prepared” business plans in the past, indicating that approximately half of micro businesses have never prepared such plans.

Fig. 1-2-33 Proportions of micro businesses that have and have not prepared business plans (such as project plans and income and expenditure plans)

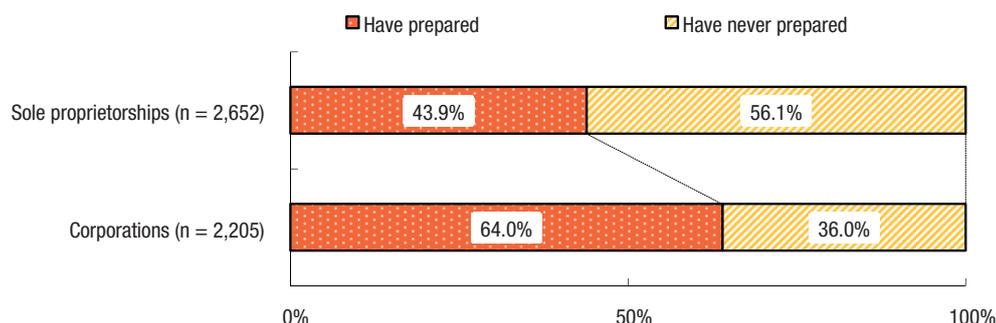


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The proportions of micro businesses that have prepared business plans are next broken down to show the corresponding figures for sole proprietorships and corporations, as shown in Fig. 1-2-34.

From this it can be seen that whereas 43.9% of sole proprietorships have prepared business plans at some point in the past, the proportion among corporations is a somewhat higher 64.0%.

Fig. 1-2-34 Proportions of sole proprietorships and corporations that have and have not prepared business plans



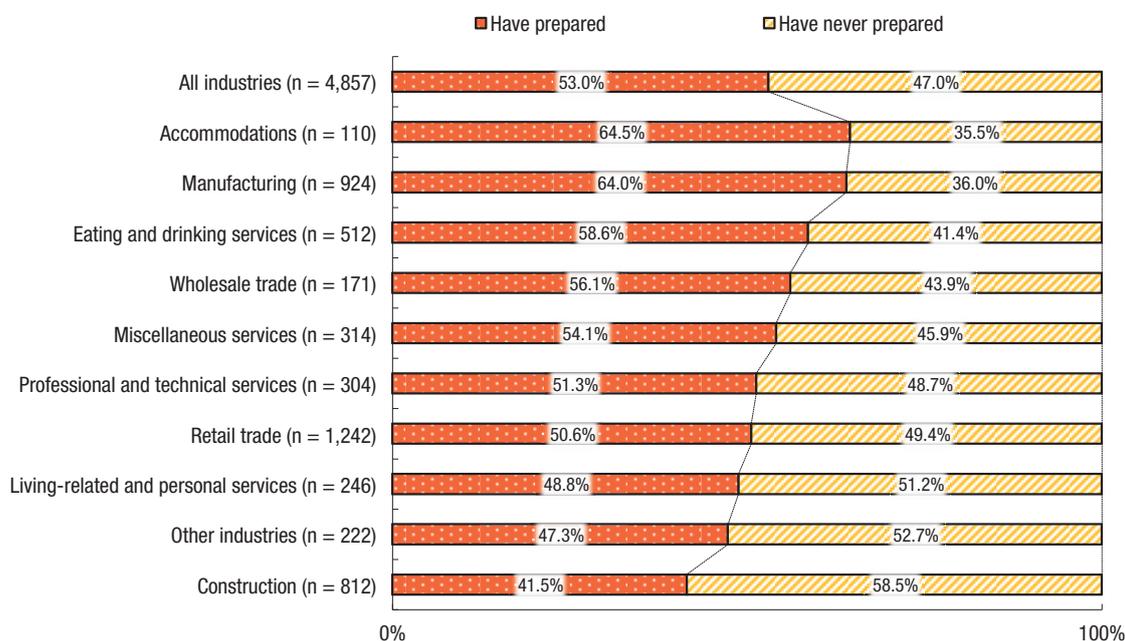
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The proportions of micro businesses that have and have not prepared business plans in the past are next shown by industry in Fig. 1-2-35.

From this it can be seen that the proportions that have ever prepared business plans are relatively

high in industries such as accommodations (64.5%), manufacturing (64.0%), and eating and drinking services (58.6%), and relatively lower in industries such as construction (41.5%), other industries (47.3%), and living-related and personal services (48.8%).

Fig. 1-2-35 Proportions of micro businesses that have and have not prepared business plans (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Notes: 1. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.
2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

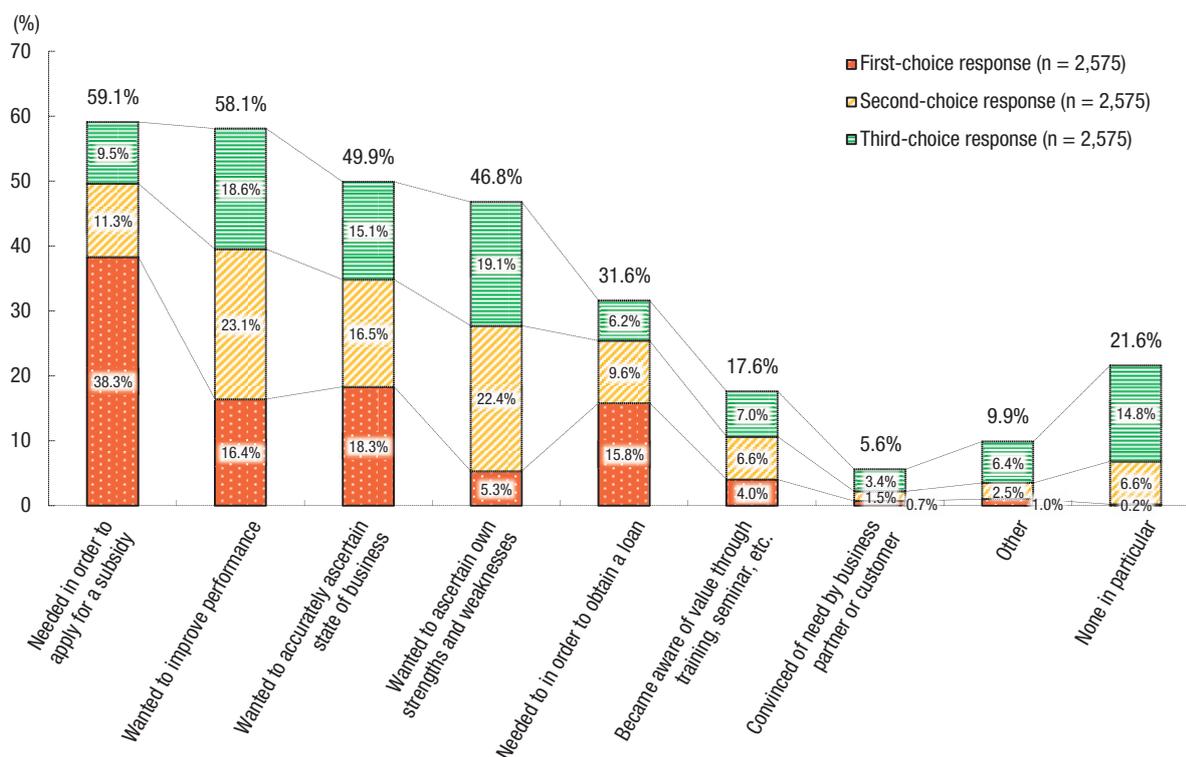
The factors and motivations behind the preparation of business plans are shown next in Fig. 1-2-36.

From this it can be seen that “needed in order to apply for a subsidy” and “wanted to improve performance” were each cited by about 60% of the respondents.

While large proportions of businesses developed plans for their own reasons, such as because they

“wanted to improve performance,” “wanted to accurately ascertain state of business,” or “wanted to ascertain own strengths and weaknesses,” they also show that many micro businesses were prompted to do so because they had to in order to apply for a subsidy for sustainable micro businesses or another subsidy or loan.

Fig. 1-2-36 Factors and motivations behind preparation of business plans (multiple responses)



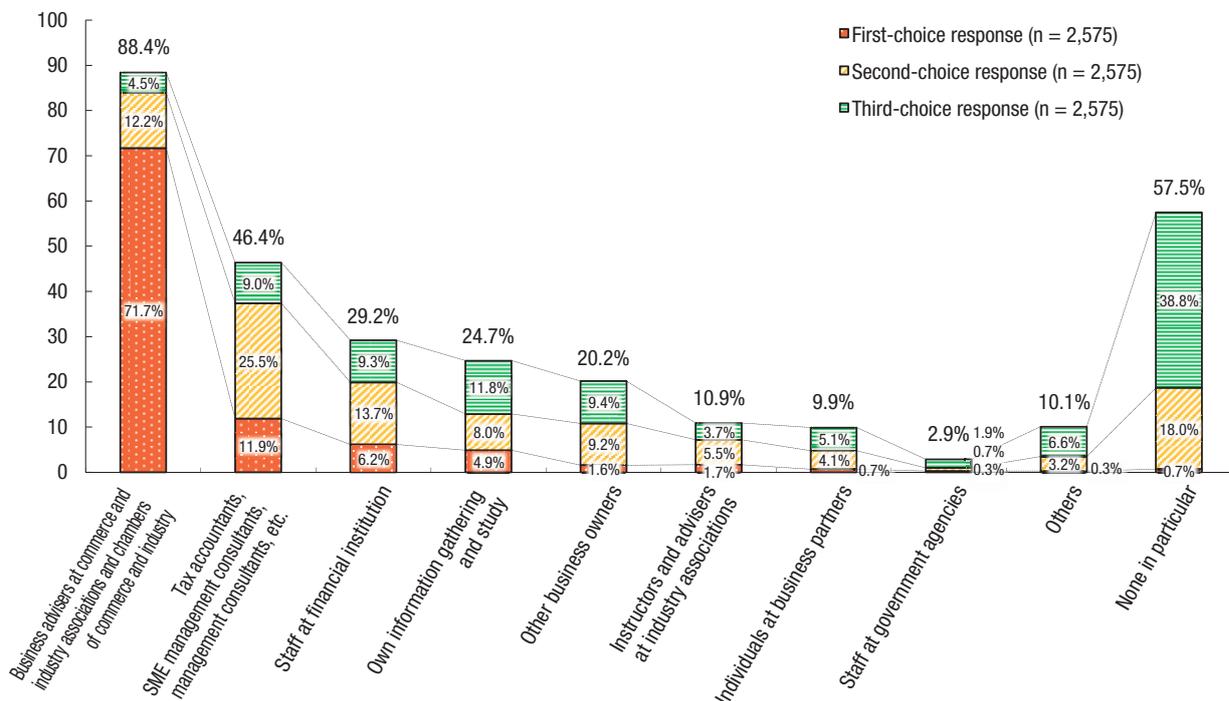
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Respondents were asked to choose the three most applicable responses.

The most commonly used sources of support and advice when preparing business plans are business advisers at commerce and industry associations and chambers of commerce and industry, followed by tax accountants, SME management consultants, management consultants, staff at financial institutions,

and other business owners (Fig. 1-2-37).

On the other hand, a relatively large proportion (24.7%) of the respondents prepared business plans through “own information gathering and study” rather than by relying on specific agencies and individuals.

Fig. 1-2-37 Agencies and individuals used and consulted when preparing business plans (multiple responses)



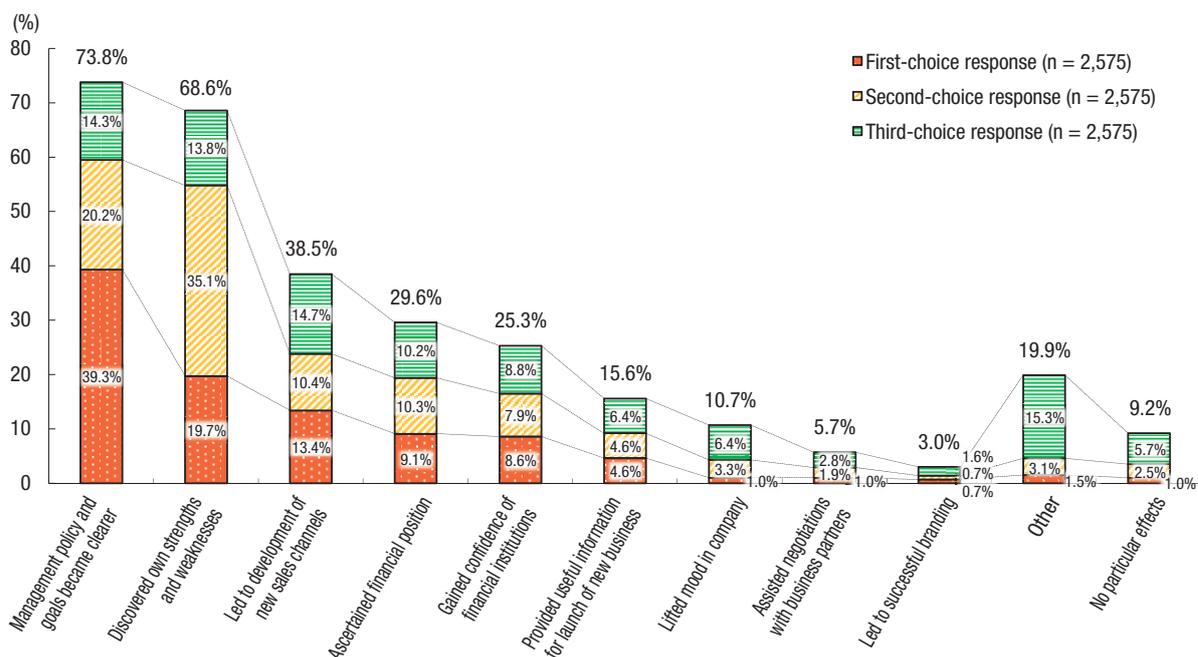
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Respondents were asked to choose the three most applicable responses.

The effects of preparing a business plan are shown next in Fig. 1-2-38.

From this it can be seen that “management policy and goals became clearer” and “discovered own strengths and weaknesses” were each cited by

approximately 70% of the respondents, while “led to development of new sales channels” and “ascertained financial position” were cited by approximately 40% and 30% of the respondents respectively.

Fig. 1-2-38 Effects of preparing a business plan (multiple responses)

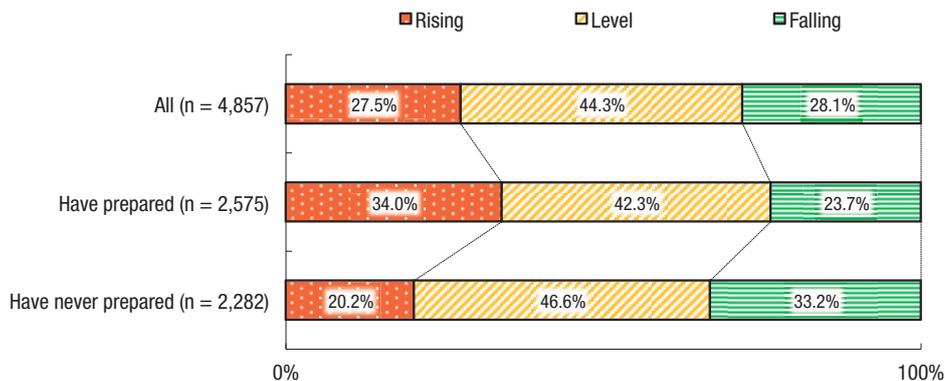


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Respondents were asked to choose the three most applicable responses.

In order to explore the effects of preparing a business plan in greater detail, the correlation between preparing or not preparing a business plan and trends in business performance is examined next in Fig. 1-2-39.

From this it can be seen that businesses that “have prepared” a business plan in the past are more likely to report rising sales than businesses that “have not prepared” one.

Fig. 1-2-39 Preparation of business plans and sales trends



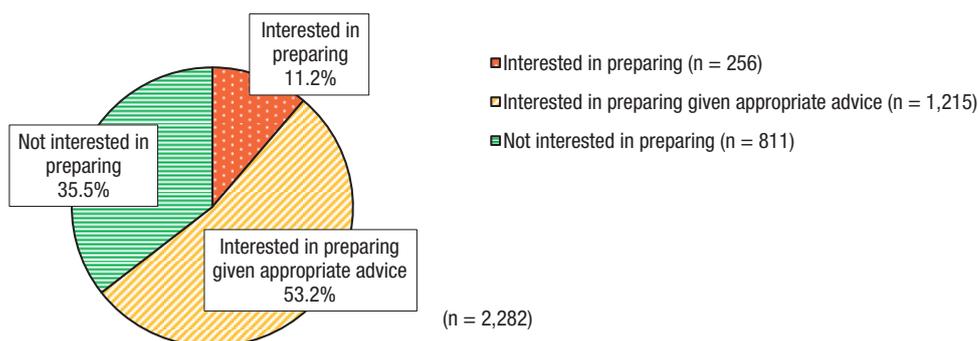
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Next, the results obtained by asking businesses that have never prepared a business plan whether they are interested in doing so in the future are shown in Fig. 1-2-40.

From this it can be seen that although only about 10% said that they are “interested in preparing,” a

majority (approximately 50%) responded that they are “interested in preparing given suitable advice.” These figures point to the importance of the provision of appropriate advice to micro businesses concerning the preparation of business plans by support agencies and other sources of support.

Fig. 1-2-40 Interest in preparing a business plan in the future



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

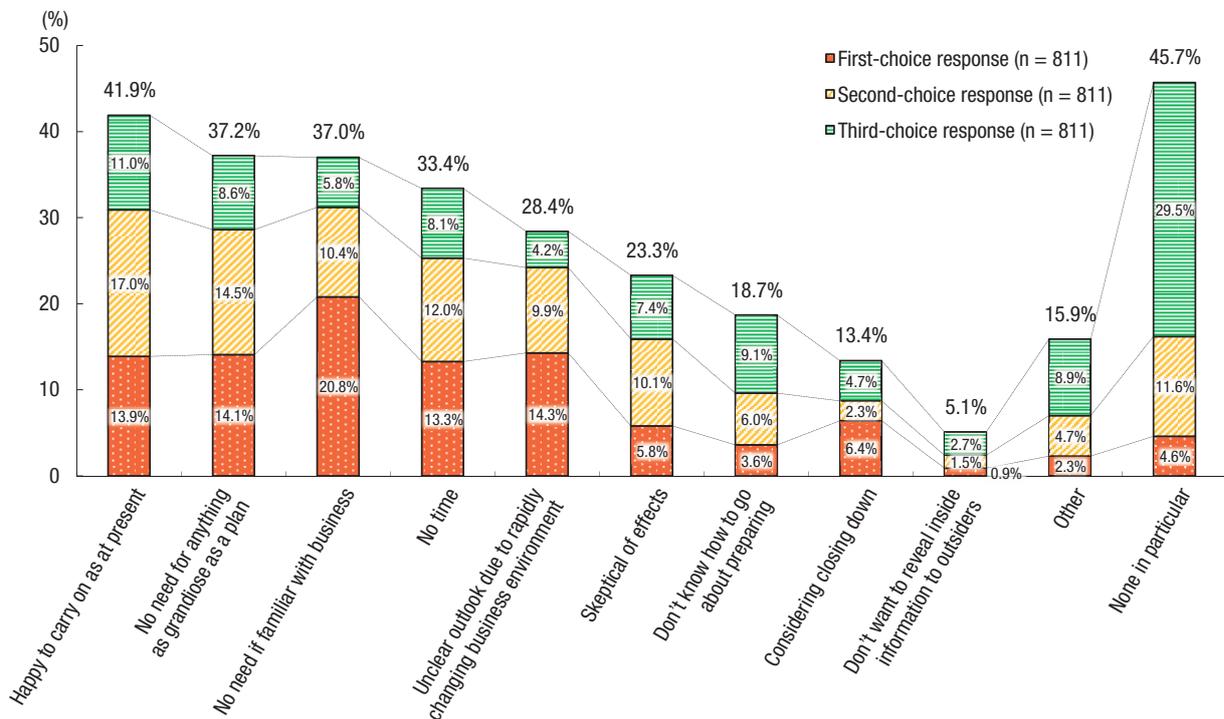
The reasons given by micro businesses for not being interested in preparing a business plan are shown in Fig. 1-2-41.

From this it can be seen that the commonest reasons, in descending order, are “happy to carry on as at present” (41.9%), “no need for anything as grandiose as a plan” (37.2%), “no need if familiar with business” (37.0%), and “no time” (33.4%). Among the first choice reasons,

“no need if familiar with business” came top.

On the other hand, the fact that “skeptical of effects” and “don’t know how to go about preparing” were each chosen by approximately 20% of the respondents suggests that government agencies and other sources of support need to provide more accessible information on the effects of preparing business plans and how to go about doing so.

Fig. 1-2-41 Reasons for not being interested in preparing a business plan (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Respondents were asked to choose the three most applicable responses.

Column

1-2-1

Subsidies for sustainable micro businesses

The “sustainable development of business” is a basic principle of the Basic Act for Promoting Small Enterprises (“Small Enterprises Promotion Act”). Funding had been allocated for subsidies for sustainable micro businesses in the fiscal 2013, 2014, and 2015 supplementary budgets for the purpose of assisting micro businesses’ sustainable business development through the development of sales channels. This column surveys this subsidy program.

• **Program outline (fiscal 2015 supplementary budget)**

Subsidies for sustainable micro businesses help such businesses with the costs incurred when they work with commerce and industry associations and chambers of commerce to develop sales channels. These include expenses such as the cost of store remodeling and renovation, and the preparation of flyers, catalogues, and similar materials.

Under the fiscal 2015 supplementary budget, support is also provided for projects undertaken by micro businesses to improve business efficiency and productivity as well as to develop sales channels in order to help them strengthen their management.

To encourage micro businesses to follow a business plan, micro businesses applying for subsidies are required to submit a written business plan.

Column Fig. 1-2-1 (1) Summary of subsidies for sustainable micro businesses

Item	Details
Recipients	Micro businesses
Expenses covered by subsidies	Expenditures by micro businesses on developing business plans with advice from commerce and industry associations and chambers of commerce and industry, and on developing sales channels in accordance with such plans
Subsidy rate	Two thirds of the above expenses covered by subsidies (up to a maximum of ¥500,000) * Up to ¥1,000,000 in the case of activities to expand jobs, improve employee remuneration, and serve disadvantaged consumers * Up to ¥1,000,000~¥5,000,000 in the case of projects undertaken jointly by multiple businesses
Documents required to be filed	The following two documents are required to be filed to encourage applicants to incorporate business planning into their management: (1) Business plan prepared with the assistance of a commerce and industry association or chamber of commerce and industry (2) Business support plan prepared by a commerce and industry association or chamber of commerce and industry (describing the organization’s support for execution of a project in accordance with the above business plan)
Examples of activities eligible for subsidies	(1) Creation and distribution of sales promotion flyers (2) Sales promotion and PR (print and online media advertising) (3) Exhibiting at business and trade fairs (4) Store remodeling (including improved store layouts, renovation of restaurants, etc.) (5) Improvement of product packaging (6) Development of online sales systems (7) Mobile and traveling sales (8) Development of new products (9) Production and procurement of gifts and promotional goods (10) Costs incurred by other activities to develop sales channels

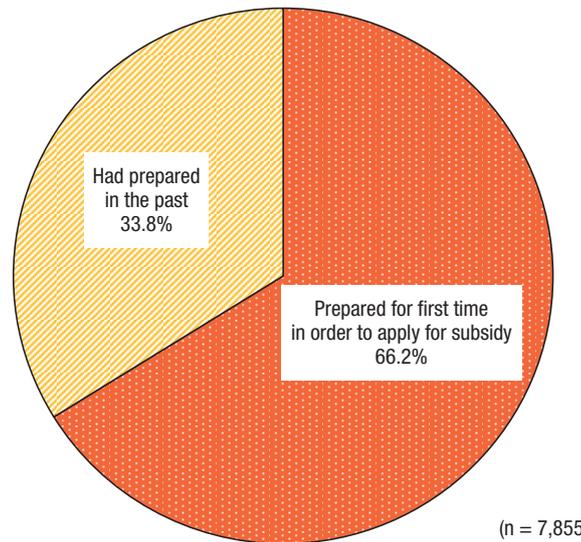
• **Project effects**

The program of subsidies for sustainable micro businesses was described in the *2015 White Paper on Small Enterprises in Japan* too (see Column 1-3-1 in that white paper). As it has now been in effect for a certain amount of time, a follow-up survey was made of businesses that had received subsidies with funding allocated under

the fiscal 2013 supplementary budget in order to determine what effects the program has had. (The survey took the form of a questionnaire conducted between October and November 2015. Two earlier surveys had been conducted in November 2014 and February 2015.)

Businesses must provide a business plan in order to qualify for a subsidy, and the follow-up survey again asked recipients about their past experience of preparing such plans. The results revealed that 66.2% had prepared a business plan for the first time in order to apply for a subsidy (Column Fig. 1-2-1 (2)).

Column Fig. 1-2-1 (2) Experience with preparation of business plans



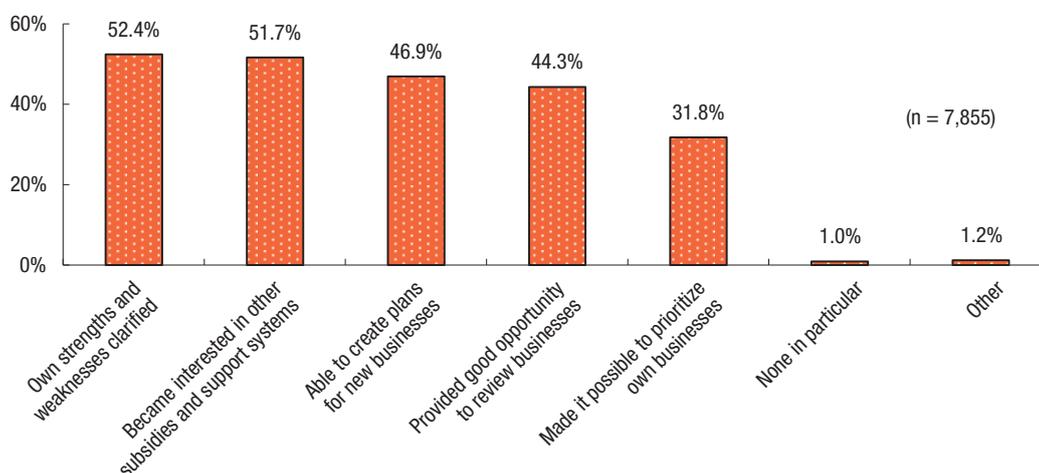
Source: SME Agency, *Questionnaire Survey on Subsidies for Sustainable Micro Businesses* (October-November 2015).

Recipients were also again asked how their thinking had changed after preparing a business plan. Over 50% answered “own strengths and weaknesses clarified” and “became interested in other subsidies and support systems.” As “able to create plans for new business” and “provided good opportunity to review business” were also cited by over 40% of the recipients polled, the findings mirrored the previous surveys in indicating that business planning generates a more positive approach to management (Column Fig. 1-2-1 (3)).

With population decline having made it crucially important for businesses to develop sales channels to acquire new customers, it has also become necessary for them to rethink their operations from the ground up and develop business plans that map out what direction management should take in order to develop sales channels in a more targeted manner.

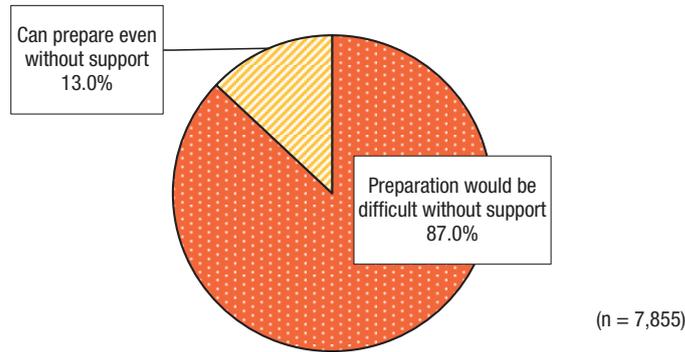
Asked about the need for assistance with the preparation of these business plans, 87.0% of subsidy recipients said that “preparation would be difficult without support” (Fig. 1-2-1(4)).

Column Fig. 1-2-1 (3) Changes in thinking of micro businesses after preparation of business plans (multiple responses)



Source: SME Agency, *Questionnaire Survey on Subsidies for Sustainable Micro Businesses* (October-November 2015).

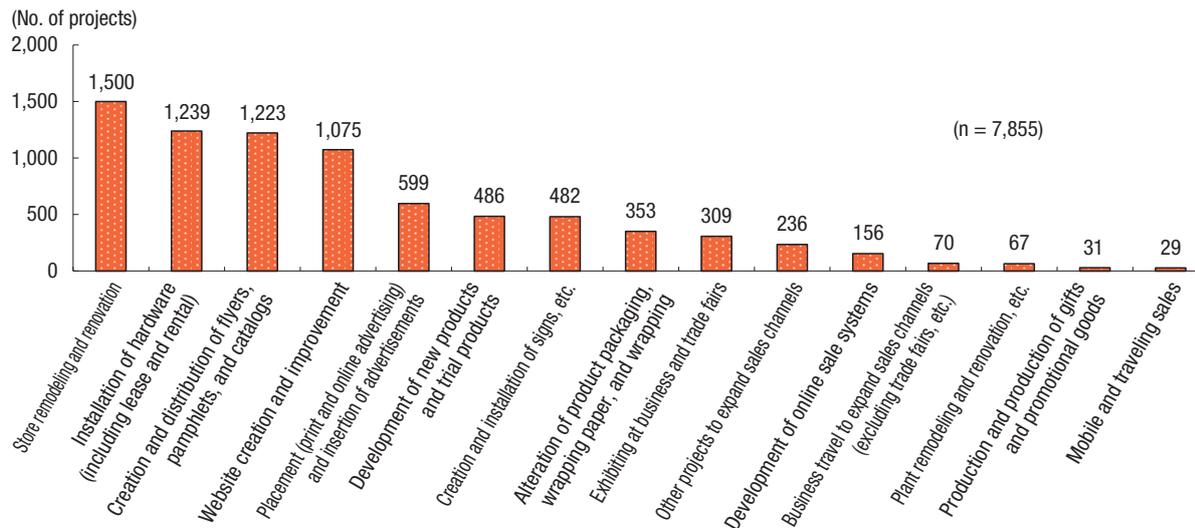
Column Fig. 1-2-1 (4) Need for assistance with preparation of business plans



Source: SME Agency, *Questionnaire Survey on Subsidies for Sustainable Micro Businesses* (October-November 2015).

Asked again about the main types of projects that they undertook supported by subsidies, the commonest were found to be, in descending order, store remodeling and renovation (1,500 projects/19.1%), installation of hardware (including lease and rental) (1,239 projects/15.8%), creation and distribution of flyers, pamphlets, and catalogs (1,223 projects/15.6%), and website launch and improvement (1,075 projects/13.7%) (Column Fig. 1-2-1 (5)).

Column Fig. 1-2-1 (5) Subsidized projects undertaken by recipients



Source: SME Agency, *Questionnaire Survey on Subsidies for Sustainable Micro Businesses* (October-November 2015).

Column Fig. 1-2-1 (6) Example of a subsidized project

Project overview	
Subsidy recipient	Akita Shirakami Shokuhin Co., Ltd. (Mitane-cho, Yamamoto-gun, Akita Prefecture)
Line of business	<ul style="list-style-type: none"> As people in Tohoku region (northeastern portion of Honshu) have a taste for sticky foods, Akita Shirakami Shokuhin has set about bringing to market a glutinous kind of pickle made by pickling locally-made smoked radish pickle called Iburi Gakko with a sticky yet crispy kind of seaweed in a secret sauce. It exhibited at Agri-food Expo Tokyo 2014, an agricultural products trade show held in Greater Tokyo for full-time farmers in Japan. In preparation for this event, it created packaging designs for experimental marketing, along with product pamphlets, posters, and other materials.
Project effects	<ul style="list-style-type: none"> It exhibited its new pickles at the event and was able as a result to gather valuable feedback on visitors' views and needs regarding its taste, texture, and so on. Its presence at the event led to inquiries from several companies, and business negotiations are presently in progress. The subsidized project resulted in identification of the challenges involved in developing and mass-producing future products. <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  <p>Akita Shirakami Shokuhin's booth at Agri-food Expo Tokyo 2014</p> </div> <div style="text-align: center;">  <p>Packaging design</p> </div> </div>

The effects experienced by subsidy recipients after engaging in subsidized projects are examined next.

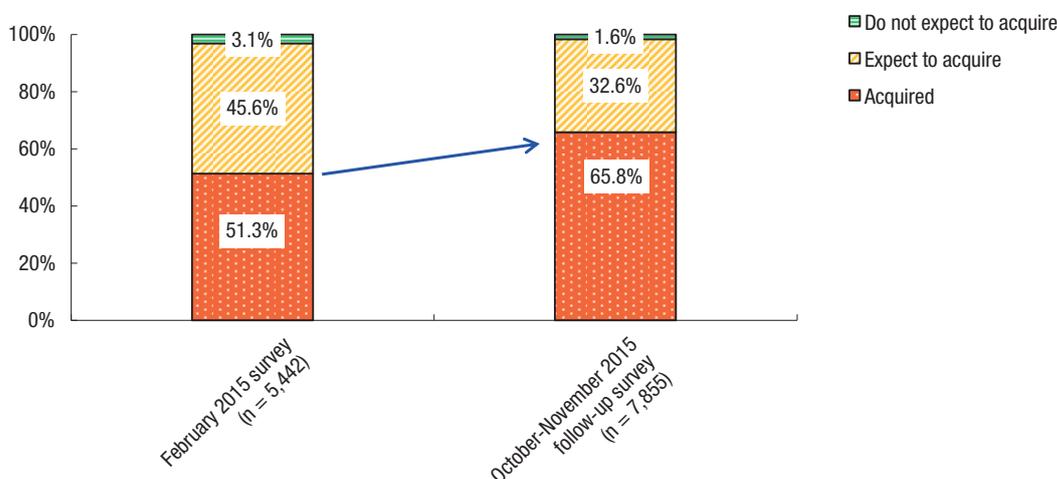
The previous questionnaire survey found that 51.3% of subsidy recipients that were already implementing projects had “acquired new business partners or customers,” and 35.0% said that sales had “increased.”

Column Fig. 1-2-1 (7) shows the effects in terms of acquisition of new business partners and customers according to the latest and previous surveys. From this it can be seen that there has been a rise relative to the previous survey (from 51.3% to 65.8%) in the proportion reporting that they had acquired new business partners or customers.

Column Fig. 1-2-1 (8) similarly compares the proportions of business reporting sales growth according to the previous and latest surveys, and here too there has been an increase in the proportion reporting growth (from 35.0% to 55.5%).

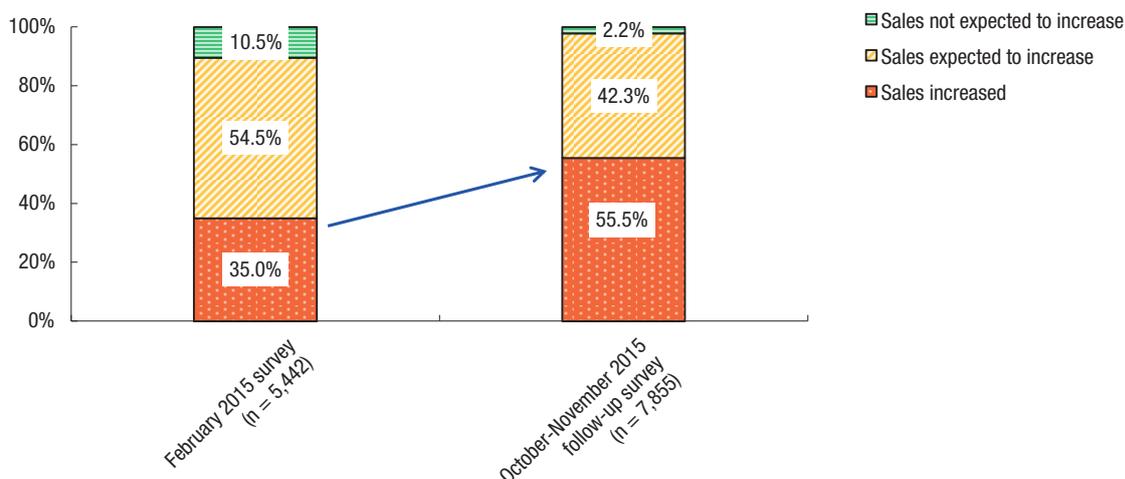
These results suggest that although these effects cannot be entirely attributed to subsidies, initiatives to develop sales channels using subsidy programs lead to a virtuous circle of management.

Column Fig. 1-2-1 (7) Acquisition of new business partners or customers as a result of using subsidies for sustainable micro businesses



Source: SME Agency, *Questionnaire Survey on Subsidies for Sustainable Micro Businesses* (February and October-November 2015).

Column Fig. 1-2-1 (8) Impact on sales of receiving subsidies for sustainable micro businesses



Source: SME Agency, *Questionnaire Survey on Subsidies for Sustainable Micro Businesses* (February and October-November 2015).

Section 4 Action on management issues as a part of micro businesses' business activities

This section examines the areas in which micro businesses are taking action to tackle short- and

medium- to long-term challenges in business.

1 Action to address medium- to long-term management issues

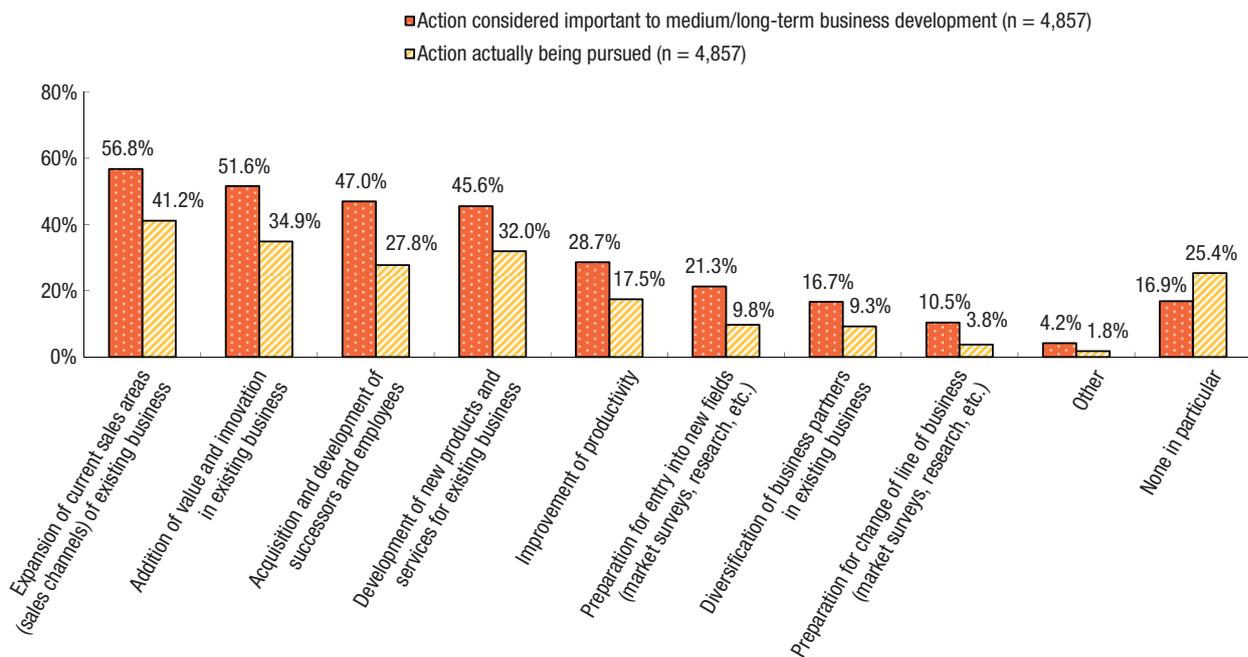
Fig. 1-2-42 shows the results obtained by asking micro businesses about what areas of action they consider important in order to develop their businesses in the medium to long term, and what actions they are actually taking.

such as the development of sales channels, enhancement of value added, development of new products, etc., and the securing of successors and human resources.

This reveals that “expansion of current sales area (sales channels) of existing business” is considered important by 56.8%, and that importance is also attached to “addition of value and innovation in existing business” (51.6%), “acquisition and development of successors and employees” (47.0%) and “development of new products and services for existing business” (45.6%). These results point to strong interest in areas

On the other hand, lower proportions of businesses are actually taking action in most of these areas, and the gap between those who consider them important and those actually taking action ranges between 19.2 and 2.4 percentage points, depending on the area concerned. There is a particularly large 19.2 percentage point gap in the case of “acquisition and development of successors and employees,” which indicates that, while recognizing its importance, micro businesses are making little headway in this area.

Fig. 1-2-42 Areas of action considered important to medium/long-term business development and action actually being pursued (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Some micro businesses develop new products and services by working with other organizations as well as through their own independent development efforts, and it is these businesses that are examined next.

The proportions of businesses that have and have not developed new products and services by working with other organizations (such as government agencies, universities, and businesses in the same and other industries) are shown in Fig. 1-2-43.

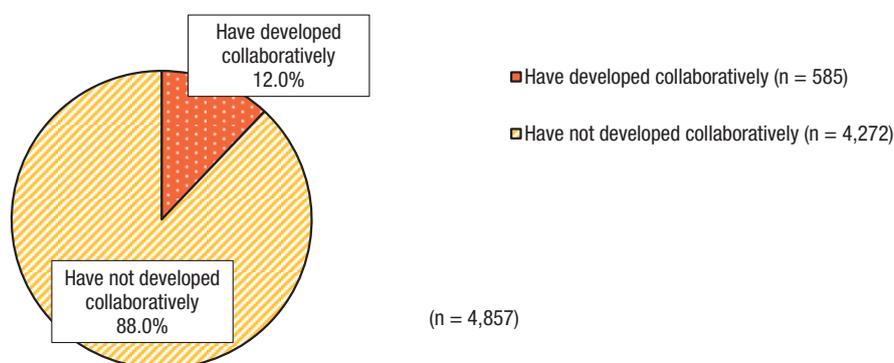
From this it can be seen that 12.0% of the total,

or approximately one in ten, “have collaboratively developed” new products and services.

The businesses that answered “have developed collaboratively” are broken down by industry in Fig. 1-2-44.

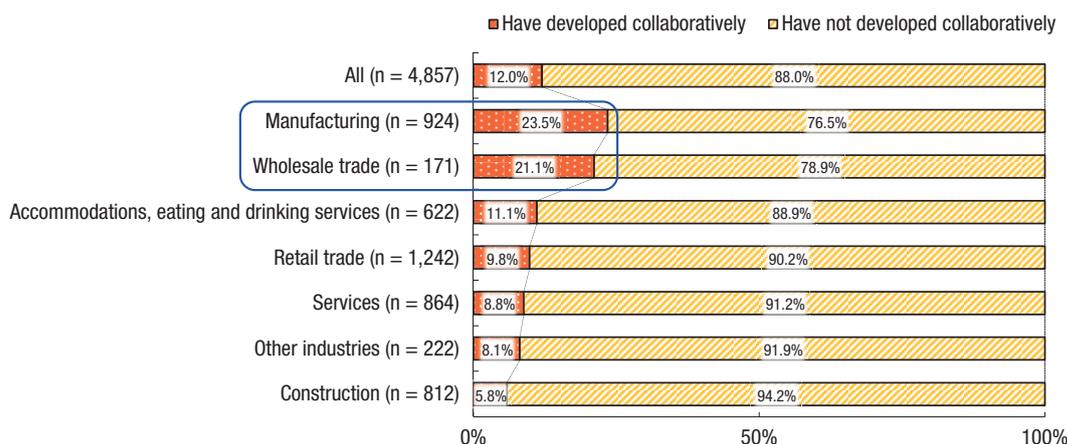
From this it can be seen that the highest proportion of collaborators with other organizations is to be found in manufacturing (23.5%). Collaboration is also relatively common more common in the wholesale trade (21.1%).

Fig. 1-2-43 Development of new products and services through collaboration with other organizations



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-44 Development of new products and services through collaboration with other organizations (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes:
- “Services” covers the following: living-related and personal services; professional and technical services; amusement services; education, learning support; medical, health care and welfare; and other services.
 - “Other industries” covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

2 Action to address short-term management issues

The state of action on short-term challenges is considered next.

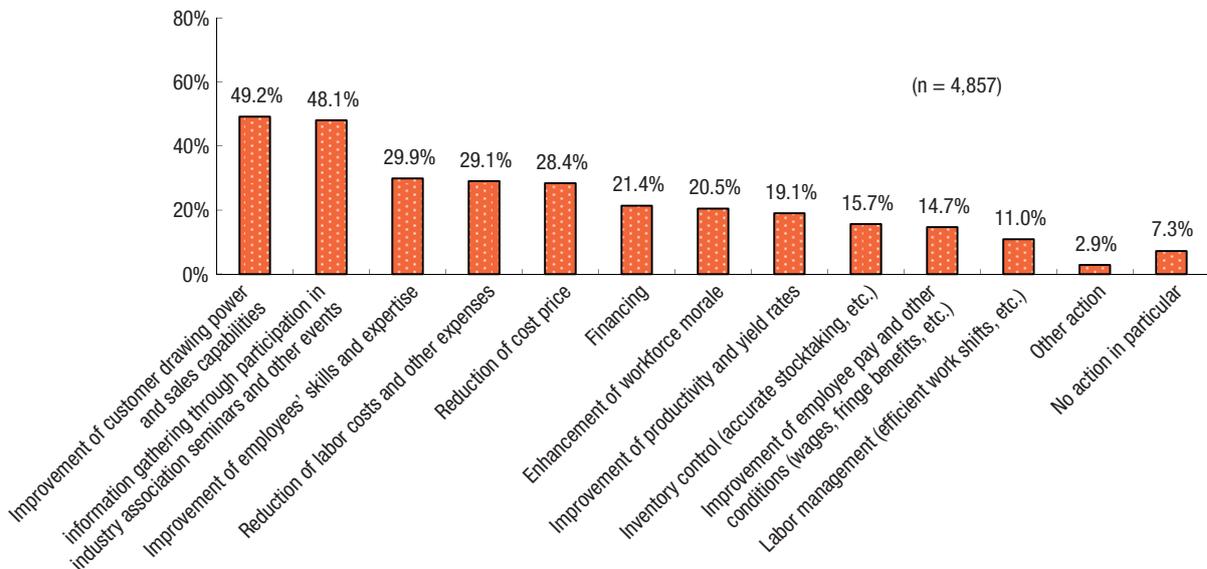
Fig. 1-2-45 shows the proportions of micro businesses that engage in various types of action as a routine part of their management activities.

The commonest type of action is “improvement of customer drawing power and sales capabilities” (49.2%), followed by “information gathering through participation in industry association seminars and other events” (48.1%), “improvement of employees’ skills and expertise” (29.9%), “reduction of labor costs and

other expenses” (29.1%), and “reduction of cost price” (28.4%).

“No action in particular” was selected by just 7.3%, indicating that almost all micro businesses are pursuing some form of action to address short-term management issues. However, if actions to improve customer drawing power and sales capabilities and information gathering through participation in seminars and other events, which are being pursued by around one in two businesses, are excluded, actual engagement in action is generally low.

Fig. 1-2-45 Actual engagement in action as routine part of management activities (multiple responses)



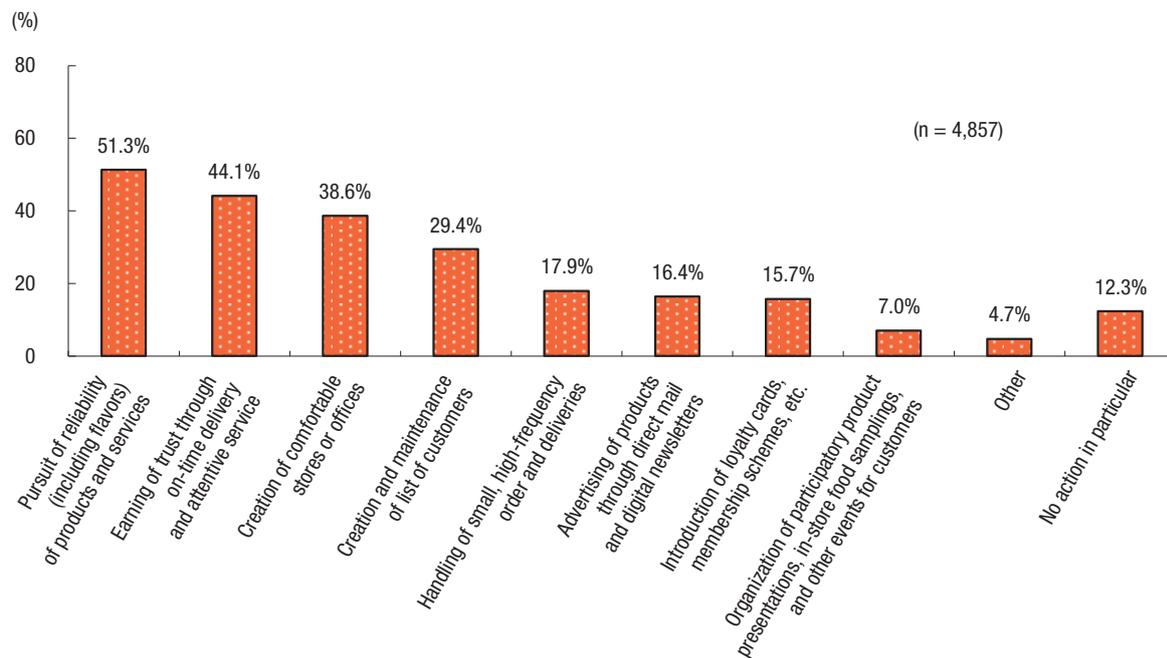
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Gradually increasing the number of repeat customers and pursuing customer retention is considered to be another important way in which micro businesses can improve performance. The proportions of businesses actually taking various types of action to attract repeat customers is therefore shown in Fig. 1-2-46.

It may be observed from this that the commonest

form of action is “pursuit of reliability (including flavors) of products and services (51.3%), followed by “earning of trust through on-time delivery and attentive service” (44.1%), indicating that businesses place emphasis on gaining customers’ trust in products and services themselves, and in companies and business owners themselves.

Fig. 1-2-46 Engagement in types of action to attract repeat customers (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Respondents who chose “no action in particular” chose no other responses.

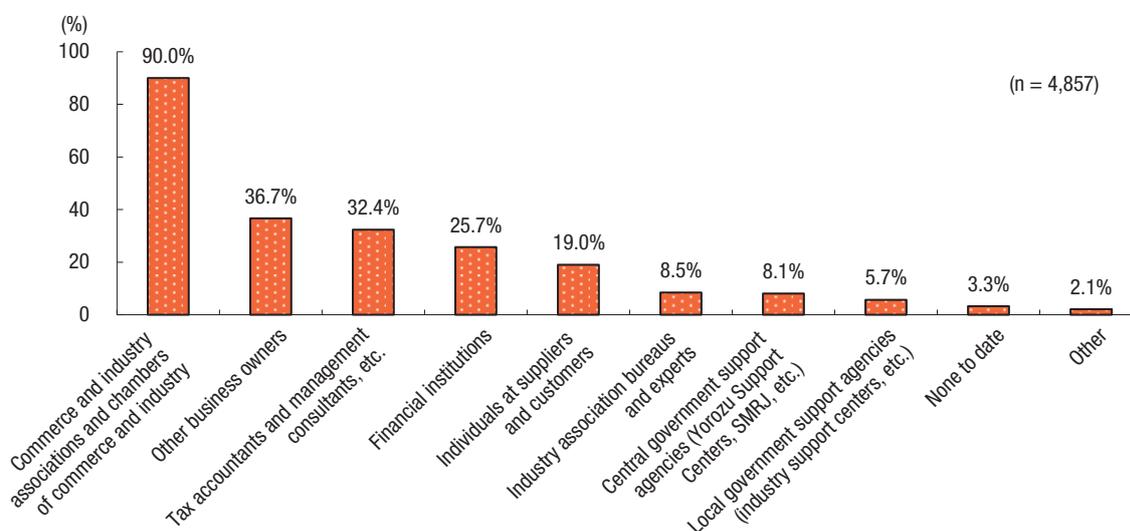
Fig. 1-2-47 shows the support agencies, etc. used by micro businesses to solve management concerns and challenges.

From this it can be seen that commonly used sources of support apart from commerce and industry associations and chambers of commerce and industry are other business owners (36.7%), tax accountants

and management consultants, etc. (32.4%), financial institutions (25.7%), and individuals at business partners (19.0%).

On the other hand, only 3.3% answered “none to date,” indicating that almost all business owners turn to some source of support to help them tackle management concerns and challenges.

Fig. 1-2-47 Sources of support used to help tackle management concerns and challenges (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Respondents who chose “none to date” chose no other responses.

3 Industrial property rights and intellectual assets

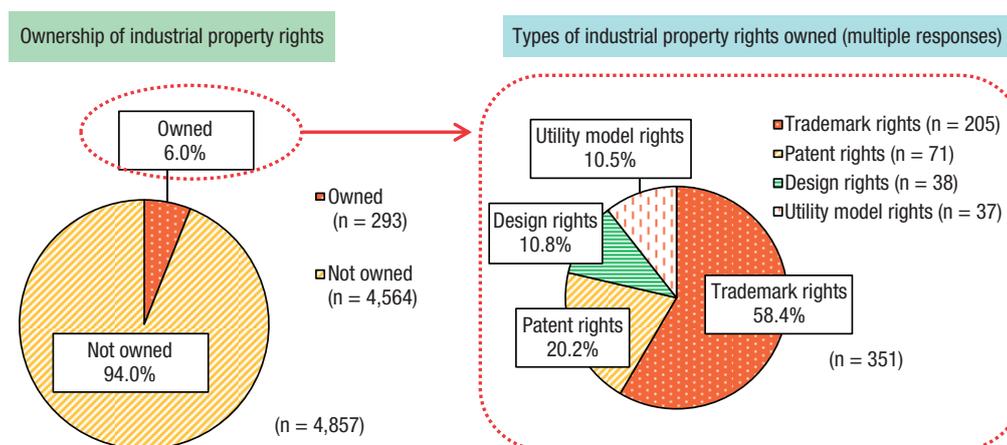
The purpose of this sub-section is to examine ownership of industrial property rights and intellectual assets as an example of the kind of medium- to long-term action that micro businesses can take to strengthen their position.

Fig. 1-2-48 shows the proportions of businesses that

do and do not own industrial property rights and the types of rights owned.

It can be seen from this that 6.0% of the total own industrial property rights. The commonest types are trademark rights (58.4%), patent rights (20.2%), design rights (10.8%), and utility model rights (10.5%).

Fig. 1-2-48 Ownership of industrial property rights and types owned



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes:
1. "Industrial property rights consist of the following four types of intellectual property rights that fall under the jurisdiction of the Japan Patent Office: patent rights, utility model rights, design rights, and trademark rights.
 2. "Patent rights" protect new inventions, and are granted for 20 years from the date of application.
 3. "Utility model rights" protect inventions pertaining to the structure and shape of articles, and are granted for 20 years from the date of application.
 4. "Design rights" protect the design of articles, and are granted for 20 years from the date of registration.
 5. "Trademark rights" protect marks used for goods and services. They are granted for 10 years from the date of registration and are renewable.
 6. As the 293 owners of industrial property rights polled were found to own 315 such rights, it should be borne in mind that some of the respondents owned multiple rights.

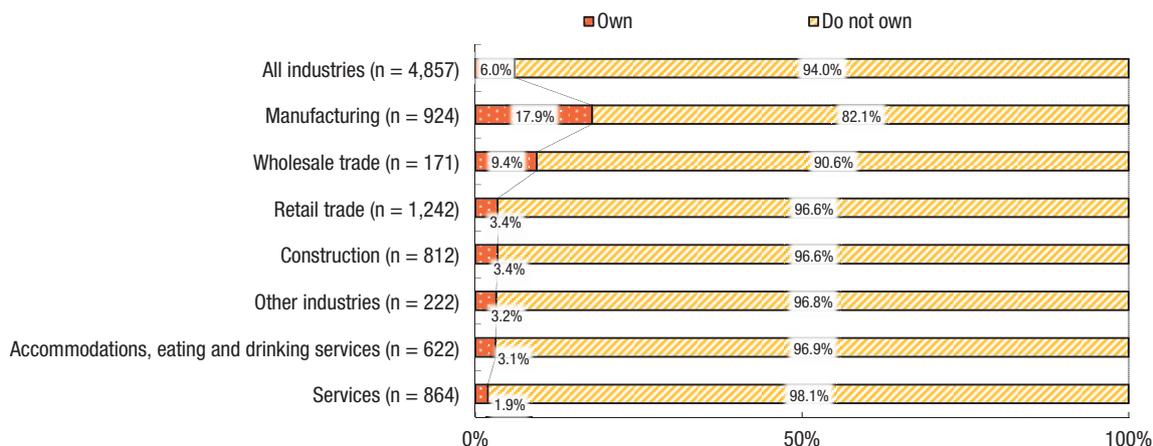
Prevalence of ownership of industrial property rights is next broken down by industry as shown in Fig. 1-2-49.

From this it can be seen that ownership is highest in manufacturing, where it stands at 17.9%. Thus even among micro businesses, about one in six

manufacturers owns industrial property. Ownership is relatively high in the wholesale trade (9.4%).

On the other hand, ownership is relatively low in services (1.9%), accommodations, eating and drinking services (3.1%), other industries (3.2%), construction (3.4%), and the retail trade (3.4%).

Fig. 1-2-49 Ownership of industrial property rights (by industry)

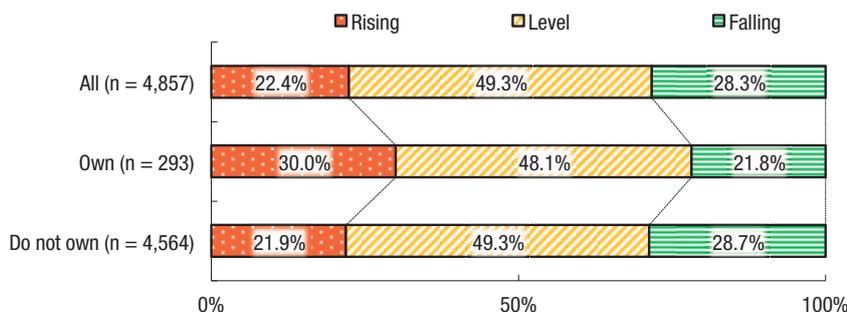


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Notes: 1. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.
 2. "Services" covers the following: living-related and personal services; professional and technical services; amusement services; education, learning support; medical, health care and welfare; and other services.

Fig. 1-2-50 compares gross margin trends among owners and non-owners of industrial property rights. From this it can be seen that whereas 30.0% of owners of industrial property report that their gross margins are

on the rise, the corresponding figure for non-owners is 21.9%, indicating that owners tend to perform better than non-owners of industrial property.

Fig. 1-2-50 Ownership of industrial property rights and gross margin trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The prevalence of ownership of intellectual assets is considered next.

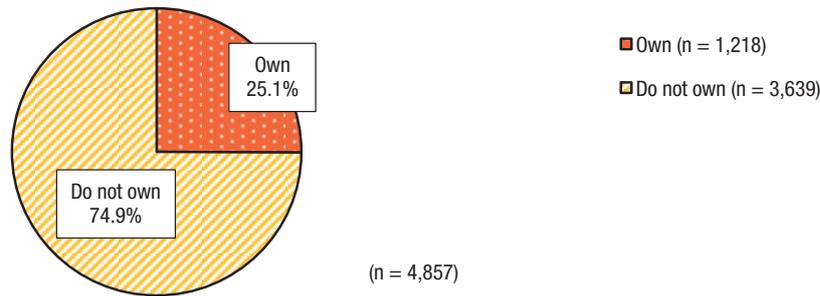
"Intellectual assets" is the term for intangible assets such as human resources, technologies, customer networks, and brands. It extends beyond simply "intellectual property" that is formally protected by industrial property rights, and is the generic term for

the various kinds of assets that give a business its edge.

Fig. 1-2-51 shows the questionnaire results obtained by asking businesses about their ownership of intellectual assets after explaining the above definition.

From this it can be seen that 25.1% of the total considered themselves to own intellectual assets.

Fig. 1-2-51 Ownership of intellectual assets



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Note: "Intellectual assets" is the term for intangible assets such as human resources, technologies, customer networks, and brands. It extends beyond simply "intellectual property" that is formally protected by industrial property rights, and is the generic term for the various kinds of assets that give a business its edge.

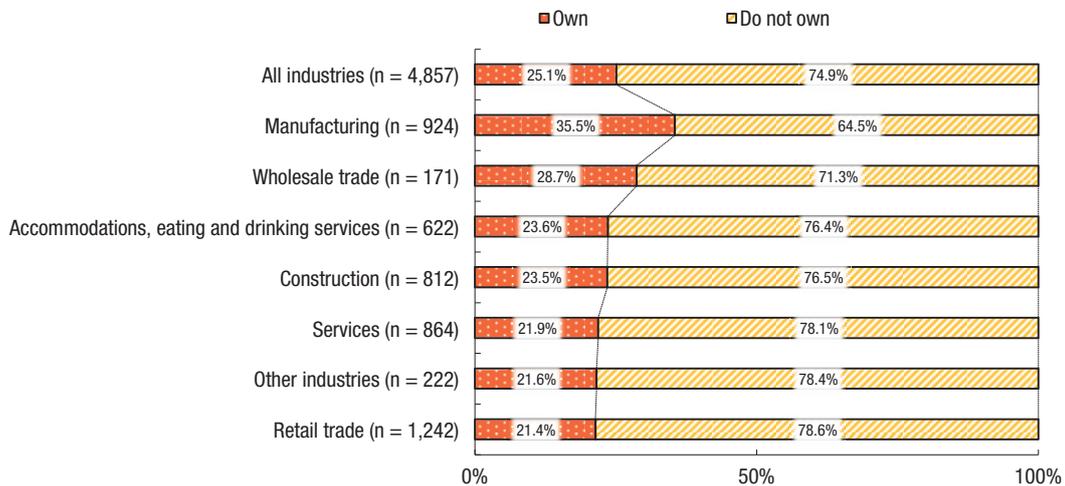
Prevalence of ownership of intellectual assets is similarly broken down by industry as shown in Fig. 1-2-52.

This reveals that the rate of ownership is highest in manufacturing at 35.5%, and that about 20% to 30% of businesses in other industries own intellectual assets.

The intellectual assets of micro businesses include various forms of knowledge, ingenuity, experience, and

so on that are exercised in business, and the likelihood is that these survey results underestimate the number of businesses that own such assets. This is because many micro businesses probably do not perceive their own knowledge, ingenuity, experience, and so on as "assets." It is hoped that micro businesses will gain a renewed awareness of the intellectual assets that they own and make active use of them.

Fig. 1-2-52 Ownership of intellectual assets (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

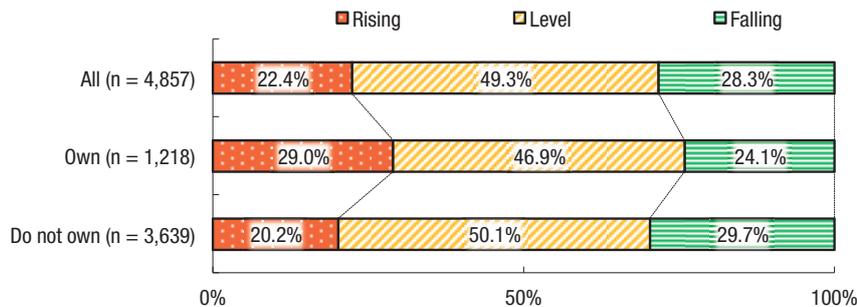
- Notes:
1. "Services" covers the following: living-related and personal services; professional and technical services; amusement services; education, learning support; medical, health care and welfare; and other services.
 2. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

Fig. 1-2-53 compares gross margin trends among businesses that do and do not own intellectual assets.

From this it can be seen that whereas 29.0% of owners of such assets report that gross margins are

rising, the corresponding figure for non-owners is 20.2%, indicating that businesses that believe that they own intellectual assets tend to exhibit better performances.

Fig. 1-2-53 Ownership of intellectual assets and gross margin trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Section 5 Acquisition and development of human resources by micro businesses

The average number of workers at micro businesses across all industries is approximately 3.5. For micro businesses to remain in business with such small workforces, acquiring and developing human resources

is of crucial importance.

This section therefore examines the situation regarding the acquisition and development of human resources by micro businesses.

1 State of action by micro businesses to develop human resources

Fig. 1-2-54 shows the proportions of micro businesses that have and have not taken action in the last three years to develop human resources.

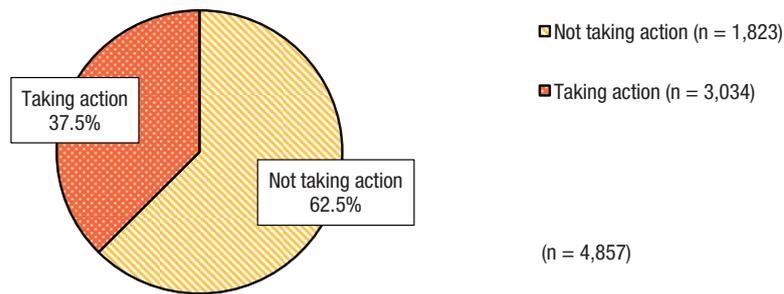
From this it can be seen that fewer than 40% of micro businesses are taking action, and that over 60% are not taking any steps to develop their human resources.

The proportions are next broken down by industry in Fig. 1-2-55.

This shows that the proportion taking action to develop human resources is highest in construction (47.5%). This is followed by manufacturing (46.3%), other industries (42.3%), and professional and technical services (40.1%).

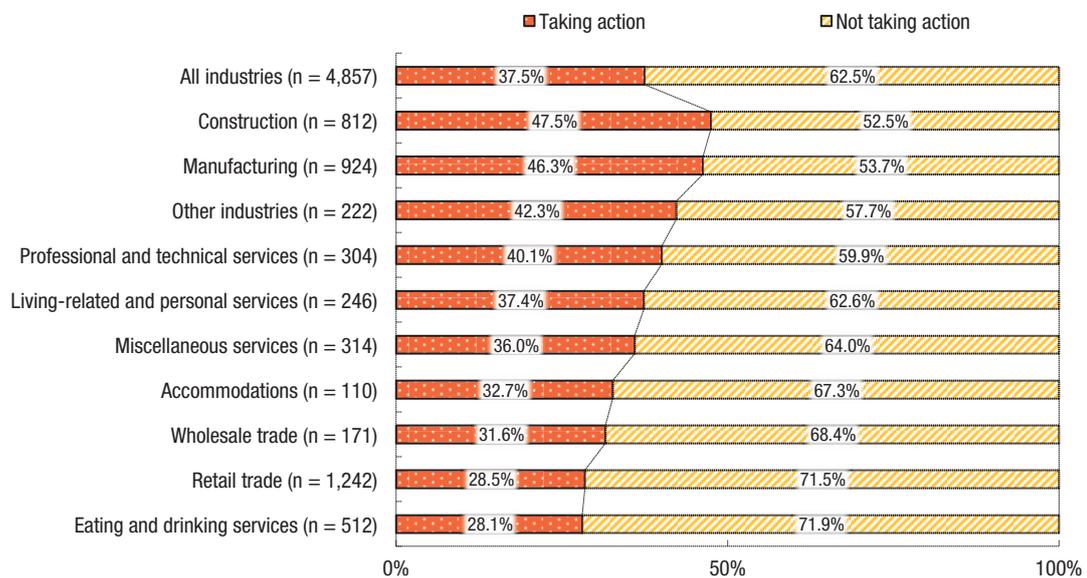
On the other hand, the proportions are relatively low in eating and drinking services (28.1%) and the retail trade (28.5%).

Fig. 1-2-54 State of action to develop human resources (in last three years)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-55 State of action to develop human resources (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

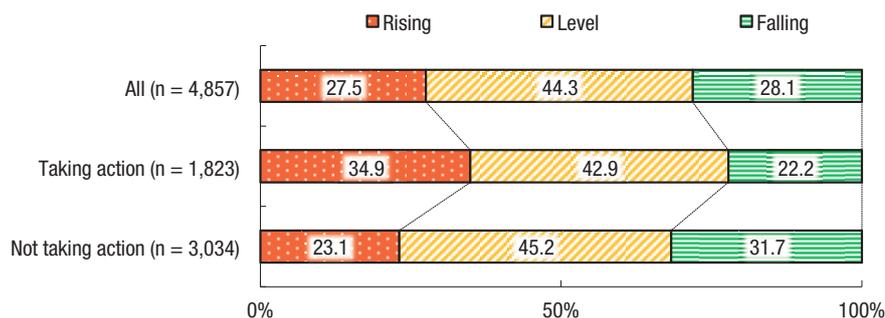
- Notes:
1. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.
 2. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.

Fig. 1-2-56 shows sales trends among micro businesses that are and are not taking action to develop their human resources.

From this it can be seen that whereas 34.9% of those that report rising sales are taking action to develop their

human resources, the corresponding figure among those that are not taking action is just 23.1%. It is thus evident that while about three in five micro businesses are not doing anything to develop their human resources, those that do tend to perform better.

Fig. 1-2-56 Action to develop human resources and sales trends



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

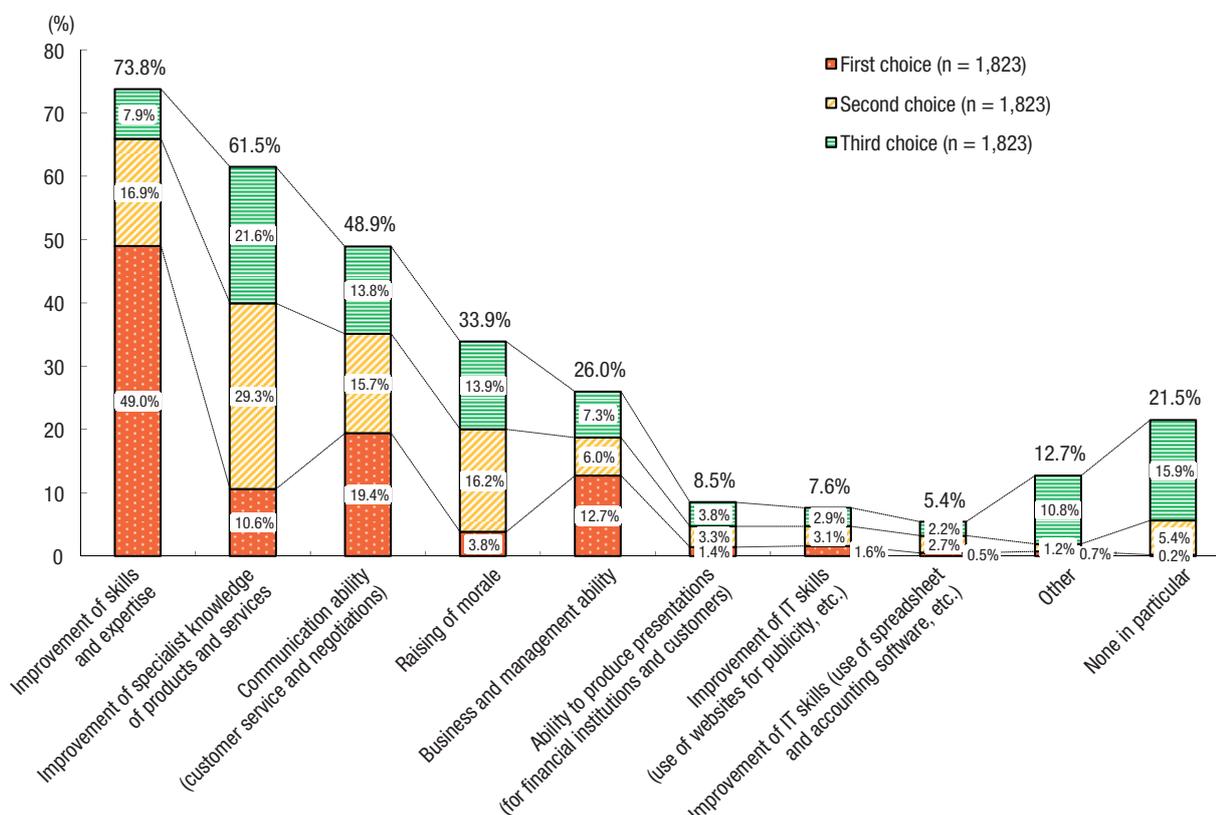
2 Aims and objectives of human resource development among businesses taking action to develop human resources

Fig. 1-2-57 shows the aims and objectives of human resource development among micro businesses that are taking action to develop their human resources.

From this it can be seen that the most commonly cited objective is “improvement of skills and expertise” (73.8%), followed by “improvement

of specialist knowledge of products and services” (61.5%), “communication ability” (48.9%), and “business and management ability” (26.0%). These results point to an emphasis on developing skills that are of direct relevance to everyday business.

Fig. 1-2-57 Aims and objectives of human resource development (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The human resource development resources used by micro businesses to develop their human resources are shown next in Fig. 1-2-58.

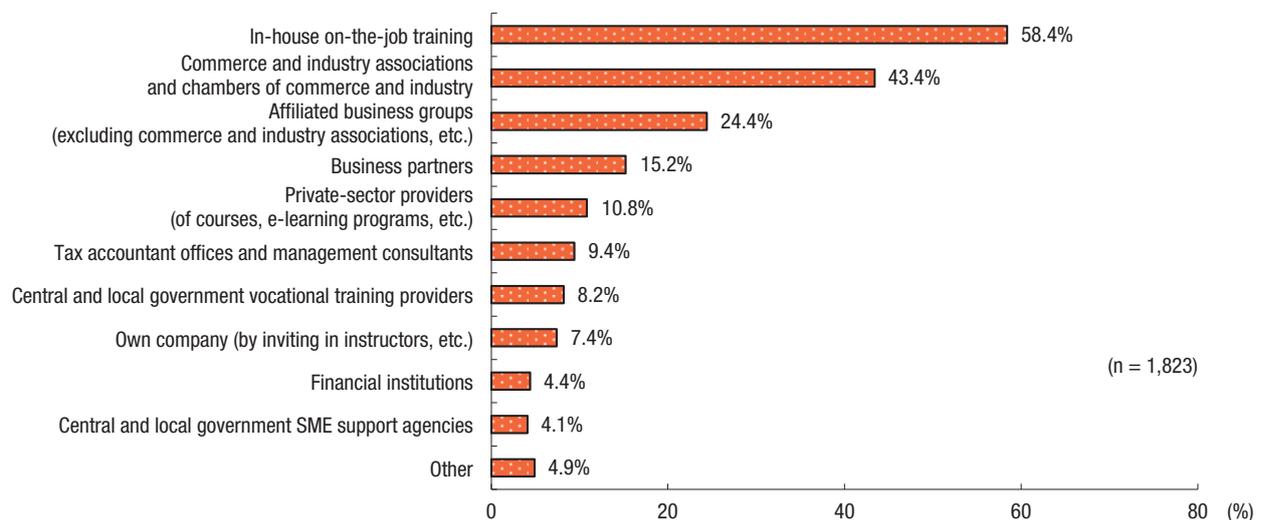
From this it can be seen that the commonest means of delivering training and development is “in-house on-the-job training,” which is used by 58.4% of micro businesses. Next commonest is “commerce and industry associations and chambers of commerce and industry” (43.4%), followed by “affiliated industry associations (other than commerce and industry associations, etc.)” (24.4%).

On the other hand, generally less use is made of

“central and local government SME support agencies,” “financial institutions,” “own company (by inviting in instructors),” “central and local government vocational training providers,” “tax accountant offices and management consultants,” and “private-sector providers (of courses, e-learning programs, etc.)”

These figures suggest that micro businesses develop their human resources primarily by means of in-house on-the-job training, which they supplement with support services delivered by commercial and industrial organizations and business groups of which they are members.

Fig. 1-2-58 Human resource development resources used by micro businesses (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by SME Agency.

3 Reasons for not taking action to develop human resources

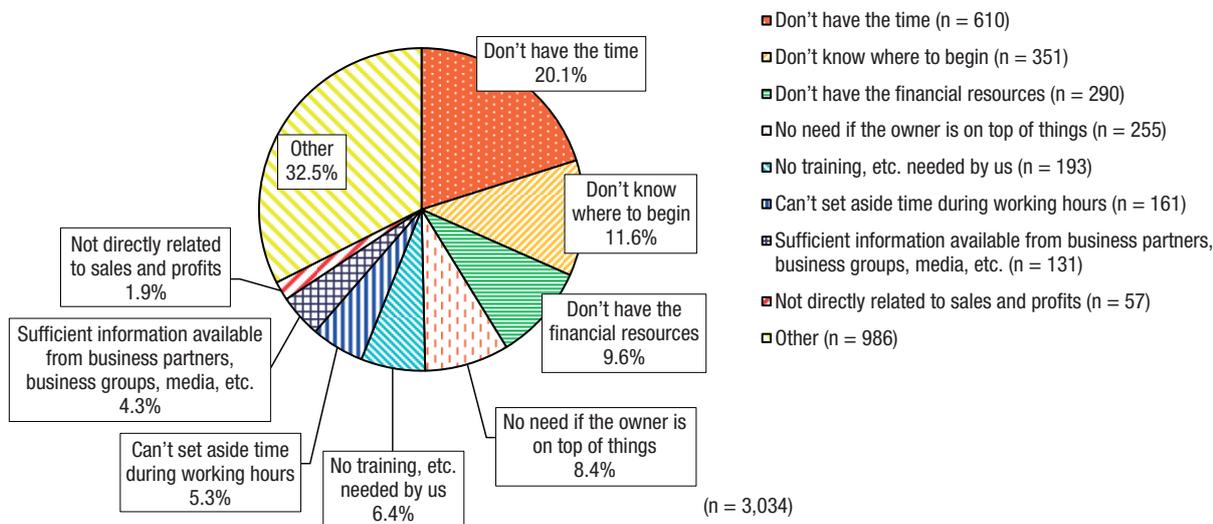
It was revealed above that approximately 60% of micro businesses are not taking any action to develop their human resources, and Fig. 1-2-59 shows the results obtained by asking these businesses to choose the most applicable reason for not taking any such action.

The commonest reason is “don’t have the time,” which was chosen by 20.1% of the respondents.” This

is followed by “don’t know where to begin” (11.6%) and “don’t have the financial resources” (9.6%).

Other reasons include “no need if the owner is on top of things” (8.4%), “no training, etc. needed by us” (6.4%), “can’t set aside time during working hours” (5.3%), and “sufficient information available from business partners, business groups, media, etc.” (4.3%).

Fig. 1-2-59 Reasons for not taking action to develop human resources (most applicable response)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

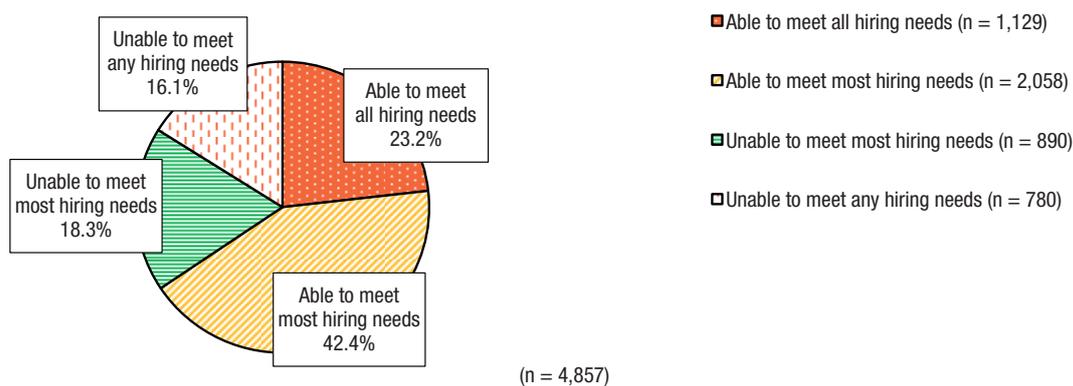
4 Acquisition and retention of human resources by micro businesses

Fig. 1-2-60 shows the state of acquisition of human resources by micro businesses over the last three years.

From this it can be seen that 23.2% were “able to meet all hiring needs” and 42.4% were “able to meet most hiring needs.” A total of 65.6% thus found

themselves largely able to hire the human resources that they wanted. However, 18.3% were “unable to meet most hiring needs” and 16.1% were “unable to meet any hiring needs.” Altogether, therefore, 34.4% were unable to hire the people that they needed.

Fig. 1-2-60 Acquisition of human resource (in last three years)



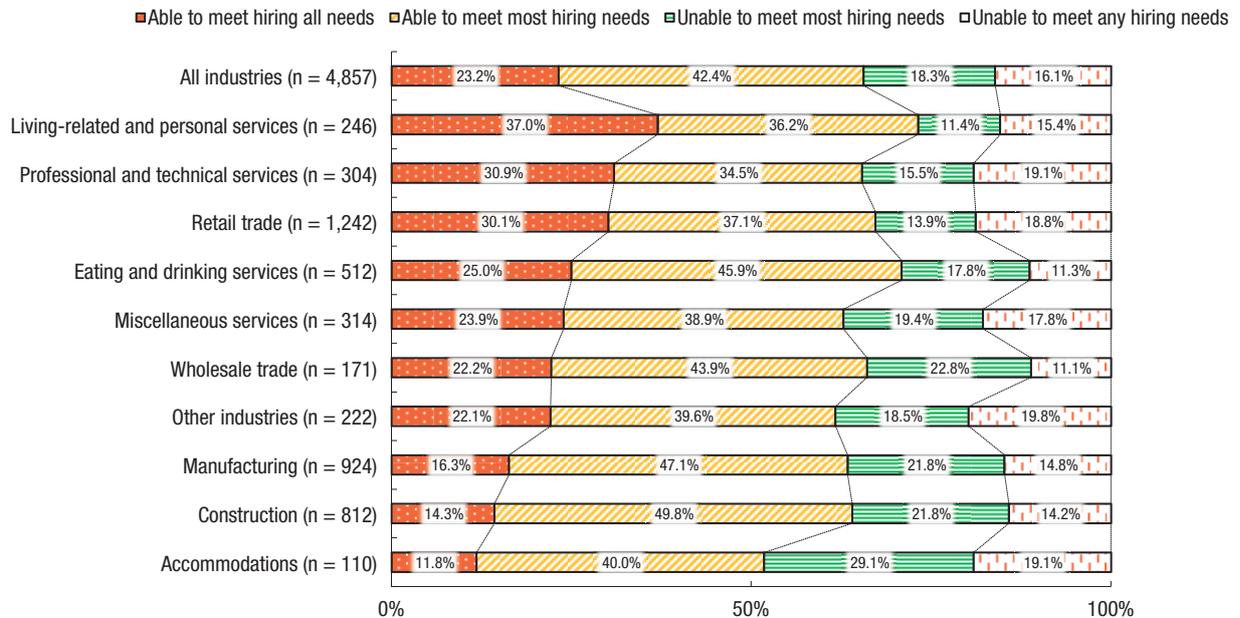
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

These results are next broken down by industry in Fig. 1-2-61.

This reveals that the proportions of businesses that report being “able to meet all hiring needs” are high in

industries such as living-related and personal services, professional and technical services, and the retail trade, and low in industries such as accommodations, construction, and manufacturing.

Fig. 1-2-61 Acquisition of human resources (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Notes: 1. “Miscellaneous services” covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.
 2. “Other industries” covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

Fig. 1-2-6 shows the state of acquisition of human resources against sales trends.

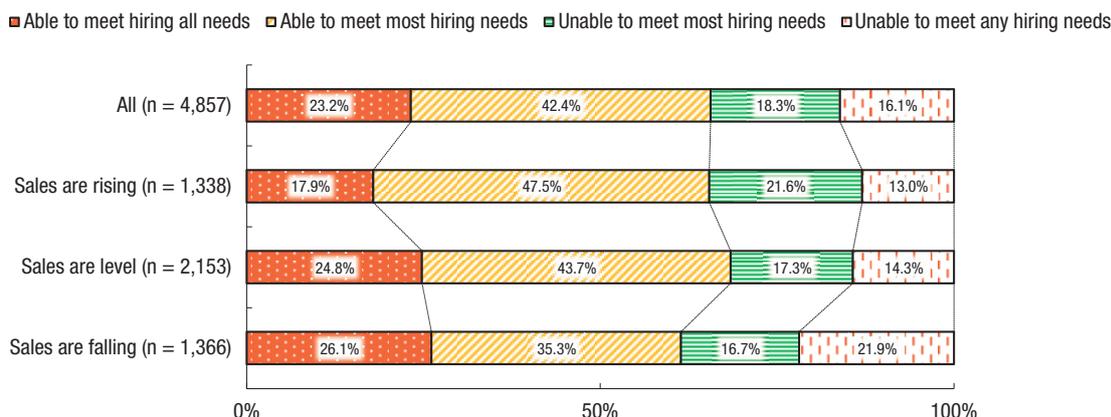
From this it can be seen that the proportion of micro businesses with rising sales that reported “able to meet all hiring needs” is just 17.9%, indicating that there are strong concerns about a shortage of workers among better performing businesses.

Among businesses with falling sales, on the other

hand, both “able to meet all hiring needs” (26.1%) and “unable to meet any hiring needs” (21.9%) were chosen by large proportions of respondents.

This is likely to be because businesses that are not performing well are more likely to either have sufficient human resources already on hand to meet their needs or are not in a position to hire any workers because of their poorer performance.

Fig. 1-2-62 Sales trends and state of acquisition of human resources



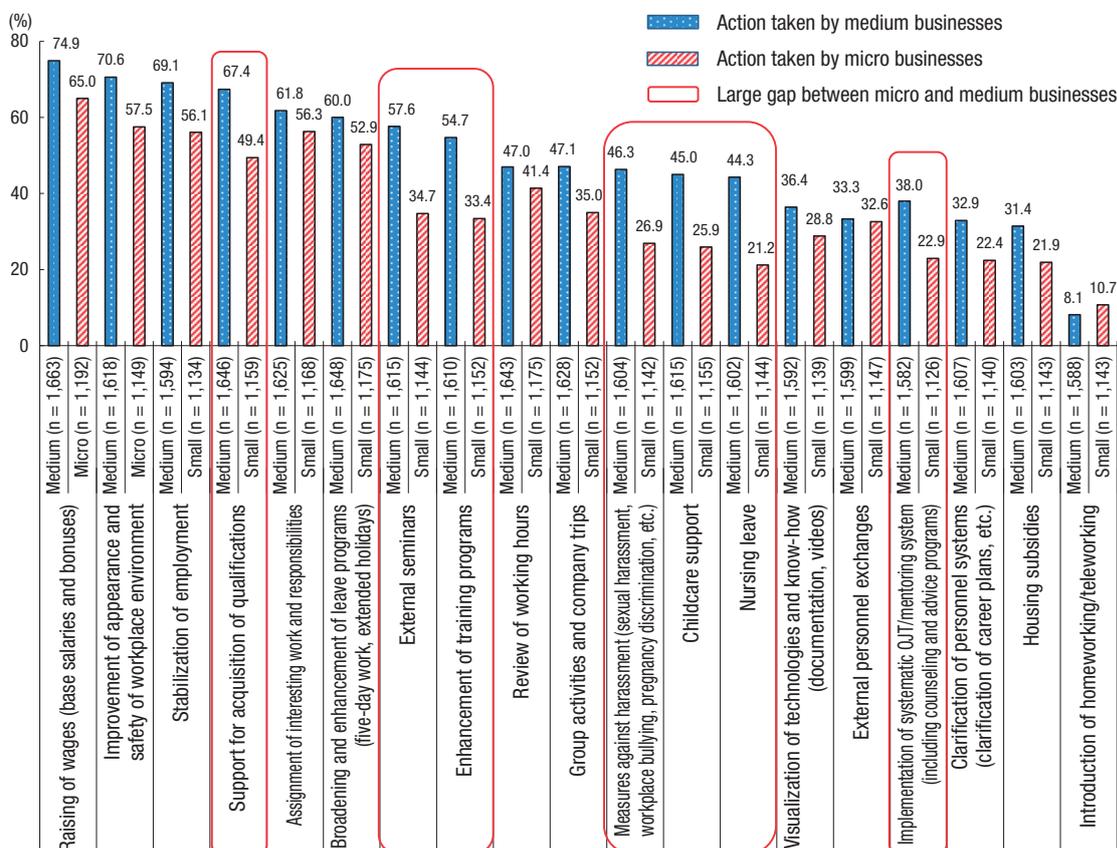
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The proportions of businesses that are taking various types of action to retain human resources are shown next in Fig. 1-2-63 by enterprise size.

From this it can be seen that, with the exception of “introduction of homeworking/teleworking,” all the types of action shown are being taken by proportionately fewer micro businesses than medium businesses, and the gap between micro businesses and medium

businesses is particularly wide in the case of “support for acquisition of qualifications,” “external seminars,” “enhancement of training programs,” “measures against harassment (sexual harassment, workplace bullying, pregnancy discrimination, etc.),” “childcare support,” “nursing leave,” and “implementation of systematic OJT/mentoring system (including counseling and advice programs).”

Fig. 1-2-63 Proportions of businesses taking action to retain human resources (by enterprise size)



Source: Nomura Research Institute, *Survey of Human Resource Acquisition and Development at SMEs and Micro-businesses* (December 2014), commissioned by the SME Agency.
 Note: Sample size n indicates the total number of businesses that were or were not taking each type of action to retain human resources.

5 Variation in business volume and human resource development at micro businesses

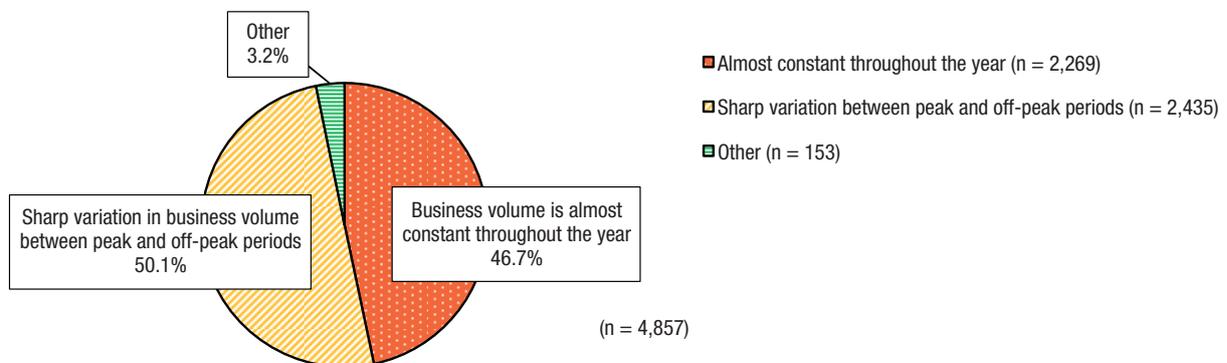
Fig. 1-2-64 shows variability in business volume over the course of one business year.

From this it can be seen that there is an almost even split between those whose business volume is “almost constant throughout the year” (46.7%) and those that experience “sharp variation between peak and off-peak periods” (50.1%).

A breakdown of these results by industry is shown in Fig. 1-2-65.

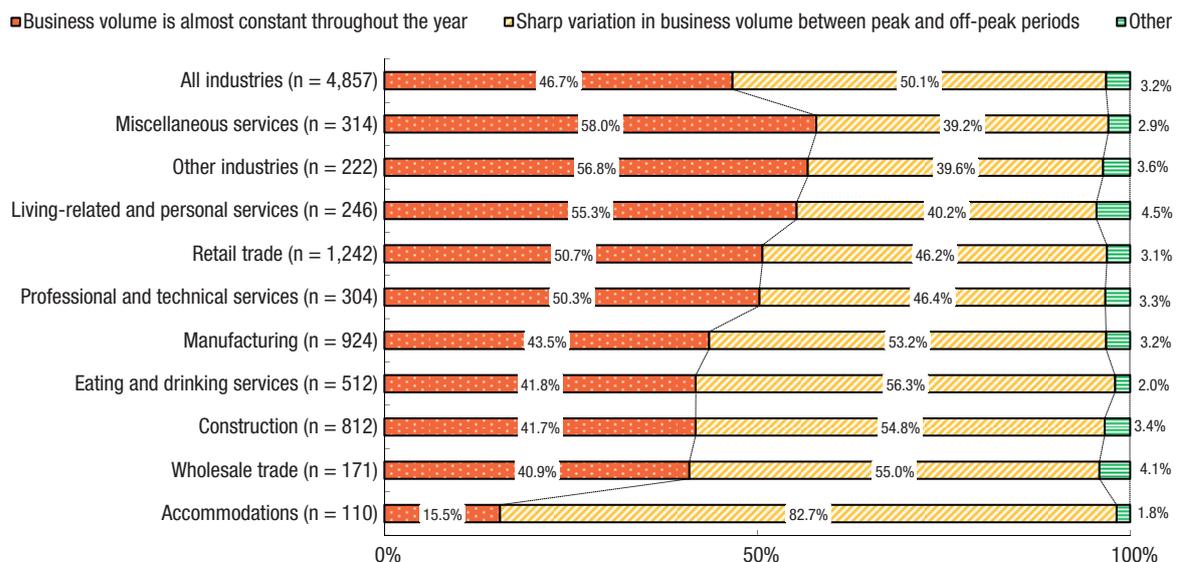
From this it can be seen that the industry reporting the sharpest variation between peak and off-peak periods is accommodations, in which 82.7% of businesses experience “sharp variation between peak and off-peak periods.” Also majorities report “sharp variation between peak and off-peak periods” in the wholesale trade, construction, eating and drinking services, and manufacturing.

Fig. 1-2-64 Variability in business volume over one business year



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-65 Variability in business volume over one business year (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Notes: 1. “Miscellaneous services” covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.
2. “Other industries” covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.

Those that reported “sharp variation between peak and off-peak periods” were asked about their acquisition of human resources during peak periods, and their responses are shown in Fig. 1-2-66.

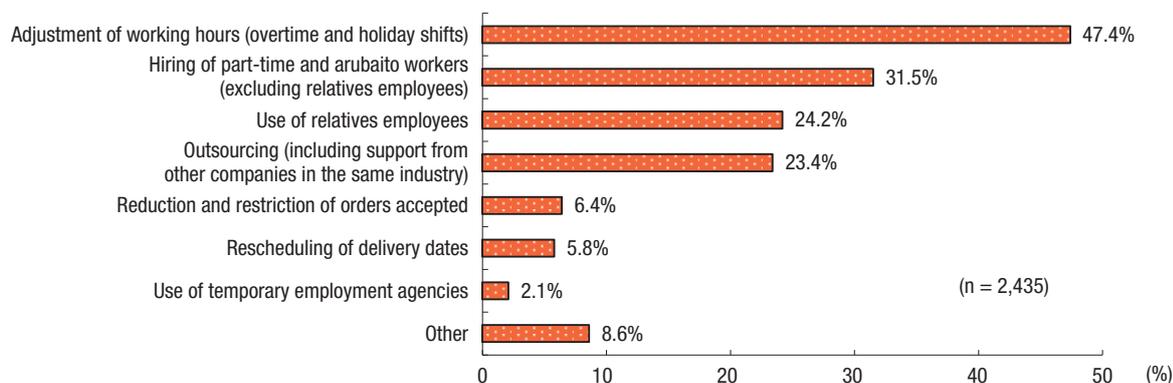
From this it can be seen that the largest proportion respond by “adjustment of working hours (overtime and holiday shifts)” (47.4%), followed by “hiring of part-time and *arubaito* workers (excluding relatives employees)” (31.5%), “use of relatives employees” (24.2%), and “outsourcing (including support from other companies in same industry)” (23.4%).

On the other hand, a mere 2.1% were found to

respond by making “use of temporary employment agencies.” Small proportions also respond in ways that affect customers, such as through “rescheduling of delivery dates” (5.8%) and “reduction or restriction of orders accepted” (6.4%).

Micro businesses thus primarily cope during peak periods by making use of overtime and holiday shifts, which they supplement by hiring temporary workers, using relatives employees, and outsourcing while avoiding imposing reductions or restrictions on orders that would affect customers.

Fig. 1-2-66 Acquisition of human resources during peak periods (multiple responses)



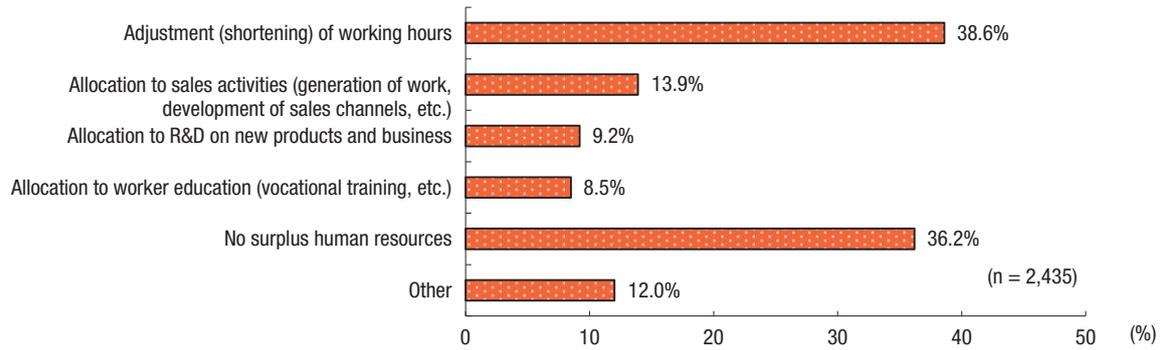
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Micro businesses that reported “sharp variation between peak and off-peak periods” were similarly asked about their use of human resources during off-peak periods, and their responses are shown in Fig. 1-2-67.

From this it can be seen that the largest proportion respond by “adjustment (shortening) of working hours,” which was cited by 38.6%, while 36.2% said that they had “no surplus human resources” to deal

with in the first place. More active uses of human resources, namely “allocation to sales activities (generation of work, development of sales channels, etc.),” “allocation to R&D on new products and new business,” and “allocation to worker education (vocational training, etc.),” were each cited by about 10% of the respondents. Use of such strategies thus appears to be generally low.

Fig. 1-2-67 Use of human resources during off-peak periods



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

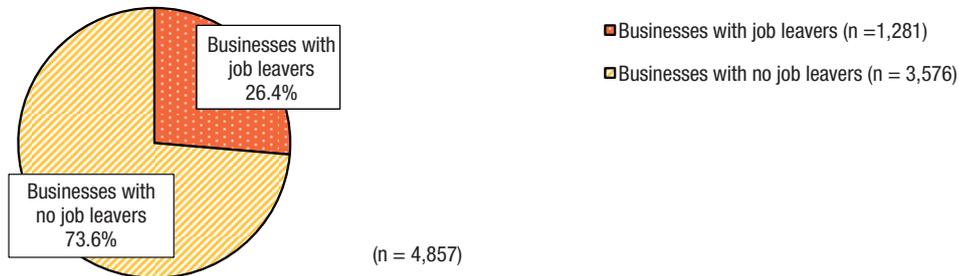
6 Job leavers at micro businesses

Fig. 1-2-68 shows the proportions of micro businesses that had employees who left in the last three years.

26.4% had job leavers, which indicates that, partly

owing to the small size of their workforces, micro businesses are structurally unlikely to produce job leavers every year.

Fig. 1-2-68 Job leavers at micro businesses (in last three years)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-69 shows job leavers' reasons for leaving a micro business.

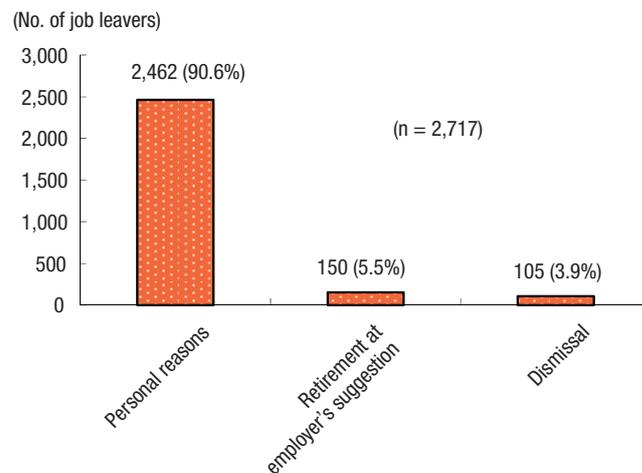
From this it can be seen that 90.6% left for "personal reasons," with "retirement at employer's suggestion" (5.5%) and "dismissal" (3.9%) making up the remainder.

More specific reasons for leaving a micro business for "personal reasons" are shown in Fig. 1-2-70.

From this it can be seen that, when "other (including

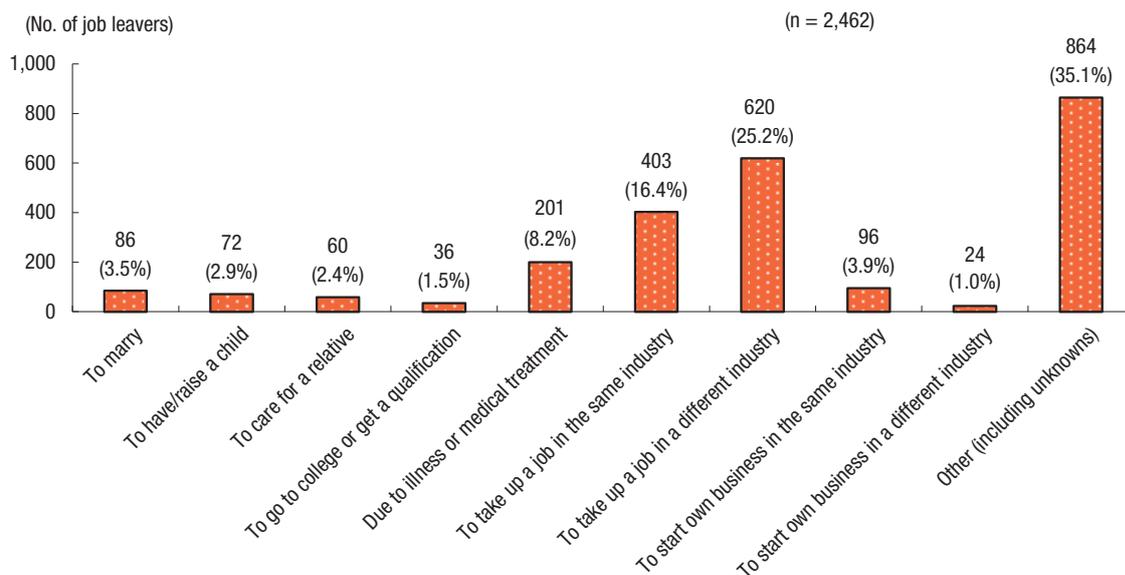
unknowns)" are excluded, the commonest reason is "to take up a job in a different industry" (25.2%), followed by "to take up a job in the same industry" (16.4%), and "due to illness or medical treatment" (8.2%). Another 4.9% left their jobs to become independent and start their own business, and a breakdown of those who did so shows that more started up in the same industry than in a different industry.

Fig. 1-2-69 Reasons given by 2,717 job leavers for leaving a micro business



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Figures in parentheses indicate percentages of the total.

Fig. 1-2-70 Breakdown of 2,462 job leavers who left for personal reasons



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Figures in parentheses indicate percentages of the total.

Section 6 Business successions and associated issues

This section examines the situation surrounding business successions at micro businesses at present,

and the challenges that attend business successions.

1 Current state of business successions

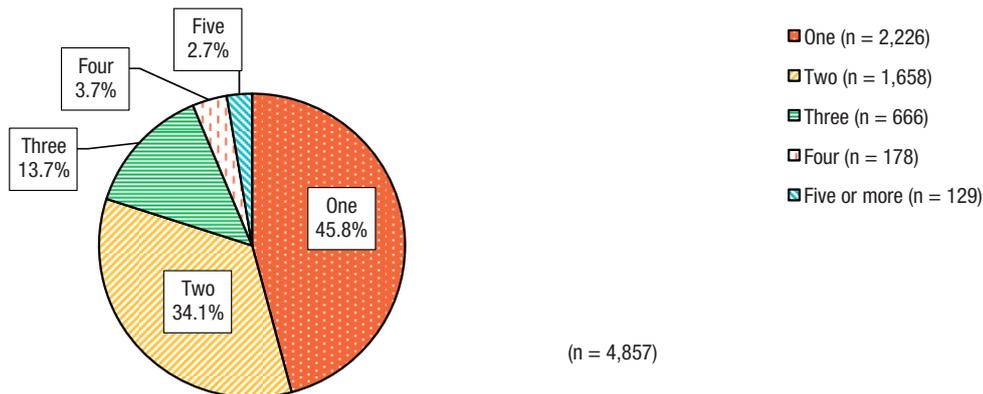
Fig. 1-2-71 shows how many business owners (including the current owner) the micro businesses surveyed have had to date. From this it can be seen that 54.2% of current owners are their business's second or later owner, i.e., they are second generation or later owners.

Current second generation or later owners' ages

when they took over from their predecessors are shown in Fig. 1-2-72.

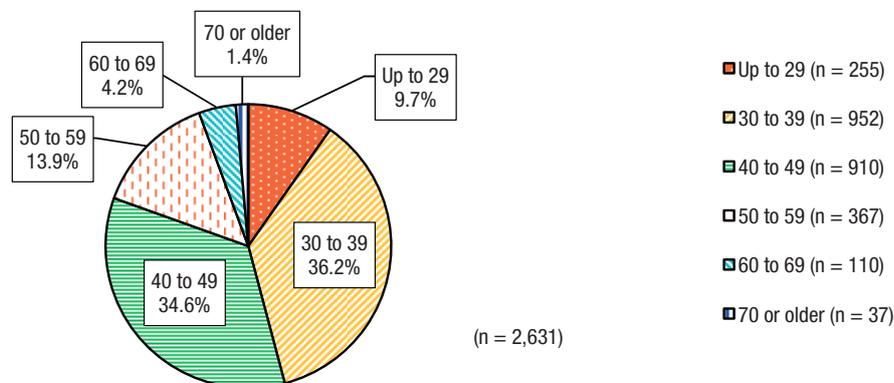
From this it can be seen that 9.7% were aged 29 or younger when they succeeded to their businesses, 36.2% were in their thirties, and 34.6% were in their forties. 45.9% thus became business owners when aged under 40.

Fig. 1-2-71 Number of owners to date



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-72 Age of current owner at time of succession from predecessor



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

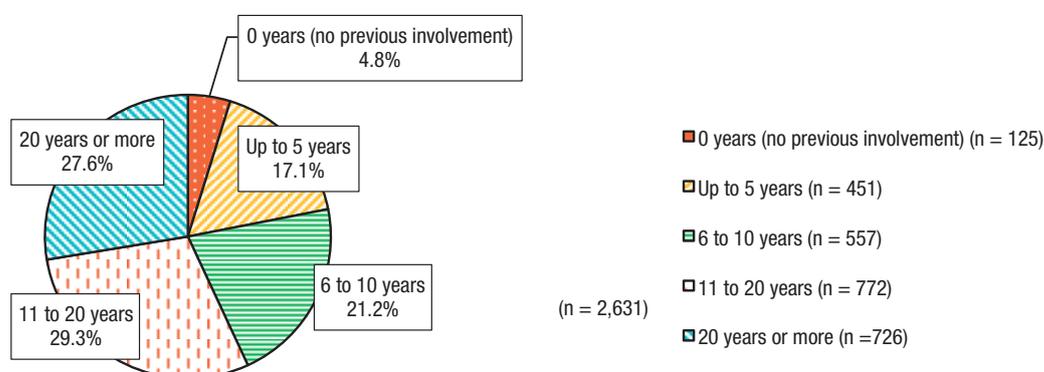
The lengths of time that businesses' current owners had been involved in the business before succession are shown in Fig. 1-2-73.

From this it can be seen that "11 to 19 years" and "20 or more years" were each chosen by approximately 30% of the respondents, indicating that current second generation and later owners had been involved in the business for a comparatively long time before succession.

Current owners' relationships to their predecessors are next shown in Fig. 1-2-74.

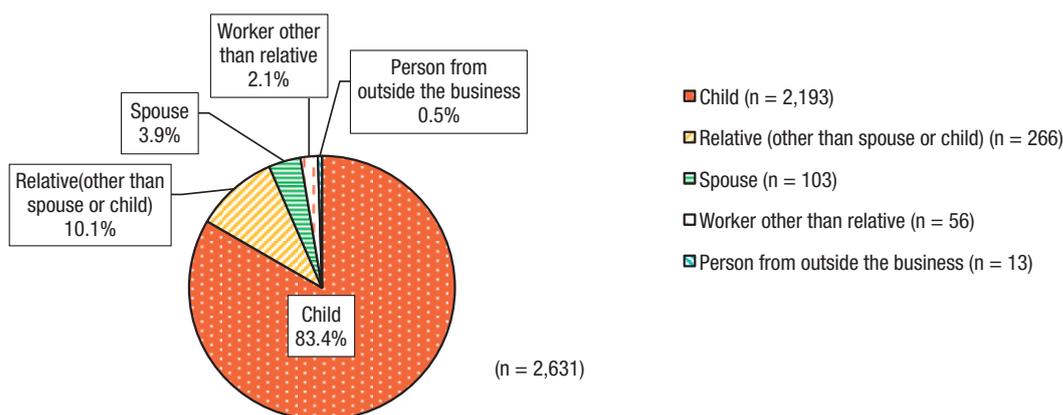
From this it can be seen that the overwhelming majority, or 83.4% of the total, are the "child" of their predecessor. The next commonest relationship is "relative (other than spouse or child)" (10.1%). Very small proportions are a "spouse," "worker other than relative," or "person from outside the business."

Fig. 1-2-73 Current owners' length of involvement in the business before succession



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-74 Relationship of current owner to predecessor



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

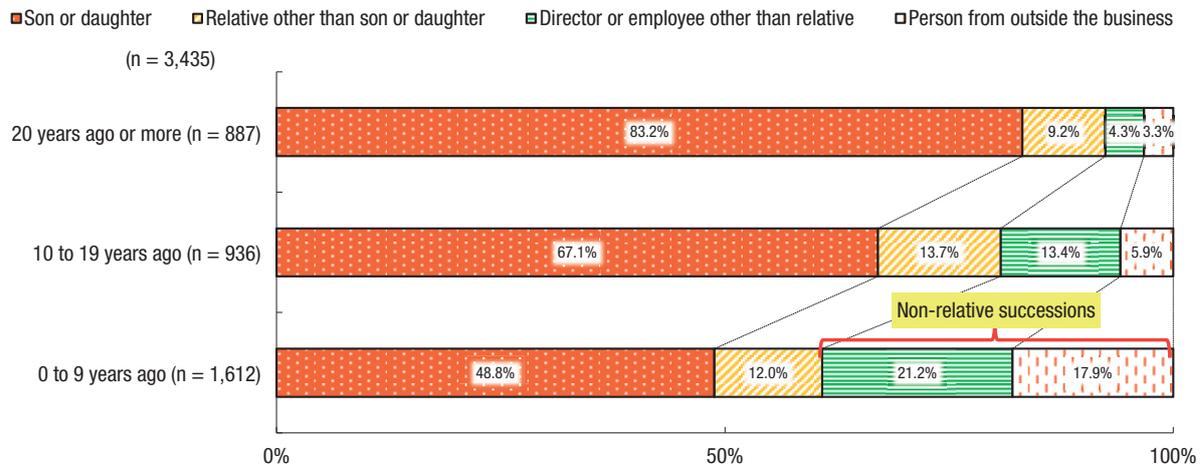
Fig. 1-2-75 shows current SME business owners by number of years since succession and their relationship to their predecessor.

From this it can be seen that although 7.6% of SME successions that did not occur between relatives took place “20 years ago or more,” the proportion gradually increases the nearer to the present a succession

took place, with 19.3% of non-relative successions occurring “10 to 19 years ago” and 39.1% occurring “0 to 9 years ago.”

As Fig. 1-2-74 demonstrated, on the other hand, successions by relatives still account for the bulk of micro business successions.

Fig. 1-2-75 Current SME business owners by number of years since succession and relationship to predecessor

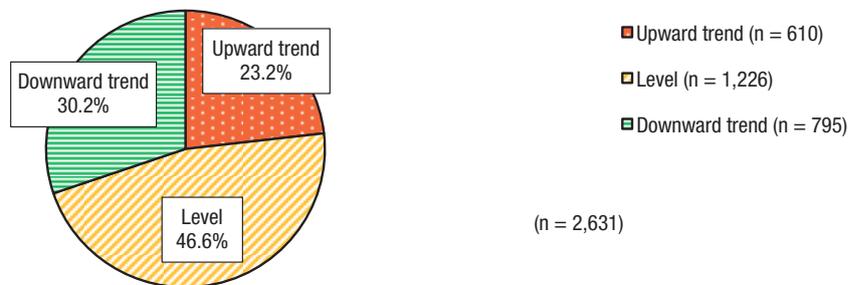


Source: Compiled based on data published in 2013 White Paper on Small and Medium Enterprises in Japan.
 Note: The above data was surveyed as of 2012.

Performance trends in the approximately three years preceding the current owner’s succession from his/her predecessor are shown next in Fig. 1-2-76. From this it can be seen that approximately 30% of current

owners succeeded to their business when performance was following a downward trend, indicating that a considerable number took the helm when business conditions were difficult.

Fig. 1-2-76 Performance trends in the approximately three years before business succession



Source: Applied Research Institute, Inc., Survey on the Conditions of Business Activities of Micro Businesses (January 2016), commissioned by the SME Agency.

2 New initiatives after business succession

For micro businesses, business successions are not only a time of change in leadership but a prime opportunity to rethink and restructure operations.

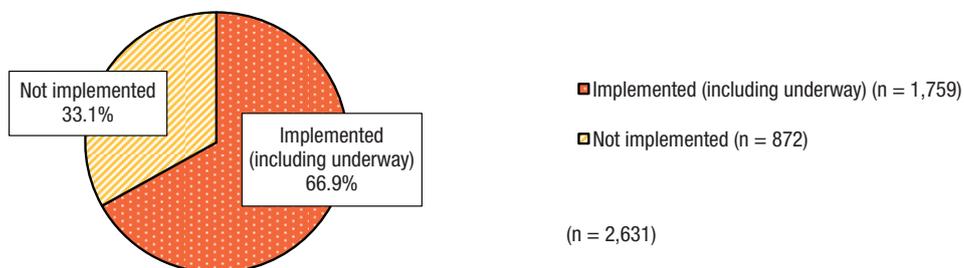
Fig. 1-2-77 shows whether or not current owners commenced “new initiatives” after succeeding to a business.

From this it can be seen that about seven in 10 (66.9%) have “implemented” new initiatives.

Regarding when they commenced new initiatives, the largest proportion (39.5%) did so “more than 3 years

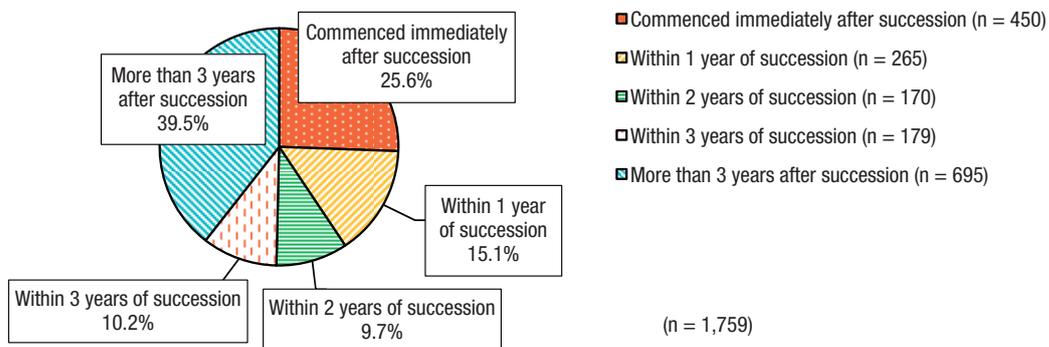
after succession.” Next commonest was “commenced immediately after succession” (25.6%), followed by “within 1 year of succession” (15.1%), “within 3 years of succession” (10.2%), and “within 2 years of succession” (9.7%). Successors can thus be seen to fall into two main camps: those who commenced new initiatives comparatively soon after succession, and those who did so some time after succession (Fig. 1-2-78).

Fig. 1-2-77 Implementation of new initiatives after business succession



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-78 Timing of commencement of new initiatives



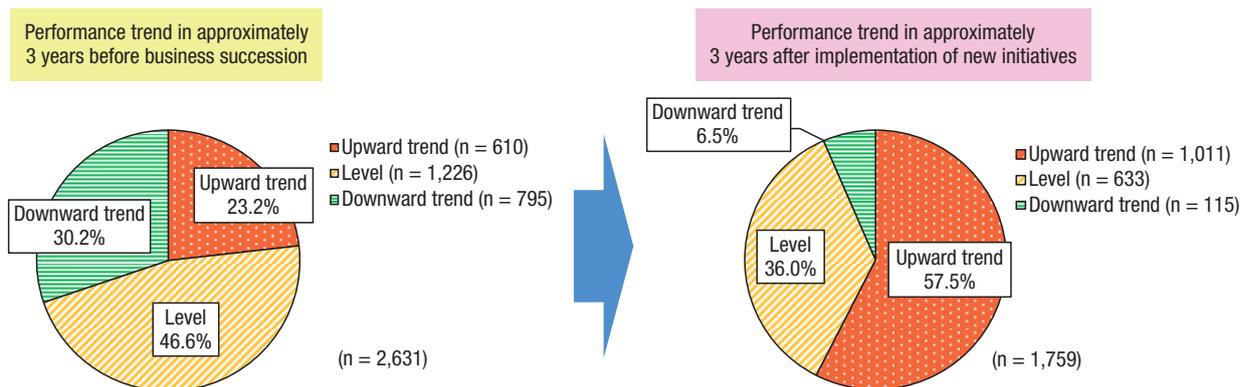
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-79 shows a comparison of performance trends in the approximately three years before a business succession (shown in Fig. 1-2-76) and performance trends in the approximately three years after implementing new initiatives.

From this it can be seen that whereas 23.2% reported

an “upward trend” and 30.2% reported a “downward trend” in performance in the years before a succession, these figures change dramatically to 57.5% reporting an “upward trend” and 6.5% reporting a “downward trend” following the implementation of new initiatives by the current owner.

Fig. 1-2-79 Performance trends immediately before business succession and after implementation of new initiatives



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-80 shows the proportions of businesses that have implemented “new initiatives” by industry.

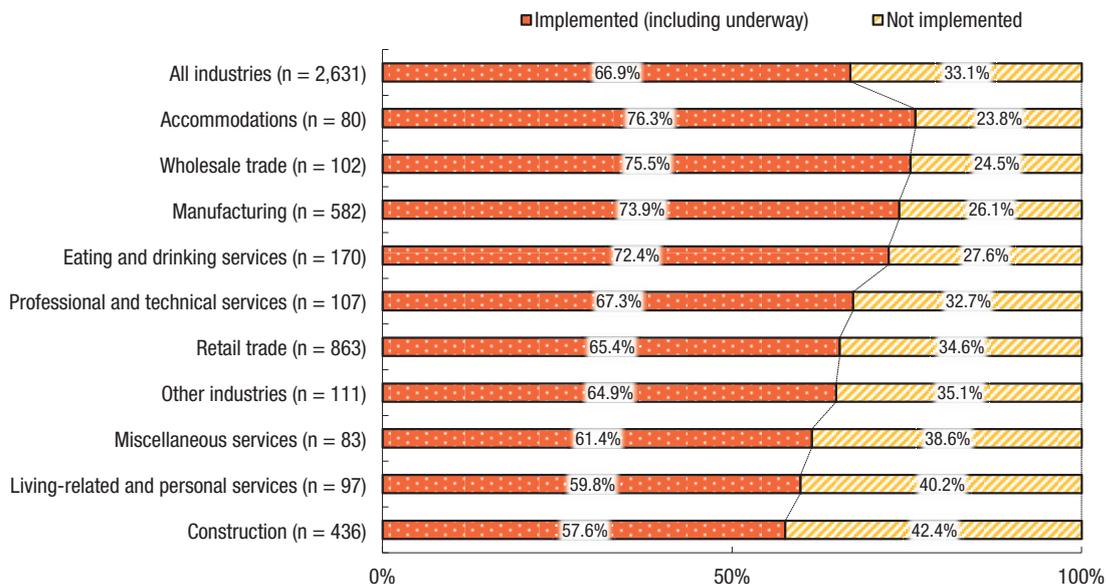
From this it can be seen that rates of implementation are high in industries such as accommodations, the wholesale trade, manufacturing, and eating and drinking services, and relatively low in industries such as construction and living-related and personal services.

The proportions of businesses that have and have not implemented new initiatives after business succession

are shown in Fig. 1-2-81 according to the current owner’s age when business succession occurred.

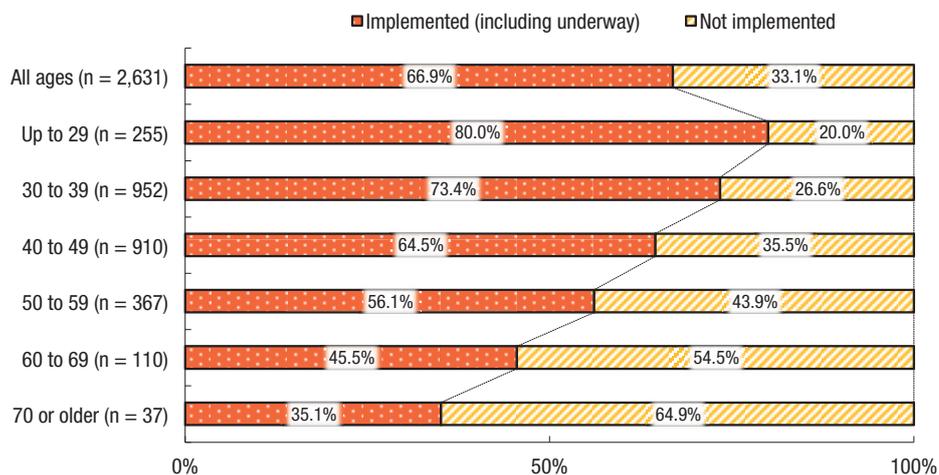
From this it can be seen that the rate of implementation is highest (80.0%) in the “up to 29” group. Next highest is the “30 to 39” group (73.4%), followed by “40 to 49” (64.5%), “50 to 59” (56.1%), “60 to 69” (45.5%), and “70 or older” (35.1%). It is thus evident that business owners who were young when they succeeded to a business are more likely to have implemented new initiatives.

Fig. 1-2-80 Implementation of new initiatives after business succession (by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Notes: 1. "Other industries" covers the following: electricity, gas, heat supply and water; information and communications; transportation; finance and insurance; and real estate.
 2. "Miscellaneous services" covers the following: amusement services; education, learning support; medical, health care and welfare; and other services.

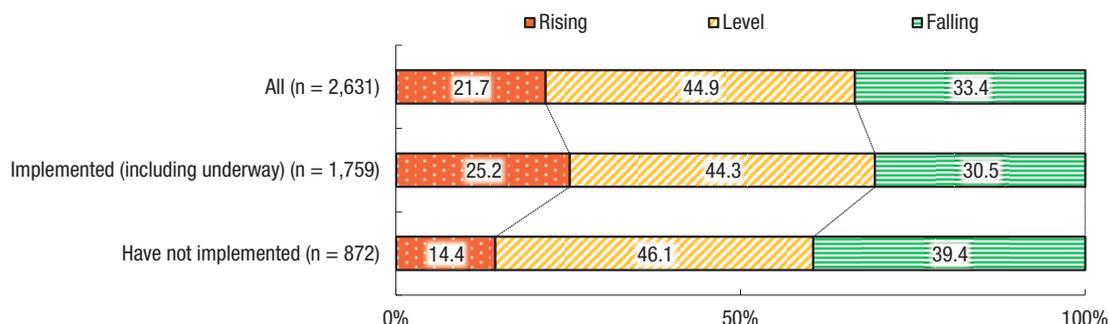
Fig. 1-2-81 Implementation of new initiatives after business succession (by age at business succession)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The relationship between implementation of new initiatives after business succession and rising sales among second generation or later business owners is examined next in Fig. 1-2-82.

This shows that a higher proportion of owners who implemented initiatives reported rising sales in the last three years.

Fig. 1-2-82 Implementation of new initiatives after business succession and sales trends

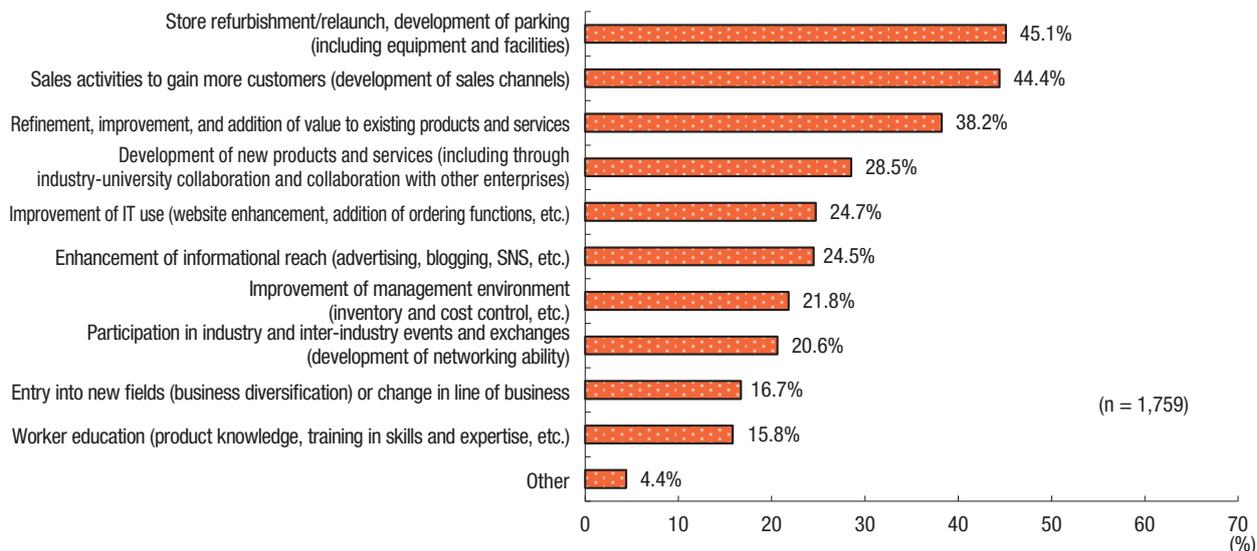
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The specific types of new initiative implemented after business succession are examined next (Fig. 1-2-83).

The commonest form of new initiative is “store refurbishment/relaunch, development of parking (including equipment and facilities),” which was cited by 45.1% of the respondents. This is followed by “sales activities to gain more customers (development of sales channels)” (44.4%), “refinement, improvement, and addition of value to existing products and services”

(38.2%), and “development of new products and services (including through industry-university collaboration and collaboration with other enterprises)” (28.5%).

Relatively fewer have taken action in the form of “worker education (product knowledge, training in skills and expertise, etc.)” (15.8%) and “entry into new fields (business diversification) or change in line of business” (16.7%).

Fig. 1-2-83 Specific types of new initiative implemented (multiple responses)

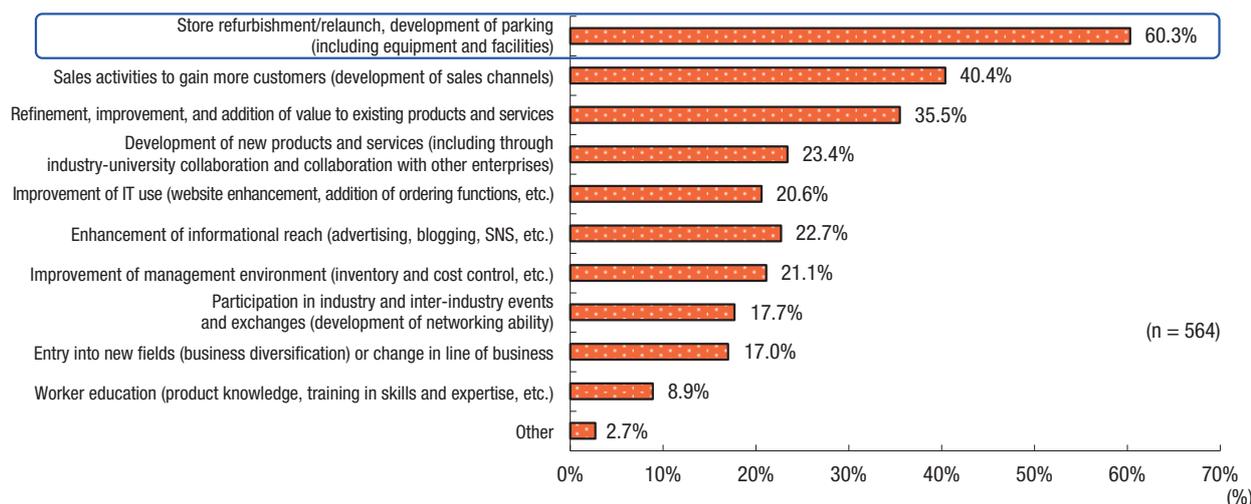
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The specific types of new initiative implemented after business succession are next examined in each of the main categories of industry.

Fig. 1-2-84 shows the results for the retail trade,

from which it can be seen that the commonest type of initiative is “store refurbishment/relaunch, development of parking (including equipment and facilities),” at 60.3%.

Fig. 1-2-84 Specific types of new initiative implemented in the retail trade (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-85 shows the results for manufacturing, from which it can be observed that “sales activities to gain more customers (development of sales channels)” are the most commonly implemented, at 54.9%, followed by “refinement, improvement, and addition

of value to existing products and services” (47.4%) and “development of new products and services (including through industry-university collaboration and collaboration with other enterprises)” (41.2%).

Fig. 1-2-85 Specific types of new initiative implemented in manufacturing (multiple responses)



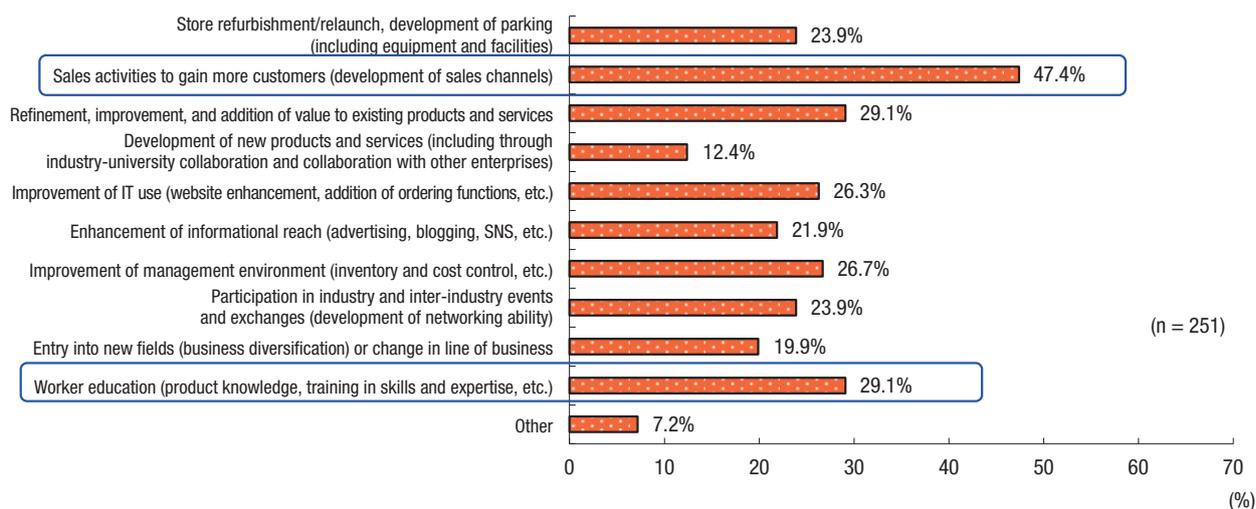
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-86 shows the results for construction.

From this it can be seen that “sales activities to gain more customers (development of sales channels)” are commonest, at 47.4%.

“Worker education (product knowledge, training in skills and expertise, etc.)” also garnered a high proportion of responses compared to other industries (29.1%).

Fig. 1-2-86 Specific types of new initiative implemented in construction (multiple responses)



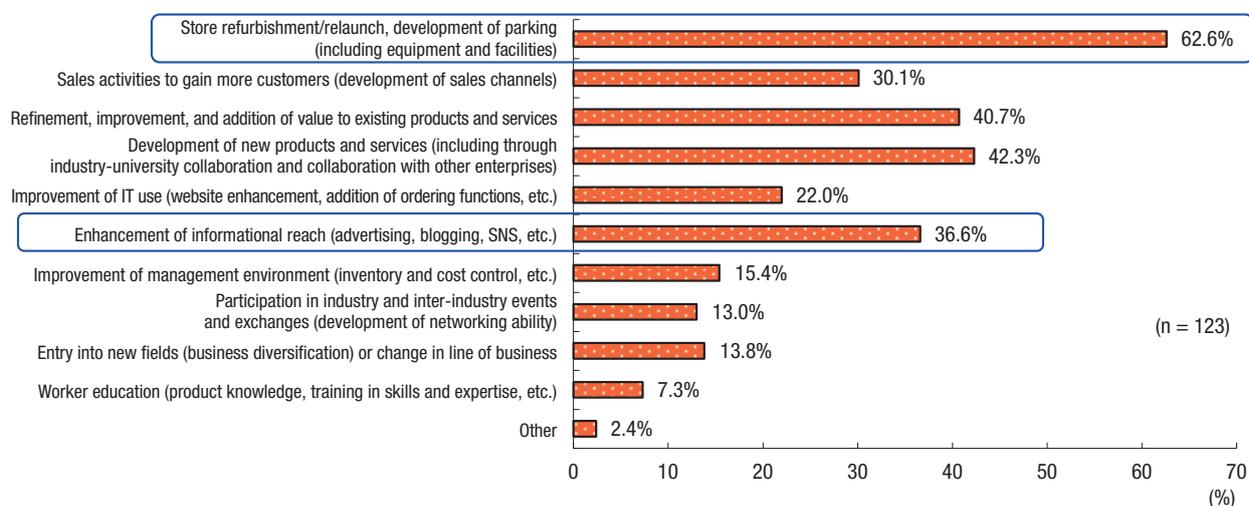
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-87 shows the results for eating and drinking services.

As can be seen, “store refurbishment/relaunch, development of parking (including equipment and facilities)” is the commonest type of initiative,

at 62.5%. “Enhancement of informational reach (advertising, blogging, SNS, etc.)” is also pursued by a higher proportion of businesses than in other industries (36.6%).

Fig. 1-2-87 Specific types of new initiative implemented in eating and drinking services (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Next, the correlations between the specific types of new initiative implemented and business performance in the three years following implementation are shown in Fig. 1-2-88.

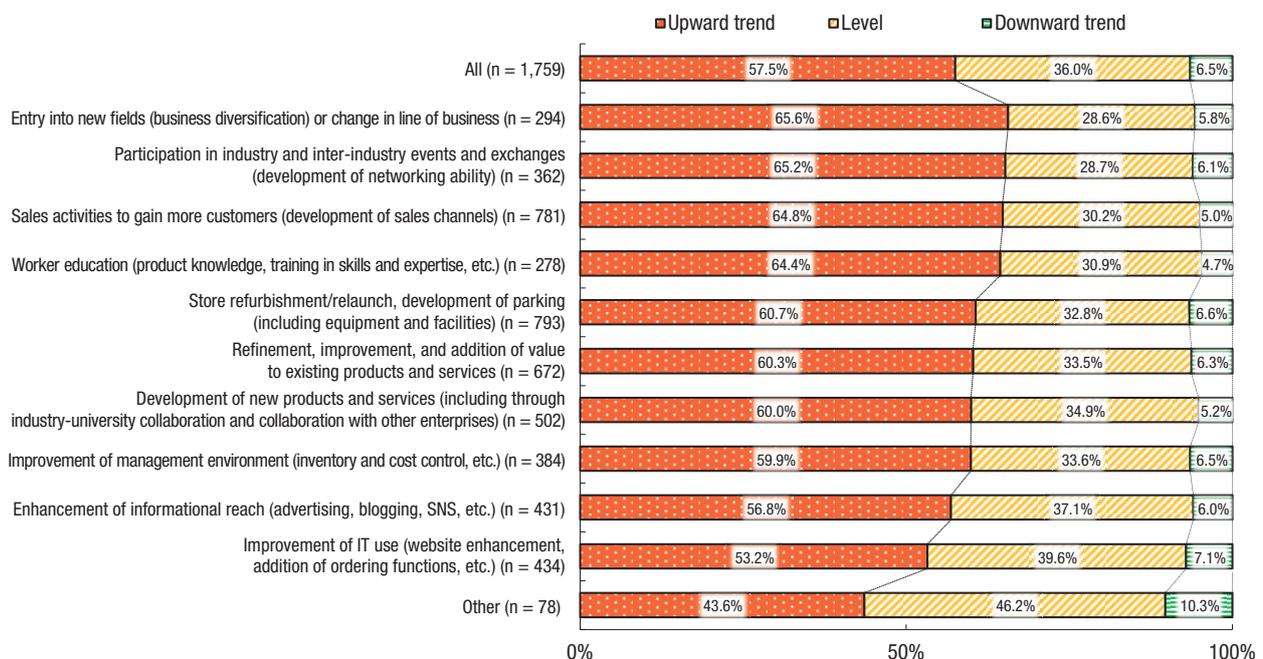
It may be observed from this that, overall, approximately 60% reported that performance followed an upward trend in the three years following implementation, and that the remaining 40% did not experience any immediate improvement despite having implemented new initiatives.

A breakdown by type of initiative implemented shows that the highest proportion reporting an upward trend in performance in the three years following implementation was found amongst those that pursued “entry into new fields (business diversification) or change in line of business” (65.6%). This was followed by “participation in industry and inter-industry events and exchanges (development of networking ability)” (65.2%), “sales activities to gain more customers (development of sales channels)” (64.8%), and “worker education (product knowledge, training in skills and

expertise, etc.)” (64.4%).

Initiatives that are not pursued by particularly large numbers of micro businesses, namely “entry into new fields (business diversification) or change in line of business” and “participation in industry and inter-industry events and exchanges (development of networking ability),” are associated with higher proportions of respondents reporting an upward trend in performance. “Entry into new fields (business diversification) or change in line of business” represents a major change of direction in business management and demands resolution and determination on the part of business owners, while “participation in industry and inter-industry events and exchanges (development of networking ability)” entails an ongoing commitment on top of a business’s core activities. Neither is therefore easy to implement, which probably explains why they are pursued by relatively fewer businesses, but these results indicate that they are comparatively more likely to lead to better performance.

Fig. 1-2-88 Specific types of new initiative implemented and business performance trends in the three years following implementation



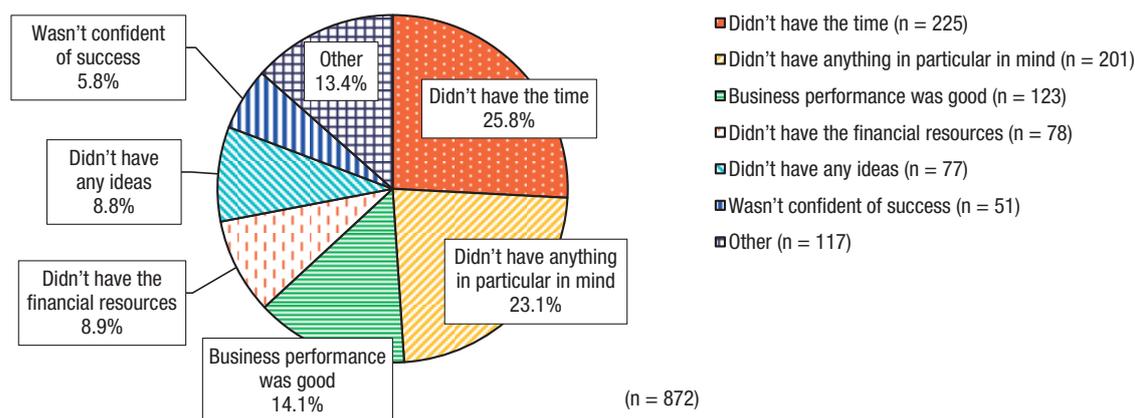
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 1-2-89 shows the reasons given by micro businesses for not implementing new initiatives after a business succession.

The commonest reason is “didn’t have the time” (25.8%), followed by “didn’t have anything in particular

in mind” (23.1%), “business performance was good” (14.1%), “didn’t have the financial resources” (8.9%), “didn’t have any ideas” (8.8%), and “wasn’t confident of success” (5.8%).

Fig. 1-2-89 Reasons for not implementing new initiatives



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

3 Future business succession policies of current business owners

Fig. 1-2-90 shows the future business succession policies of current business owners.

From this it can be seen that “no need to hand over or close business for the time being” is the commonest policy, accounting for 36.1%.

Next commonest are “plan to hand over business and have chosen a successor” (22.4%) and “plan to hand over business and have a potential successor” (9.9%), which means that 32.3% have a business succession planned.

On the other hand, 5.9% “want to hand over business but can’t find a potential successor at present” and 2.2% “want to hand over business but can’t (due to worries about income, livelihood, etc.),” which means that 8.1% of the total want to hand over their business but for one reason another feel unable to.

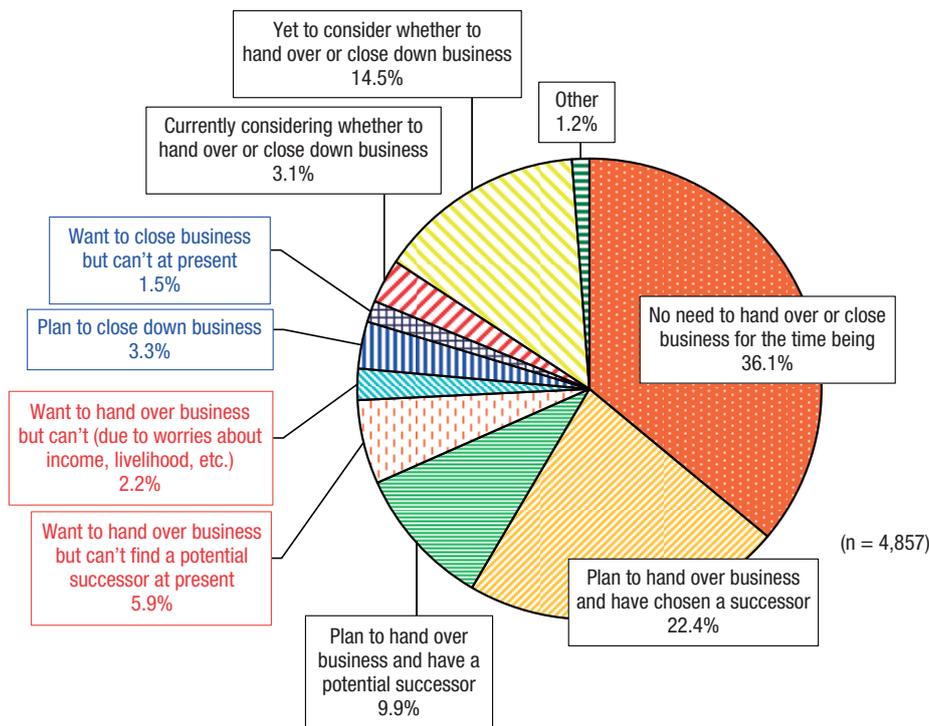
Additionally, 3.3% “plan to close down business”

and 1.5% “want to close down business but can’t at present,” which means that 4.8% of the total are considering closing their business down.

The results also reveal that 17.6% do not have a definite succession policy. These consist of 3.1% who are “currently considering whether to hand over or close down business” and 14.5% who have “yet to consider whether to hand over or close down business.”

Succession policies thus vary according to factors such as a micro business’s business environment and the age of its owner. A certain proportion of owners, such as those who “want to hand over business but can’t,” “want to hand over business but can’t find a potential successor at present,” and “want to close down business but can’t,” face obstacles that hinder smooth succession or closure, and owners such as these require support.

Fig. 1-2-90 Policies on business succession (successor)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

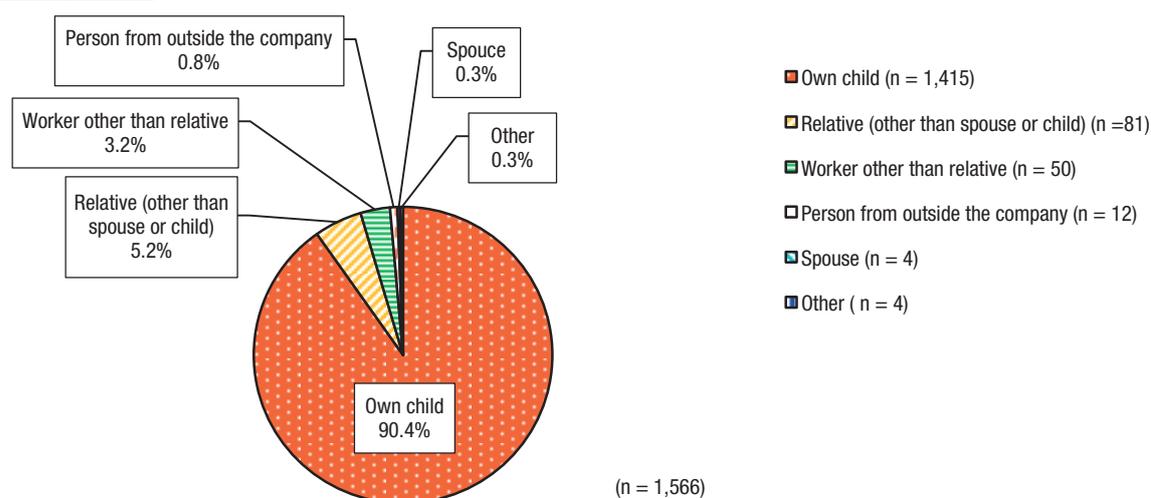
Fig. 1-2-91 shows the attributes of successors and potential successors chosen by business owners who said regarding their policy on business succession (Fig. 1-2-90) that they “plan to hand over business and have chosen a successor” or “plan to hand over business and have a potential successor.”

From this it can be seen that “own child” makes up

90.4% of the total, with “relative (other than spouse or child)” accounting for 5.2% and “worker other than relative” for 3.2%. “Person from outside the company” and “spouse” also make up tiny fractions of the total.

These results indicate that almost all micro business owners who have settled on a successor or potential successor have in mind one of their own children.

Fig. 1-2-91 Attributes of successors and potential successors



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

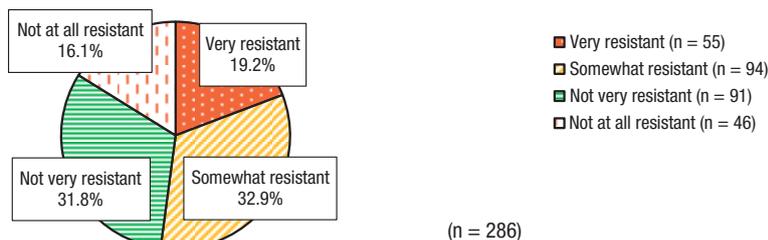
Fig. 1-2-92 shows the results obtained by asking those who responded regarding their policy on business succession that they “want to hand over business but can’t find a potential successor at present” (Fig. 1-2-90) whether they were resistant to the idea of handing over their business to a non-relative.

It can be observed from this that 52.1% were “very

resistant” or “somewhat resistant” to the idea, and that 47.9% were “not very resistant” or “not at all resistant.”

This means that around one in two current business owners who want to hand over their business but cannot presently find a potential successor are not averse to the idea of handing over to a non-relative.

Fig. 1-2-92 Resistance to business succession by a non-relative



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

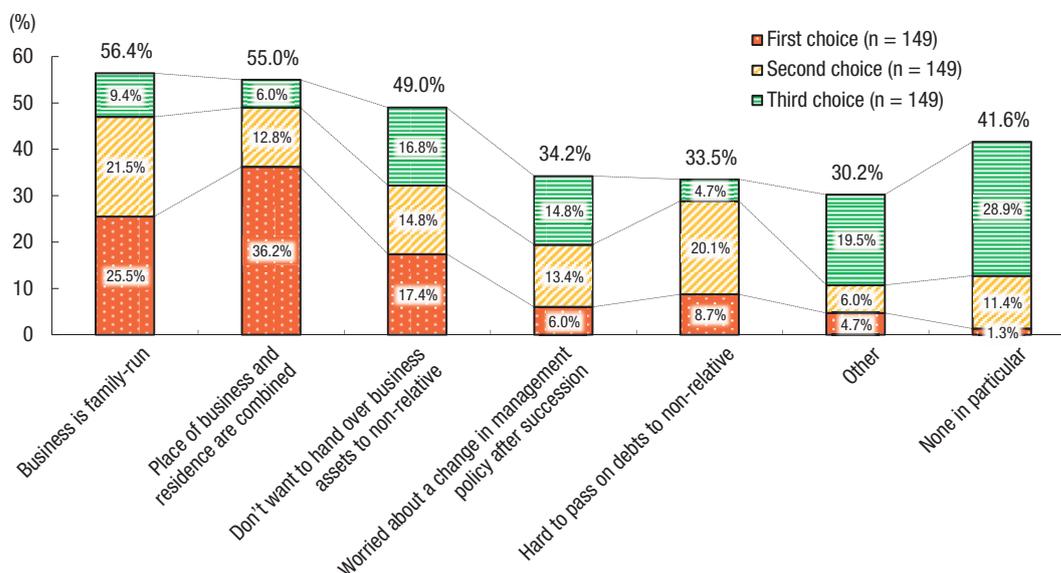
The reasons given by business owners who are conversely resistant to the idea of handing over their business to a non-relative are shown in Fig. 1-2-93.

The commonest reason can be seen to be because the “business is family-run” (56.4%), followed by “place of business and residence are combined” (55.0%), “don’t want to hand over business assets to a non-relative” (49.0%), “worried about a change in management policy after succession” (34.2%), and “hard to pass

on debts to non-relative” (33.5%). If only first-choice responses are considered, the commonest reason is “place of business and residence are combined.”

These results indicate that micro business owners have to be wary about handing over their business to a non-relative not only because they are often family-run and reluctant to pass on business assets to a non-relative, but also because their places of business are also their homes.

Fig. 1-2-93 Reasons for resistance to business succession by a non-relative



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

4 Closures

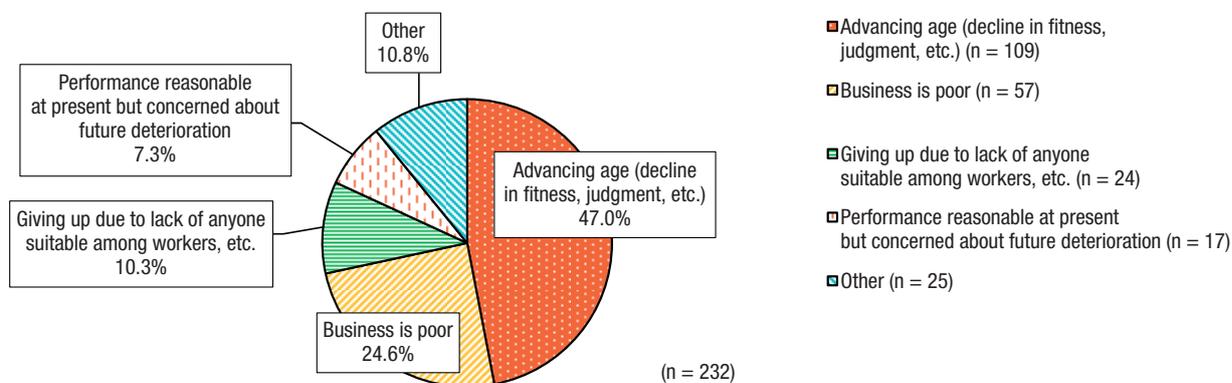
Fig. 1-2-94 shows the responses obtained by asking those who said regarding their succession policies that they “plan to close down business” or “want to close down business but can’t at present” (Fig. 1-2-90) their reasons for wanting to close down.

This reveals the commonest reason to be “advancing age (decline in fitness, judgment, etc.)” (47.0%), followed by “business is poor” (24.6%), “giving up due to lack of anyone suitable among workers, etc.” (10.3%), and “performance reasonable at present

but concerned about future deterioration” (7.3%). Business owners’ advancing age and difficult business

conditions are thus the leading reasons for the closure of micro businesses.

Fig. 1-2-94 Reasons for wanting to close down



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

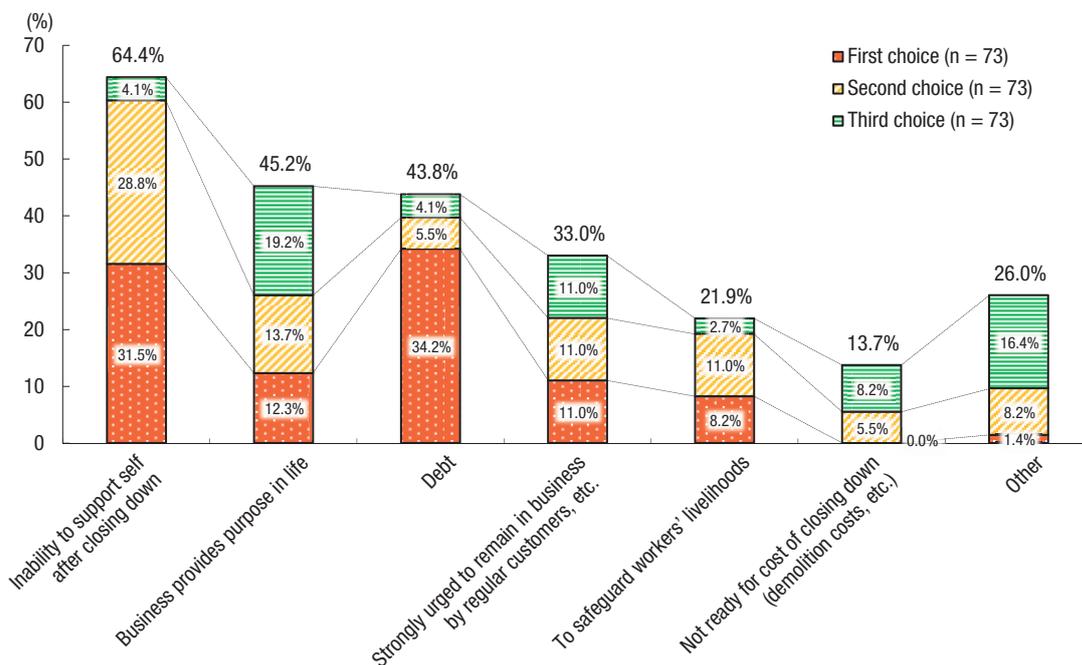
The reasons given by those who “want to close down business but can’t at present” are shown next in Fig. 1-2-95.

From this it can be seen that the leading reason is “inability to support self after closing down” (64.4%), followed by “business provides purpose in life” (42.5%), “debt” (43.8%), and “strongly urged to remain in business by regular customers, etc.” (33.0%). When only first-choice responses are considered, “debt” rises to the top as the chief reason.

It is thus evident that where business owners want to close down but cannot, their hesitancy stems primarily from the existence of debt and concern about how they will support themselves after they close down.

At the same time, relatively large numbers of business owners hesitate to close down for “positive” reasons, such as “business provides purpose in life,” “strongly urged to remain in business by regular customers, etc.,” or “to safeguard workers’ livelihoods.”

Fig. 1-2-95 Reasons for inability to close down business despite wanting to



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

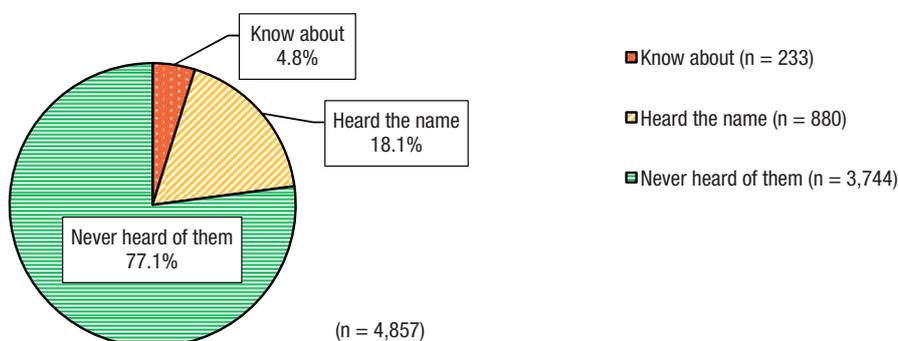
5 The role played by Business Succession Support Centers

Since 2011, the government has been setting up Business Succession Help Desks and Business Succession Support Centers in prefectures throughout Japan to help SMEs and micro businesses that are struggling to find a successor to transfer their businesses

to a third party.

Fig. 1-2-96 shows the extent of awareness of Business Succession Support Centers among micro businesses. As this indicates that 77.1% have “never heard of them,” awareness appears low overall.

Fig. 1-2-96 Awareness of Business Succession Support Centers



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

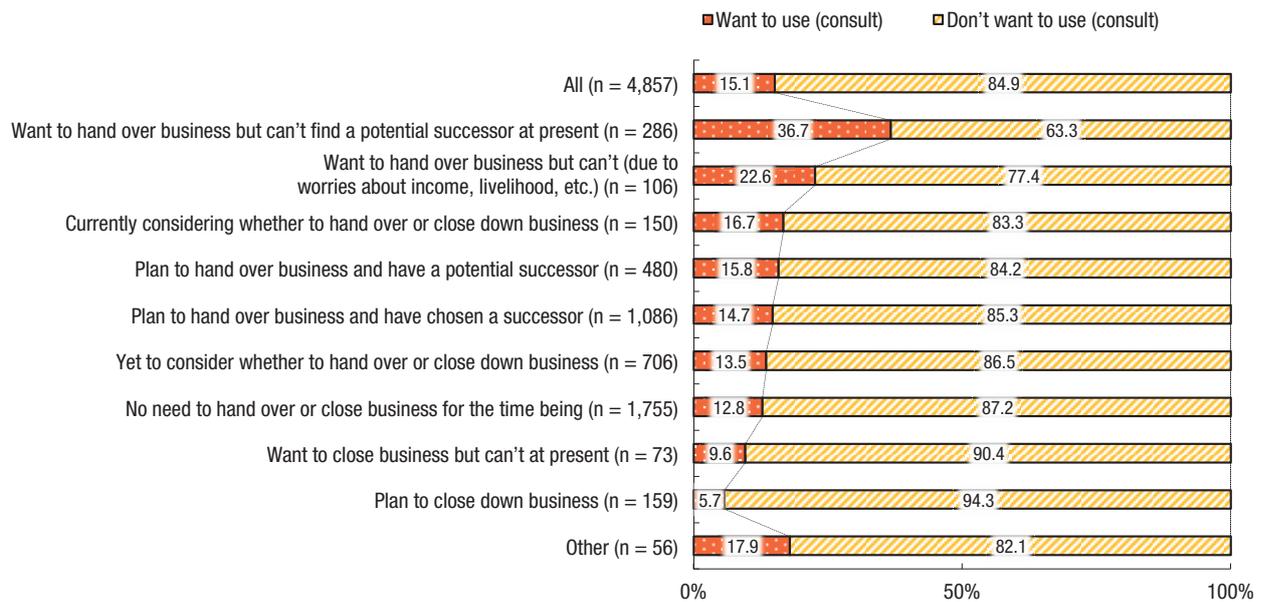
In fiscal 2014, Business Succession Support Centers began delivering a new support service, called the “Successor Bank,” which matches micro businesses in need of a successor with interested entrepreneurs.

Fig. 1-2-97 shows levels of interest in using the Successor Bank.

From this it can be seen that while overall 15.1%

“want to use (consult)” the bank, the corresponding figure among micro business owners who said regarding their succession policy that they “want to hand over business but can’t find a potential successor at present” is 36.7%. A certain level of interest in using the service was also found to exist among other business owners, irrespective of their business succession policies.

Fig. 1-2-97 Business succession policy and interest in using the Successor Bank



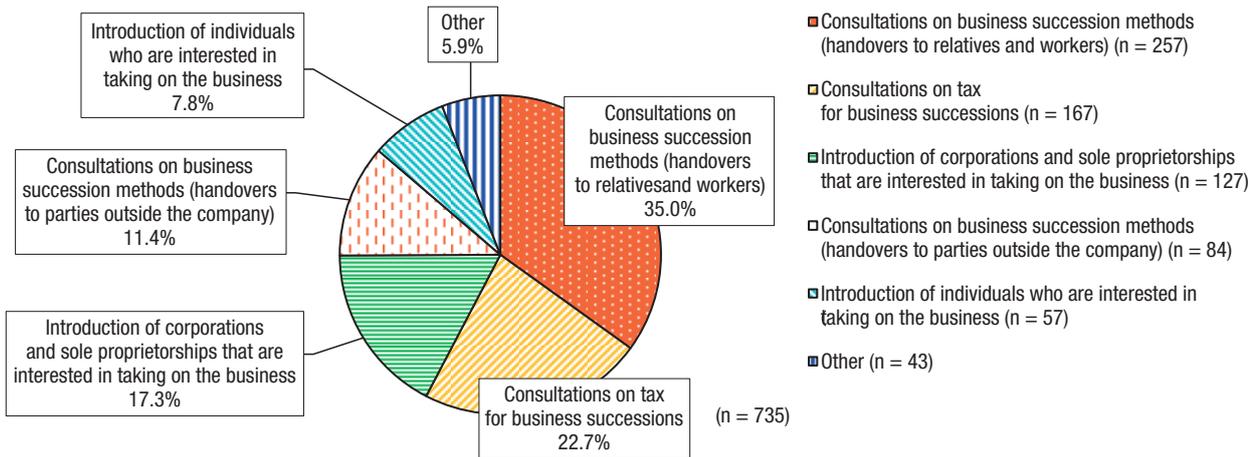
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Expectations of the Successor Bank among those who “want to use (consult)” it are shown next in Fig. 1-2-98.

From this it can be seen that the commonest form of demand is for “consultations on business succession

methods (handovers to relatives and workers)” (35.0%), followed by “consultations on tax for business successions” (22.7%) and “introduction of corporations and sole proprietorships that are interested in taking on the business” (17.3%).

Fig. 1-2-98 Expectations of the Successor Bank



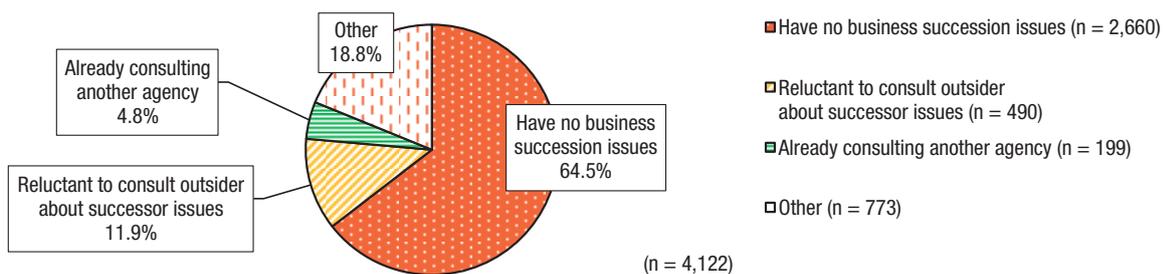
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The reasons given for not wanting to use (consult) the Successor Bank are shown in Fig. 1-2-99.

If those who said that they presently “have no

business succession issues” (64.5%) are excluded, the commonest reason can be seen to be “reluctant to consult outsider about successor issues” (11.9%).

Fig. 1-2-99 Reasons for not wanting to use (consult) the Successor Bank



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Column

1-2-2

Business succession support program

The falling birthrate and other changes are making it ever more difficult for SMEs and micro businesses to find successors. A majority of business owners are now over 60 years old, and it is estimated that around one in two will be wanting to turn their businesses over to a new owner in the next 10 years. Those in the vanguard of the baby-boom generation in particular will shortly be entering their seventies, creating an urgent need for appropriate support mechanisms to assist the enormous wave of business successions to come.

The government is therefore pursuing a business succession support program to assist business successions at SMEs and micro businesses that are struggling to find a successor.

• Program outline**(1) Business Succession Help Desks and Business Succession Support Centers**

Following the provisions of Article 127 of the Industrial Competitiveness Enhancement Act, the government has since fiscal 2011 been setting up Approved Support Institutions (one in each prefecture), Business Succession Help Desks, and Business Succession Support Centers to deliver support to SMEs and micro businesses that are struggling to find a successor by assisting their transfer to a third party.

Business Succession Help Desks provide various information and advice on business successions and related subjects, while Business Succession Support Centers also provide additional services, such as matchmaking between businesses that lack a successor and potential successors.

Since their establishment, they have handled approximately 9,000 consultations and made possible 309 business handovers (as of the end of December 2015).

A new service called the Successor Bank, which matches micro businesses that lack a successor with interested entrepreneurs, was launched at Business Succession Support Centers in April 2014. The service is currently provided by 11 centers and will be rolled out to more in the future.

What makes the Successor Bank special is the benefits it offers for both sides: for owners, it provides a way of finding a keen successor to succeed to the business that they have built up; and for entrepreneurs, it lowers startup risks by enabling them to inherit the production facilities, suppliers, customers and other business resources and management know-how possessed by an existing business's current owner.

Column Fig. 1-2-2 (1) Contact details for Business Succession Support Centers, etc. (as of March 31, 2016)

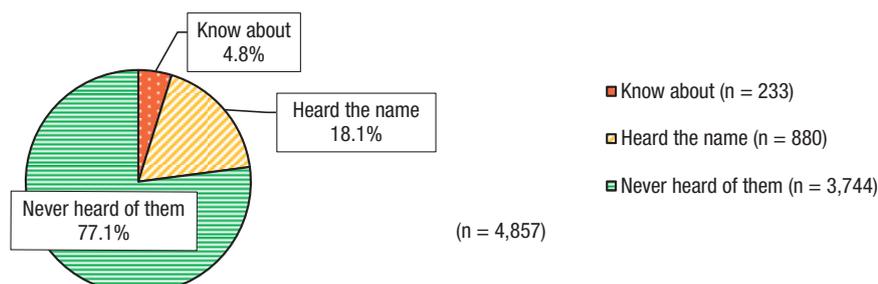
Name of support agency	Phone number	Name of support agency	Phone number
Hokkaido Business Succession Support Center	011-222-3111	Shiga Prefecture Business Succession Support Center	077-511-1500
Aomori Prefecture Business Succession Support Center	017-777-4066	Kyoto Prefecture Business Succession Support Center	075-212-6460
Iwate Prefecture Business Succession Support Center	019-624-5880	Nara Prefecture Business Succession Support Center	0742-26-6222
Miyagi Prefecture Business Succession Support Center	022-722-3884	Osaka Prefecture Business Succession Support Center	06-6944-6257
Akita Prefecture Business Succession Support Center	018-883-3551	Hyogo Prefecture Business Succession Support Center	078-367-2010
Yamagata Prefecture Business Succession Support Center	023-647-0664	Wakayama Prefecture Business Succession Support Center	073-422-1111
Fukushima Prefecture Business Succession Support Center	024-954-4163	Tottori Prefecture Business Succession Support Center	0857-20-0072
Ibaraki Prefecture Business Succession Support Center	029-284-1601	Shimane Prefecture Business Succession Support Center	0852-33-7501
Tochigi Prefecture Business Succession Support Center	028-612-4338	Okayama Prefecture Business Succession Support Center	086-286-9708
Gunma Prefecture Business Succession Support Center	027-226-6115	Hiroshima Prefecture Business Succession Support Center	082-555-9993
Saitama Prefecture Business Succession Support Center	048-711-6326	Yamaguchi Prefecture Business Succession Support Center	083-922-3700
Chiba Prefecture Business Succession Support Center	043-305-5272	Tokushima Prefecture Business Succession Support Center	088-679-1400
Tokyo Business Succession Support Center	03-3283-7555	Kagawa Prefecture Business Succession Support Center	087-802-3033
Kanagawa Prefecture Business Succession Support Center	045-633-5061	Ehime Prefecture Business Succession Support Center	089-948-8511
Niigata Prefecture Business Succession Support Center	025-246-0080	Kochi Prefecture Business Succession Support Center	088-855-7748
Nagano Prefecture Business Succession Support Center	026-219-3825	Fukuoka Prefecture Business Succession Support Center	092-441-6922
Yamanashi Prefecture Business Succession Support Center	055-243-1888	Saga Prefecture Business Succession Support Center	0952-20-0345
Shizuoka Prefecture Business Succession Support Center	054-275-1881	Nagano Prefecture Business Succession Support Center	095-822-0111
Aichi Prefecture Business Succession Support Center	052-228-7117	Kumamoto Prefecture Business Succession Support Center	096-311-5030
Gifu Prefecture Business Succession Support Center	058-264-2133	Oita Prefecture Business Succession Support Center	097-585-5010
Mie Prefecture Business Succession Support Center	059-253-3154	Miyazaki Prefecture Business Succession Support Center	0985-22-2161
Toyama Prefecture Business Succession Support Center	076-444-5605	Kagoshima Prefecture Business Succession Help Desk	099-225-9533
Ishikawa Prefecture Business Succession Support Center	076-267-1244	Okinawa Prefecture Business Succession Support Center	098-941-1690
Fukui Prefecture Business Succession Support Center	0776-33-8283		

• Program awareness

According to a questionnaire survey conducted by the SME Agency, approximately 20% of micro businesses “know about” Business Succession Support Centers or have “heard the name” (Column Fig. 1-2-2 (2)) (reproduced from Fig. 1-2-96).

Business Succession Support Centers have to date raised awareness of their services by means including the organization of seminars and use of direct mail, and it is hoped that they will continue to actively pursue promotional and informational activities to further their involvement in business successions at micro businesses.

Column Fig. 1-2-2 (2) Awareness of Business Succession Support Centers



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Column Fig. 1-2-2 (3) Examples of use by micro businesses

Case (1) Preserving the taste of locally popular home cooking (Miyagi)	
Company name	Himawari Bento LLC (Limited Liability Company)
Details	<ul style="list-style-type: none"> • Himawari Bento is a maker of homemade-style bento packed meals that has been doing business in Shiogama City for over 20 years. It has close ties with the community, and when the 2011 Tohoku earthquake struck it helped out by delivering packed meals to evacuation centers in the region. • When its former representative Mr. Konno entered his late seventies, he considered closing down. Urged not to by his customers and thinking also of his employees' jobs, however, he consulted the local chamber of commerce and industry, which put him in touch with the Miyagi Prefecture Business Succession Support Center. • The center matched him up with a Mr. Shisido, a former employee of an IT company who, having experienced digestive problems in the past, had been looking for a way in which he could contribute to society in the dietary realm. • The match-up saved everyone's jobs, as Mr. Konno had hoped, and ensured the continued delivery of the community's beloved home-style meals. <div style="display: flex; justify-content: space-around; align-items: center;">   </div>
Case (2) Saving a local landmark restaurant from the brink (Okayama)	
Company name	Kajiya Co., Ltd.
Details	<ul style="list-style-type: none"> • Kajiya ran a Chuka Soba noodle restaurant in Okayama City that was so popular that it even featured on national television, but it lacked a successor. • When in 2015 the president's wife (who managed the accounts) passed away, the company suspended operations. Having been only sporadically open for business when the president's wife was battling her illness, its situation had become precarious. • The president sought legal advice and was advised to file for bankruptcy. Because of the trouble this would have caused to all his stakeholders, however, he consulted a Shinkin bank regarding the possibility of a business transfer, and was introduced to the Okayama Prefecture Business Succession Support Center. • Thanks to the value of its reputation as a popular local restaurant, the president was ultimately able to sign a business transfer agreement with IPPO Co., Ltd. and use the proceeds to pay off all his debts. <div style="display: flex; justify-content: space-around; align-items: center;">   </div>

Column

1-2-3

Fair subcontracting practices and self-reliance support

Because of micro businesses’ weak position relative to larger enterprises in transactions, the government encourages fair subcontracting practices and provides support to micro businesses that are taking steps to reduce their dependence on a specific customer and develop new fields of business.

• **Program outline**

(1) Enforcement of the Subcontractor Payment Act

The SME Agency takes strict action against companies that delay or reduce their payments for subcontracted work or otherwise infringe the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (“Subcontractor Payment Act”), whose purpose is to protect the interests of subcontractors.

In fiscal 2014, the SME Agency made approximately 240,000 audits of documentation at main subcontracting enterprises and subcontractors in order to crack down on infractions. These included approximately 1,000 on-the-spot inspections and issuances of guidance statements to main subcontracting enterprises that had been found to have committed or to be likely to commit infractions in order to instruct them to practice fairer transactions.

(2) Subcontracting Help Centers

The government has set up 48 Subcontracting Help Centers throughout Japan to advise subcontractors experiencing difficulties in their transactions with other companies, such as the failure of companies to pay for work on time, attempts by buyers to make subcontractors assist with inventory work, and demands for “discounts” to payments. These centers also provide free expert legal advice and a free alternative dispute resolution (ADR) service.

In fiscal 2014, these handled 5,473 consultations (compared with 4,982 in fiscal 2013), of which 898 were consultations regarding the Subcontractor Payment Act (858 in fiscal 2013) and 1,170 involved the construction business (1,075 in fiscal 2013) (Column Fig. 1-2-3).

Nationwide, approximately 170 lawyers are registered with Subcontracting Help Centers, and the Subcontracting Help Center Headquarters (operated by the National Association of Trade Promotion for Small and Medium Enterprises) plays the lead role in running the ADR service, which in fiscal 2014 dealt with nine cases (compared with 33 in fiscal 2013).

Column Fig. 1-2-3 (1) Number of consultations handled by advisers and other personnel

	Subcontractor Payment Act related	Construction related	Transportation related (excluding Subcontractor Payment Act)	Other	Consumption tax related	Total
FY2009	949	1,466	248	2,479	-	5,142
FY2010	928	1,257	211	2,072	-	4,468
FY2011	925	1,021	148	2,085	-	4,179
FY2012	885	1,293	175	2,578	-	4,931
FY2013	858	1,075	153	2,896	-	4,982
FY2014	898	1,170	159	3,149	97	5,473

(Reference) Examples of Subcontracting Help Center consultations**Consultation 1**

[Details of consultation] Company A was contracted to perform presswork for company B. Following delivery, B said that it would pay but failed to do so even after the due date.

[Advice and solution] The center advised A to negotiate a more specific payment date and other conditions given that B may have committed a “delay in payment” prohibited by the Subcontractor Payment Act. A followed this advice and the two parties came to an agreement on payment.

Consultation 2

[Details of consultation] Company C was commissioned by company D to produce parts. As it received a similar order from another company at the same time and the delivery deadline was tight, C mistakenly produced parts for the wrong order. D accepted the parts without realizing the error, and assembled them into products that it then sold. D subsequently discovered that it had been supplied with the wrong parts and claimed compensation for damage from C.

[Advice and solution] A free consultation was provided by a lawyer, who found that while C was liable for delivering the wrong products, D was also at fault for not detecting the mistake when it inspected the products for acceptance, and the parties were advised to discuss the allocation of costs. Following this advice, C negotiated with D, which accepted its acceptance inspection oversight, and they agreed to share the costs.

(3) Program to Support the Development of Demand in New Fields by Micro Subcontractors

As many micro subcontractors are dependent on a specific customer for orders, they can be very seriously affected by the closure or scaling back of a main subcontracting enterprise’s production operations. The Program to Support the Development of Demand in New Fields by Micro Subcontractors provides subsidies that cover two thirds of the expenditure (up to a maximum of ¥5 million) on activities undertaken by micro subcontractors experiencing a decline in sales due to such closures or reductions to develop new fields of demand and diversify their customers.

• Examples of activities subsidized by the program**Machimoto Co., Ltd. (Fukuyama City, Hiroshima Prefecture: yarn processing, twisted yarn, food stuff)**

When the subcontracting enterprise from which it received the bulk of its orders switched production overseas, Machimoto expected sales to drop sharply and so sought to enter a new field of business.

The subsidized project involved investigating the active herbal ingredients contained in edible roses cultivated organically under pesticide-free conditions using a cultivation technique that the company had developed through a process of repeated trial and error. It also developed a packaging design for products made from edible roses.

The rose juice that it developed as a result is sold in the form of gift packs in department stores including Takashimaya and Tenmaya (a leading chain in the Chugoku and Shikoku region) and other outlets. It has also received orders for edible roses themselves for commercial use from hotels, department stores, and other customers.



Chapter 3 Micro businesses from the perspective of support providers

Drawing on the results of a questionnaire survey conducted for the *Survey on the Conditions of Business Support Activities*¹⁾ and data provided by agencies that provide business support to micro businesses and other enterprises, this chapter examines the current state of provision and use of business support from a variety of angles, including the attributes of the specialists who provide business support, their responses to consultation and guidance requests, and support providers' collaboration with other support agencies.

Section 1 Business support provided by business advisors, etc. at commerce and industry associations and chambers of commerce and industry

Micro businesses encounter a variety of management issues in the course of business, and the actions that they take to surmount them were explored in Chapter 2. One way in which micro businesses can tackle them is by consulting business advisors²⁾ at commerce and industry associations and chambers of commerce and industry throughout Japan. As these advisors receive direct feedback from local business owners and provide them with concrete support, they have built up extensive experience in working with micro businesses in thinking through their problems and devising management improvements.

It is important to shed light on the state of support provided by business advisors to the micro businesses seeking solutions from support agencies such as these.

A questionnaire survey of businesses surveys was therefore conducted and the results were analyzed to determine, among other things, (1) the types and volume of consultations and guidance actually provided, and (2) the frequency of collaboration with outside support agencies on these consultations.

In this section, references to “business advisors” include support staff except where otherwise indicated.

1 Overview of business support arrangements at commerce and industry associations and chambers of commerce and industry

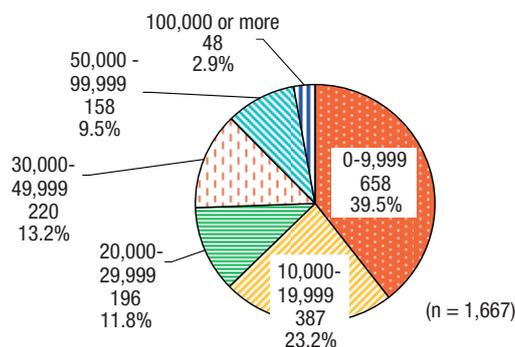
The analysis of the situation regarding business advisors begins with a review of arrangements at the commerce and industry associations and chambers of commerce and industry to which they belong.

Regarding firstly commerce and industry associations, these number 1,667 nationwide (as of April 1, 2015) and they are concentrated mainly in rural areas³⁾ (Fig. 1-3-1).

1) A nationwide online survey of business advisors (including support staff) belonging to commerce and industry associations, federations of societies of commerce and industry, and chambers of commerce and industry, commissioned by the SME Agency. It was conducted by the Applied Research Institute, Inc. in December 2015, and the results were reported in January 2016. It received 6,378 valid responses.

2) A total of 11,628 business advisors and support staff belong to commerce and industry associations and chambers of commerce and industry nationwide (*FY2015 Comprehensive List of SME Measures*).

3) Rural *gun* (county) municipalities have an average population of approximately 12,000 people (calculated based on the Basic Resident Register as of January 1, 2015).

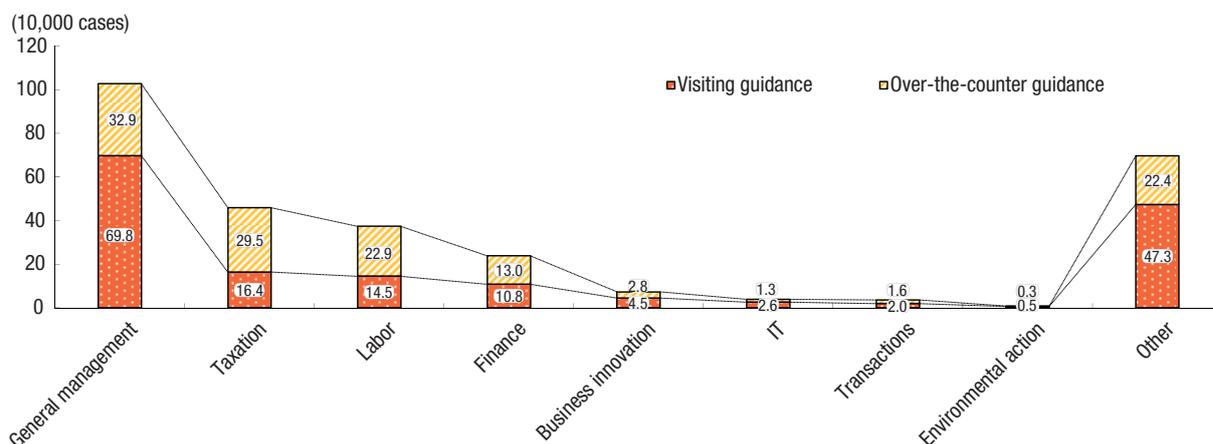
Fig. 1-3-1 Breakdown of commerce and industry associations in Japan (by population of location)

Source: Central Federation of Societies of Commerce and Industry, *Aggregated Results and Analysis of the Survey of Commerce and Industry Associations and Federations of Societies of Commerce and Industry* (October 2015).

Note: The numbers of consultation and guidance cases indicate the numbers handled under management improvement dissemination programs in fiscal 2014.

The number of business advisors at these commerce and industry associations who receive consultation requests from business owners and provide guidance in response was 7,020⁴⁾ (as of April 1, 2015). The total number of consultation and guidance cases⁵⁾ handled by business advisors (per year) is approximately 3.00

million,⁶⁾ and the number per business advisor (excluding support staff) is approximately 710.⁷⁾ A breakdown of the total number of consultation and guidance cases by type (Fig. 1-3-2) shows the commonest to be general consultations on management.

Fig. 1-3-2 Breakdown of consultation and guidance cases at commerce and industry associations

Source: Central Federation of Societies of Commerce and Industry, *Aggregated Results and Analysis of the Survey of Commerce and Industry Associations and Federations of Societies of Commerce and Industry* (October 2015).

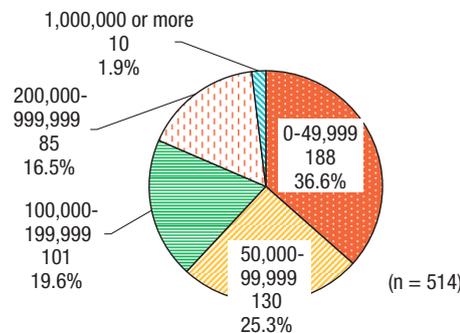
Note: The numbers of consultation and guidance cases indicate the numbers handled under management improvement dissemination programs in fiscal 2014.

- 4) There were 4,139 business advisors and 2,881 support staff at commerce and industry associations (as of April 1, 2015).
- 5) "Consultation and guidance cases" here means consultations and guidance provided through programs to support the improvement and development of management at micro businesses implemented under the Act on Supporting Small Business by Commerce and Industry Associations and Chambers of Commerce and Industry.
- 6) The exact total number of consultation and guidance cases handled by business advisors, etc. at commerce and industry associations in fiscal 2014 was 2,951,897.
- 7) The number per person is approximately 420 when support staff as well as business advisors are included.

Regarding next chambers of commerce and industry, there are 514 of these nationwide (as of April 1, 2015)

and they are concentrated in urban areas (Fig. 1-3-3).

Fig. 1-3-3 Breakdown of chambers of commerce and industry in Japan (by population of location)



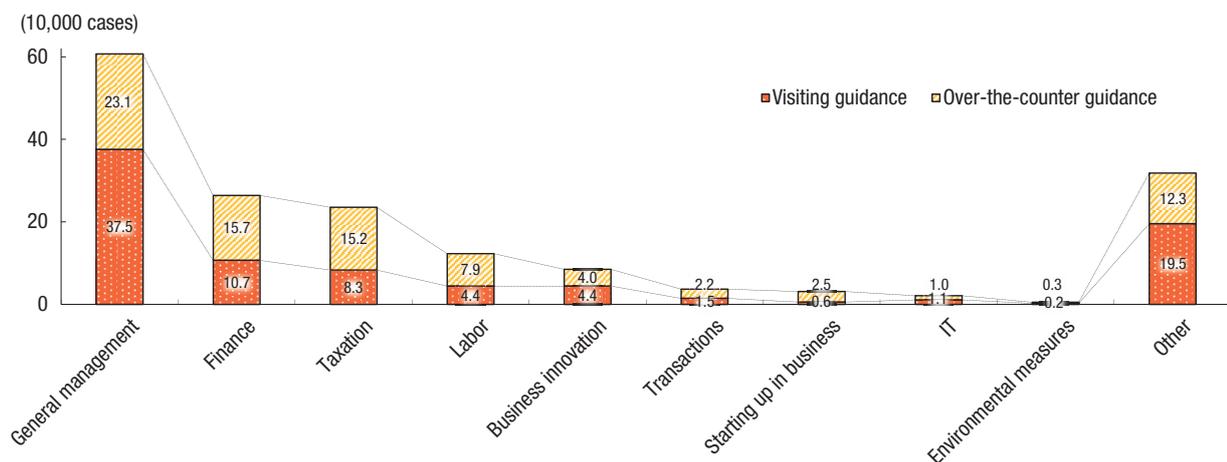
Source: Japan Chamber of Commerce and Industry (JCCI), *Survey Results on the Conditions of Supporting Small Enterprises at Chambers of Commerce and Industry* (March 2016).

Note: Numbers of chambers of commerce and industry by the populations of the districts in which they are located.

The number of business advisors at these chambers of commerce and industry who receive consultation requests from business owners and provide guidance in response was 4,550⁸⁾ (as of March 31, 2015). The total number of consultation and guidance cases⁹⁾ handled by business advisors (per year) is approximately

1.70 million,¹⁰⁾ and the number per business advisor (excluding support staff) is approximately 500.¹¹⁾ A breakdown of the total number of consultation and guidance cases by type (Fig. 1-3-4) shows that, as at commerce and industry associations, general consultations on management are the commonest.

Fig. 1-3-4 Breakdown of consultations and guidance cases at chambers of commerce and industry



Source: Japan Chamber of Commerce and Industry (JCCI), *Survey Results on the Conditions of Supporting Small Enterprises at Chambers of Commerce and Industry* (March 2016).

Note: The numbers of consultation and guidance cases indicate the numbers handled under management improvement dissemination programs in fiscal 2014.

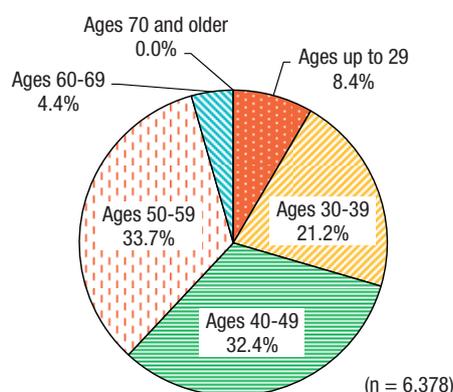
8) There were 3,437 business advisors and 1,113 support staff at chambers of commerce and industry (as of March 31, 2015).
 9) "Consultation and guidance cases" here means consultations and guidance provided through programs to support the improvement and development of management at micro businesses implemented under the Act on Supporting Small Business by Commerce and Industry Associations and Chambers of Commerce and Industry.
 10) The exact total number of consultations and guidance cases handled by business advisors, etc. at chambers of commerce and industry in fiscal 2014 was 1,724,737.
 11) The number per person is approximately 380 when support staff as well as business advisors are included.

2 Attributes of business advisors

Below, the provision of business guidance by business advisors is analyzed using the results of the questionnaire survey outlined at the beginning of this section.¹²⁾ Beginning with business advisors' attributes, a breakdown by age is shown in Fig. 1-3-5. Approximately equal numbers belong to the 50-59 (33.7%) and 40-49 (32.4%) year old age groups, which together account for 66.1%, or about seven in 10, of the total. The up-to-29 (8.4%) and 30-39 (21.2%) year

old age groups, on the other hand, together account for only 29.6%, or about three in 10, of all business advisors. Younger business advisors are thus slightly underrepresented, making it more important in the years ahead that skills and know-how concerning consultations and guidance are passed on from older to younger staff in order to assist the development of younger business advisors.

Fig. 1-3-5 Ages of business advisors



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

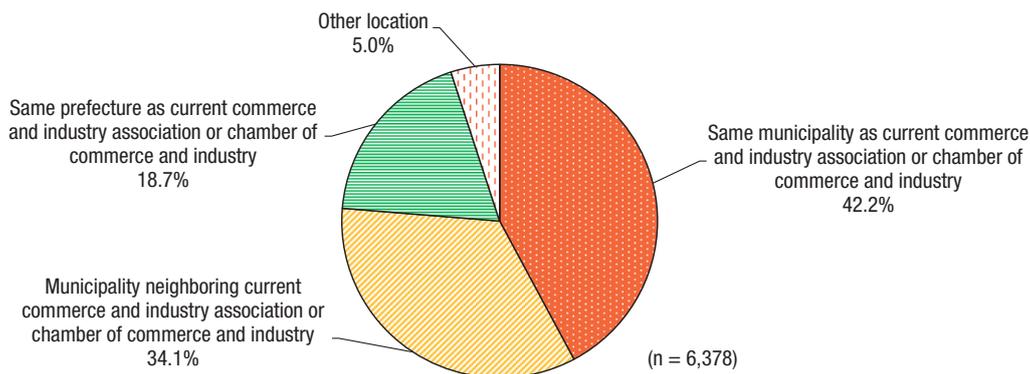
Note: "Business advisors" here includes support staff.

¹²⁾ The *Survey on the Conditions of Business Support Activities*- a nationwide online survey of business advisors (including support staff) belonging to commerce and industry associations, federations of societies of commerce and industry, and chambers of commerce and industry, commissioned by the SME Agency. It was conducted by the Applied Research Institute, Inc. in December 2015, and the results were reported in January 2016. It received 6,378 valid responses.

The relationship between business advisors' hometowns and the commerce and industry associations and chambers of commerce and industry to which they belong is shown in Fig. 1-3-6. The commonest hometowns are, in descending order, "same municipality as current commerce and industry association or chamber of commerce and industry" (42.2%), "municipality neighboring current commerce and industry association

or chamber of commerce and industry" (34.1%), and "same prefecture as current commerce and industry association or chamber of commerce and industry" (18.7). "Same municipality" and "neighboring municipality" together account for 76.3%, or almost four in five, of the total, indicating that the majority of business advisors are well acquainted with the regions where they work because they grew up in them or nearby.

Fig. 1-3-6 Hometowns of business advisors

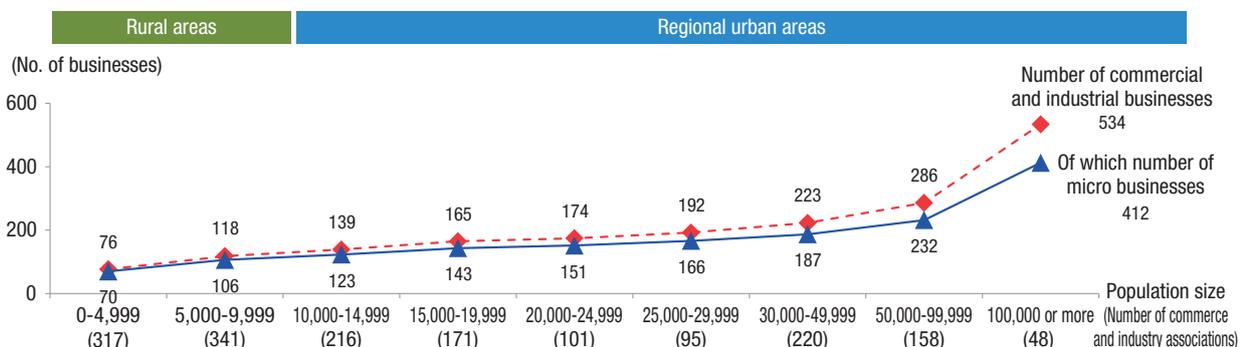


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: "Business advisors" here includes support staff.

The distribution of business advisors is examined next. The numbers of (1) commercial and industrial businesses¹³⁾ and (2) commercial and industrial businesses that are micro businesses per business advisor are shown by city population size¹⁴⁾ in Fig. 1-3-7 (for commerce and industry associations) and Fig.

1-3-8 (for chambers of commerce and industry). Overall, it can be seen that the number of businesses per business advisor falls as city population size decreases. This suggests that business advisors are able to provide more attentive support to individual businesses in districts with smaller populations.

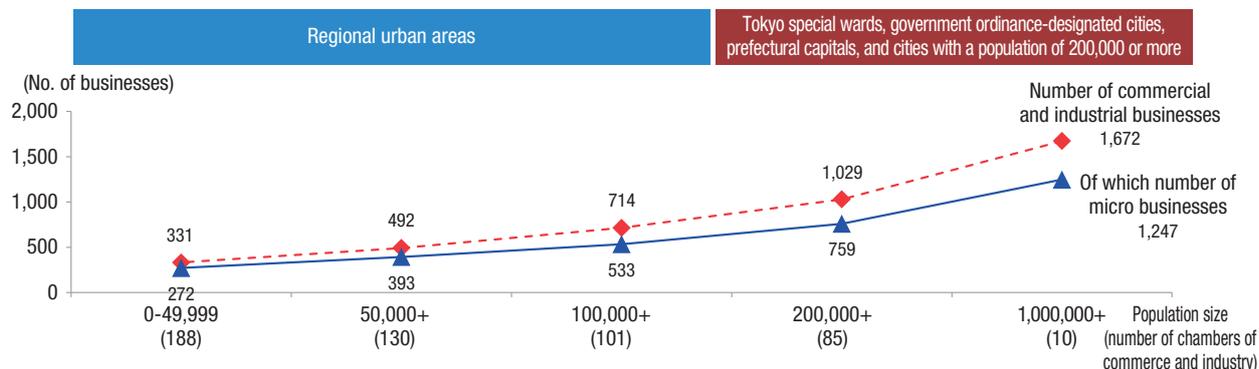
Fig. 1-3-7 Number of businesses per business advisor at commerce and industry associations (by population of location)



Source: Central Federation of Societies of Commerce and Industry, *Aggregated Results and Analysis of the Survey of Commerce and Industry Associations and Federations of Societies of Commerce and Industry* (October 2015).
 Notes: 1. "Business advisors" here includes support staff.
 2. Population, number of commercial and industrial businesses, and number of micro businesses refer to the numbers (including both members and non-members) in the district in which a commerce and industry association is located.
 3. Numbers of commerce and industry associations are shown in parentheses.

¹³⁾ The number of commercial and industrial businesses represents the number of commercial and industrial businesses (both members and non-members) in the district in which a commerce and industry association or chamber of commerce and industry is located.
¹⁴⁾ "Population" means the population of the district in which a commerce and industry association or chamber of commerce and industry is located.

Fig. 1-3-8 Number of businesses per business advisor at chambers of commerce and industry (by population of location)



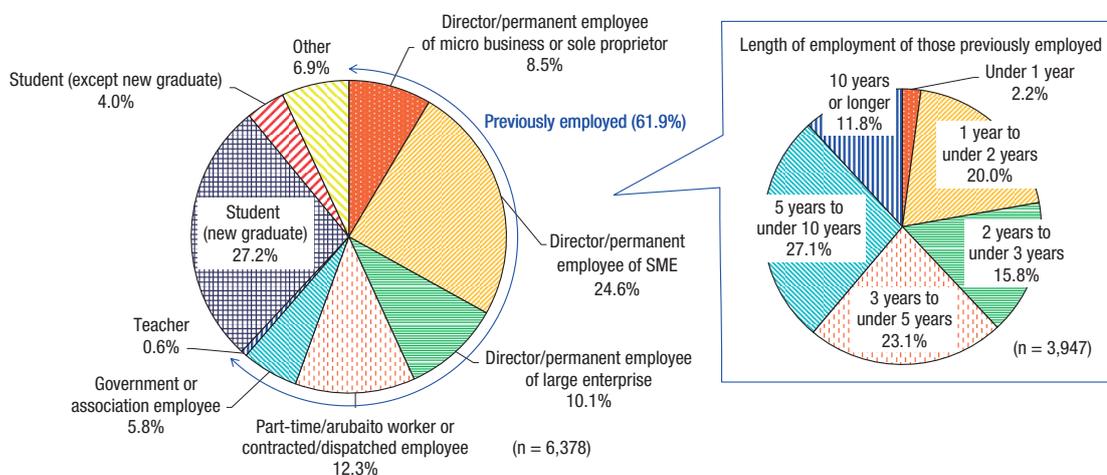
Source: Japan Chamber of Commerce and Industry (JCCI), *Survey Results on the Conditions of Supporting Small Enterprises at Chambers of Commerce and Industry* (March 2016).

- Notes:
1. "Business advisors" here includes support staff.
 2. Population, number of commercial and industrial businesses, and number of micro businesses refer to the numbers (including both members and non-members) in the district in which a chamber of commerce and industry is located.
 3. Numbers of chambers of commerce and industry are shown in parentheses.

Below, the focus turns to an analysis of the practical experience of business advisors. Shown firstly in Fig. 1-3-9 are business advisors' occupations immediately prior to joining a commerce and industry association or chamber of commerce and industry, and their lengths of employment in these occupations. As can be seen, a combined total of 43.2% said that they were a director/permanent employee of an enterprise or a sole proprietor.

Those who had previously been employed were asked how long they had been employed in their last occupation before joining a commerce and industry association or chamber of commerce and industry. 61.1% responded "under 5 years" while 38.9% said that they had been employed five or more years, indicating that they had become business advisors after having acquired a certain degree of practical experience.

Fig. 1-3-9 Last occupation before joining a commerce and industry association or chamber of commerce and industry, and length of employment in that occupation

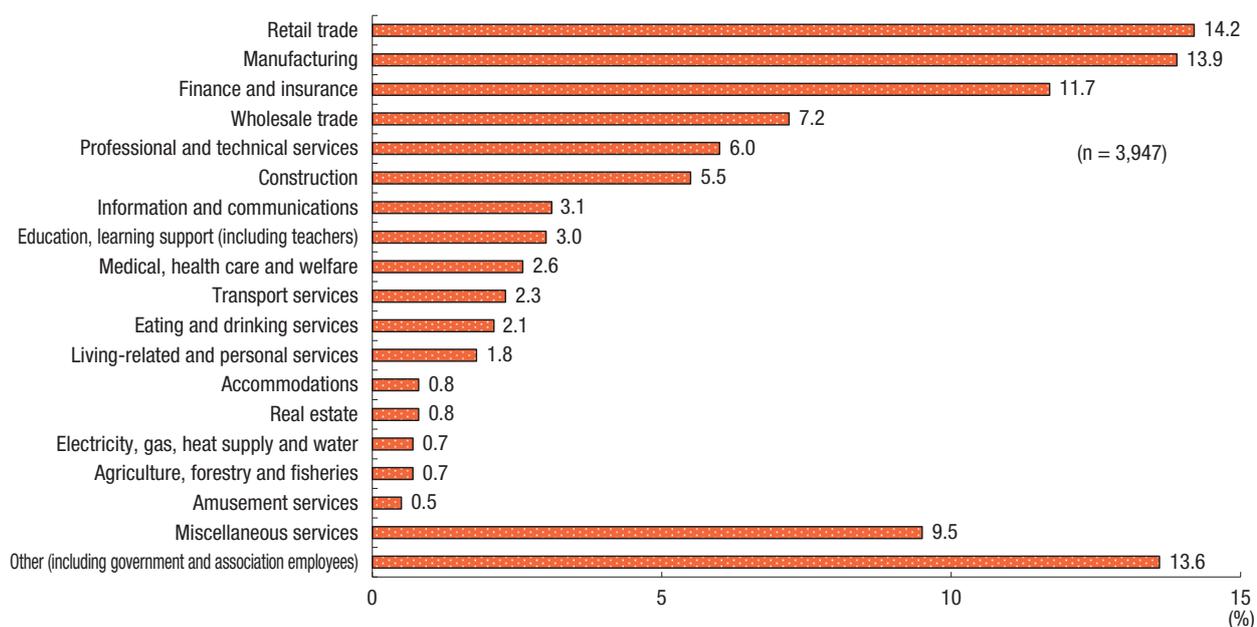


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

The responses obtained by asking business advisors about the industries in which they had been engaged prior to becoming advisors are shown next in Fig. 1-3-10. The commonest industries were found to be, in descending order, the retail trade (14.2%), manufacturing (13.9%), finance and insurance (11.7%),

(11.7%), the wholesale trade (7.2%), professional and technical services (6.0%), and construction (5.5%). Business advisors thus consist of individuals from a range of backgrounds who bring practical knowledge and experience of diverse industries to the table.

Fig. 1-3-10 Industries in which business advisors were engaged prior to joining a commerce and industry association or chamber of commerce and industry



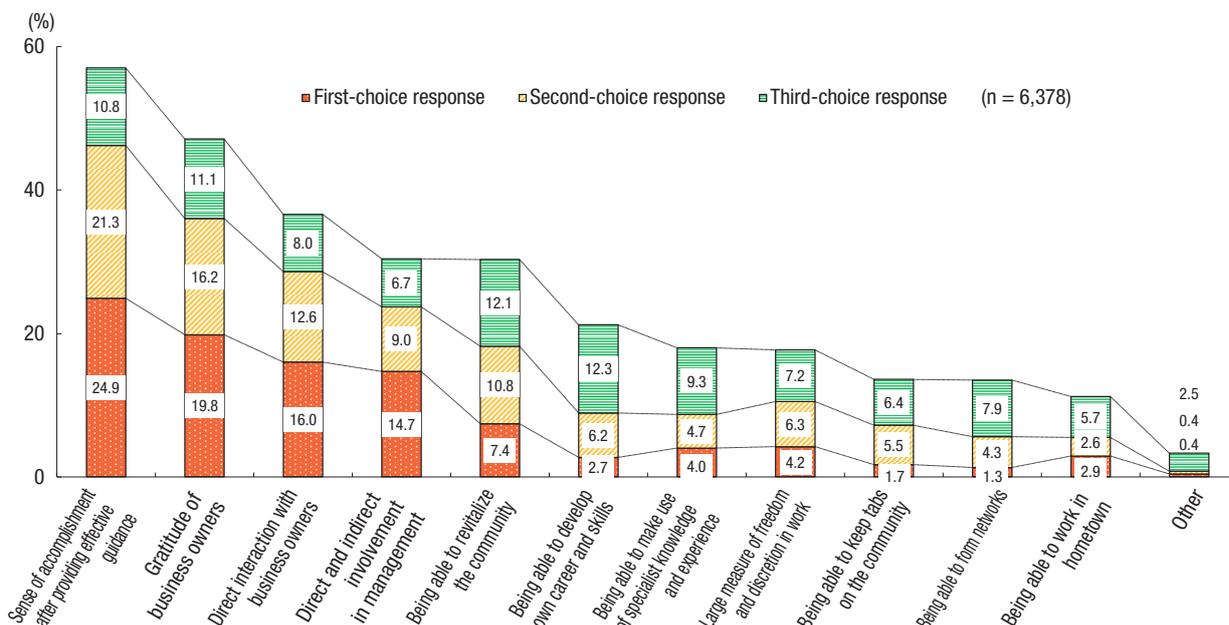
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Note: While the questionnaire did not investigate “miscellaneous services” in further detail, this category is broadly equivalent to major industry groups under the Japan Standard Industrial Classification such as “compound services” (e.g., postal activities and agriculture, forestry and fisheries cooperative associations) and “services (not elsewhere classified)” (e.g., waste disposal business, automobile maintenance services, and machine, etc. repair services).

The results obtained by asking business advisors what they found appealing about providing business guidance (multiple responses) are shown in Fig. 1-3-11. The commonest responses (aggregating the top three choices) were, in descending order, “sense of accomplishment after providing effective guidance”

(57.0%), “gratitude of business owners” (47.1%), “direct interaction with business owners” (36.6%), “direct and indirect involvement in management” (30.4%), and “being able to revitalize the community” (30.3%).

Fig. 1-3-11 Appeal of providing business guidance (multiple responses)



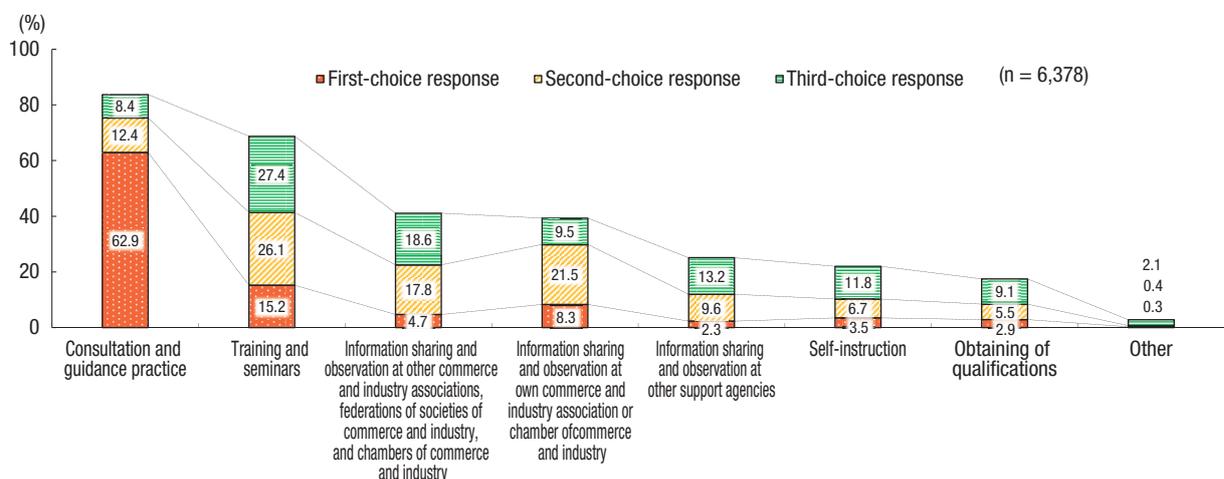
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: Appeal of providing business guidance based on respondents' top three choices.

In order to be able to provide timely and appropriate support to help business owners address the various management issues that they face, business advisors need to constantly maintain and improve their own business guidance knowledge and experience. The responses obtained by asking business advisors how they went about doing so (multiple responses) are shown in Fig. 1-3-12.

The commonest responses (aggregating the top three choices) were, in descending order, “consultation and guidance practice” (83.7%), “training and seminars”

(68.7%), and “information sharing and observation at other commerce and industry associations, federations of societies of commerce and industry, and chambers of commerce and industry” (41.1%). It can thus be seen that business advisors endeavor to develop their business guidance knowledge and experience primarily through their everyday practice, which they supplement by means such as taking training courses and seminars, and sharing information within their own and with other commerce and industry associations, chambers of commerce and industry, and other support agencies.

Fig. 1-3-12 Methods of maintaining and improving business guidance knowledge and experience (multiple responses)

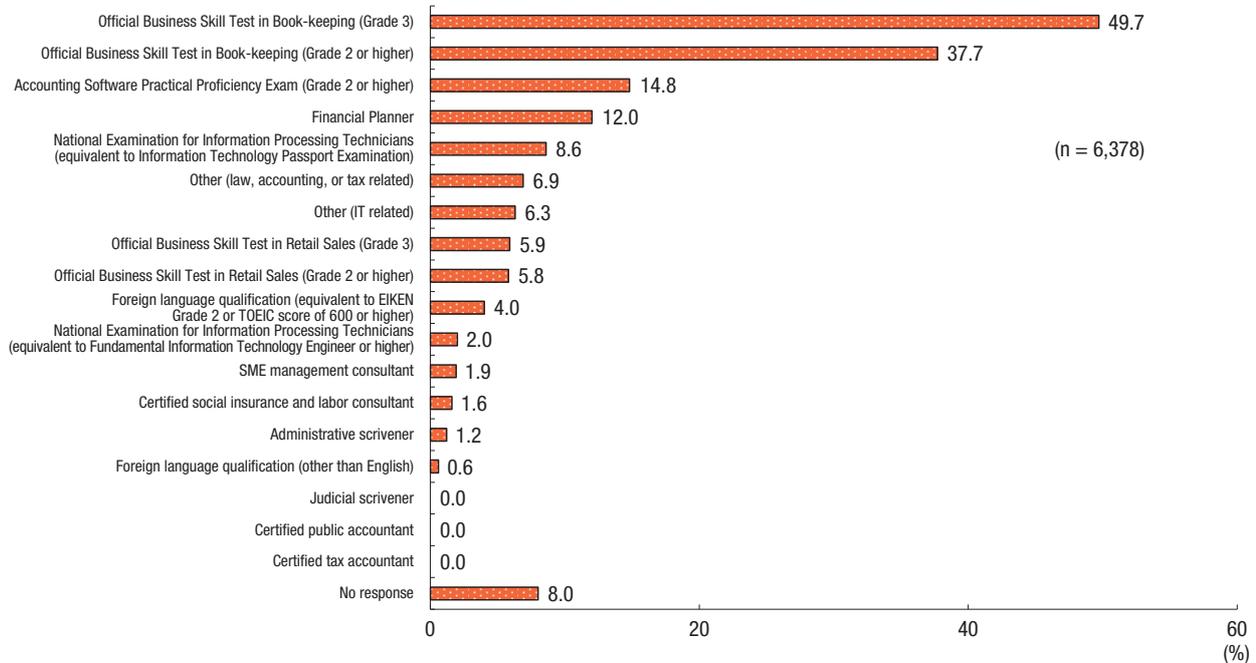


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: Methods of maintaining and improving business guidance knowledge and experience based on respondents' top three choices.

Fig. 1-3-13 continues the analysis by showing the responses obtained by asking business advisors about the qualifications that they hold. It can be seen from

this that qualifications tend to be held in fields that are essential to the delivery of business support, such as bookkeeping and accounting.

Fig. 1-3-13 Qualifications held (multiple responses)

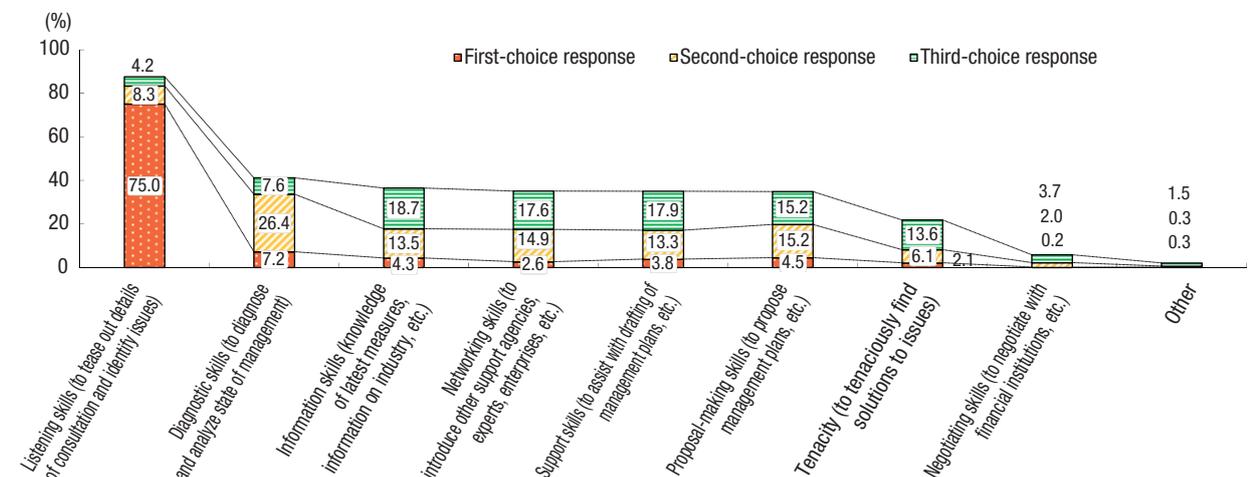


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Fig. 1-3-14 shows the responses obtained by asking business advisors which qualities they considered valuable when providing consultations and guidance (multiple responses). The commonest first-choice response was listening skills, which was chosen by

approximately 75% of the total. This indicates that in order to get to grips with a client’s management and provide suitable advice, it is important to be able to listen carefully to what a client has to say and to grasp the issues that he or she faces.

Fig. 1-3-14 Qualities considered important when providing consultations and guidance (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

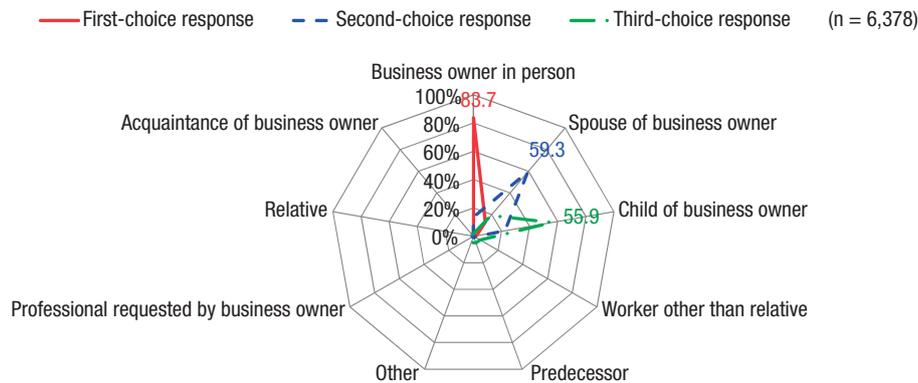
Note: Qualities considered important when providing consultations and guidance based on respondents’ top three choices.

3 Attributes of business advisors' clients

This sub-section examines the attributes of businesses advisors' clients. Fig. 1-3-15 shows the results obtained by asking business advisors about the attributes of their actual clients (multiple responses). By far the commonest first-choice response was "business owner in person" (83.7%), which suggests that business advisors are regarded as trusted sources of

advice on management issues. The top second-choice response was "spouse of business owner" (59.3%), and the top third-choice response was "child of business owner" (55.9%). Those seeking advice from business advisors thus tend to be limited to business owners themselves and their close relatives.

Fig. 1-3-15 Attributes of business advisors' clients (multiple responses)

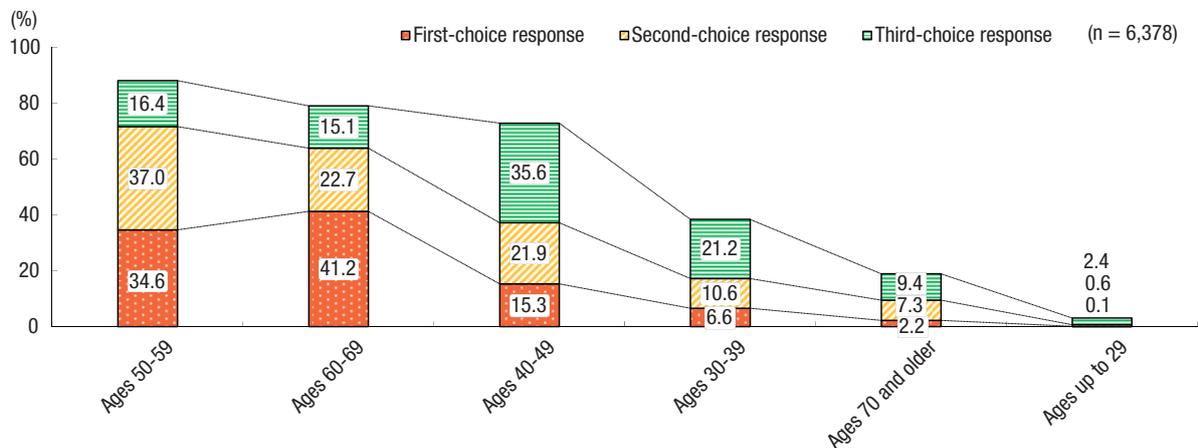


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: "Relative" here means a relative other than the business owner's spouse, child, or predecessor.

Fig. 1-3-16 shows the results obtained by asking business advisors about their clients' ages (multiple responses). Aggregating the first- through third-choice responses, the commonest ages were, in descending order, 50-59 year olds (88.0%), 60-69 year olds

(79.0%), and 40-49 year olds (72.8%). At the younger end of the scale, on the other hand, there were relatively fewer 20-29 year olds (3.1%) and 30-39 year olds (38.4%). It is thus evident that the bulk of consultations are requested by middle-aged and older clients.

Fig. 1-3-16 Ages of business advisors' clients (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: Ages of clients based on respondents' top three choices.

4 Analysis of types of consultation and guidance

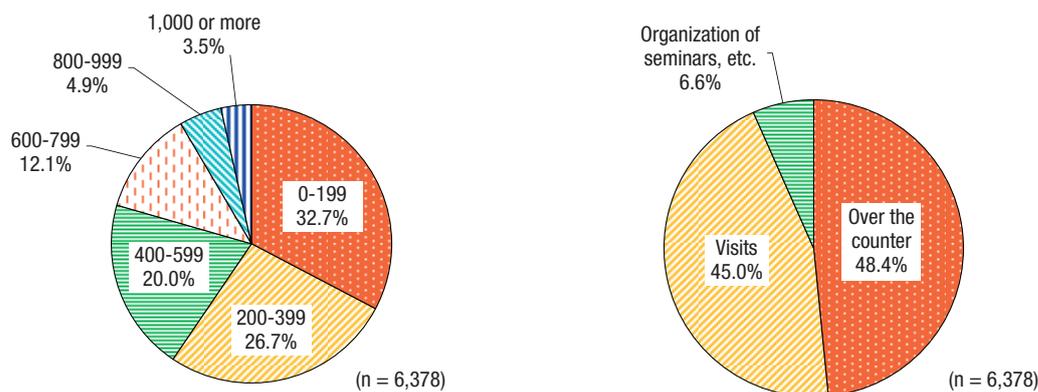
The total number of consultation and guidance cases (which comprise the bulk of business advisors' work) per advisor and methods of responding to them in the preceding one-year period are analyzed next (Fig. 1-3-17).

The commonest total number of cases handled was "0-199" (32.7%), followed by "200-399" (26.7%) and "400-599" (20.0%). The number handled per advisor thus varies considerably, although this may stem from factors such as differences in the proportion of over-the-counter guidance and visiting guidance handled by

each advisor.

Methods of handling consultation and guidance cases were investigated by asking business advisors what proportion of their case load was made up of each of the following: (1) cases handled over the counter at commerce and industry associations and chambers of commerce and industry, (2) cases handled by visiting clients, and (3) organization of seminars, etc. This showed that (1) over-the-counter cases made up 48.4%, (2) visits made up 45.0%, and (3) seminars, etc. made up 6.6%.

Fig. 1-3-17 Total number of consultation and guidance cases handled per business advisor and methods of handling (in the preceding one-year period)

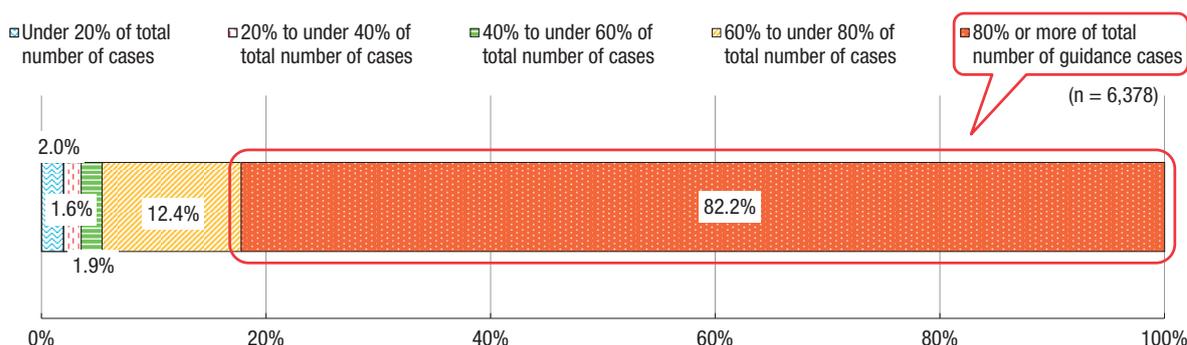


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: "Business advisors" here includes support staff.

So what proportion of the consultations and guidance provided by business advisors is requested by micro businesses? To answer this question, business advisors were asked what proportion of the total number of consultation and guidance cases that they

handled in the preceding one-year period involved micro businesses (Fig. 1-3-18). 82.2% responded “80% or more,” showing that business advisors’ efforts are focused on delivering business support to micro businesses.

Fig. 1-3-18 Proportion of consultation and guidance cases handled by business advisors that involve micro businesses (in the preceding one-year period)

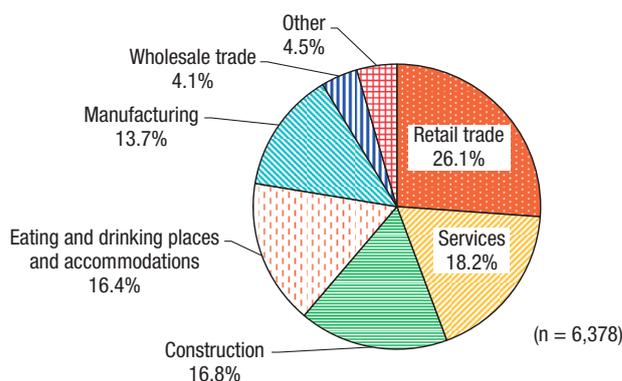


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: “Business advisors” here includes support staff.

The results obtained by asking business advisors about the industries of the micro businesses whose consultation and guidance cases they handled in the preceding one-year period are shown in Fig. 1-3-19. From this it can be seen that the retail trade

made up the largest proportion (26.1%), followed by services (18.2%), construction (16.8%), eating and drinking places and accommodations (16.4%), and manufacturing (13.7%).

Fig. 1-3-19 Industrial distribution of micro businesses given consultations and guidance (in the preceding one-year period)

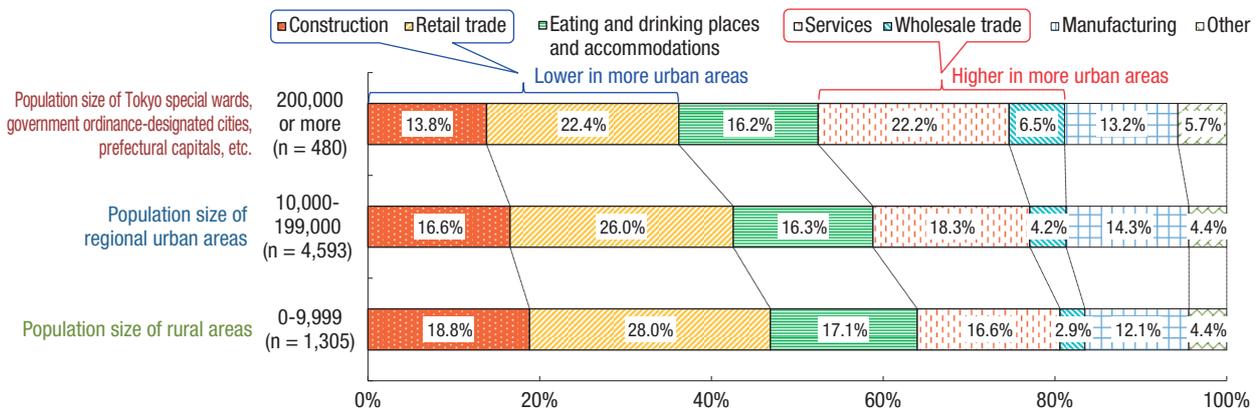


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.
 Note: The industrial distribution of micro businesses is a breakdown by industry of the total number of consultation and guidance cases handled by business advisors in the preceding one-year period that involved micro businesses.

The industrial distribution of micro businesses shown in Fig. 1-3-19 is next analyzed to determine how the distribution differs according to the population of the district where a commerce and industry association or chamber of commerce and industry is located, as shown in Fig. 1-3-20. As can be seen, the proportion of cases involving businesses in construction and the

retail trade declines as population increases, while the proportion in services and the wholesale trade tends to increase. The proportions accounted for by micro businesses in eating and drinking places and accommodations and in manufacturing are almost the same.

Fig. 1-3-20 Industrial distribution of micro businesses (by population of location of commerce and industry association or chamber of commerce and industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

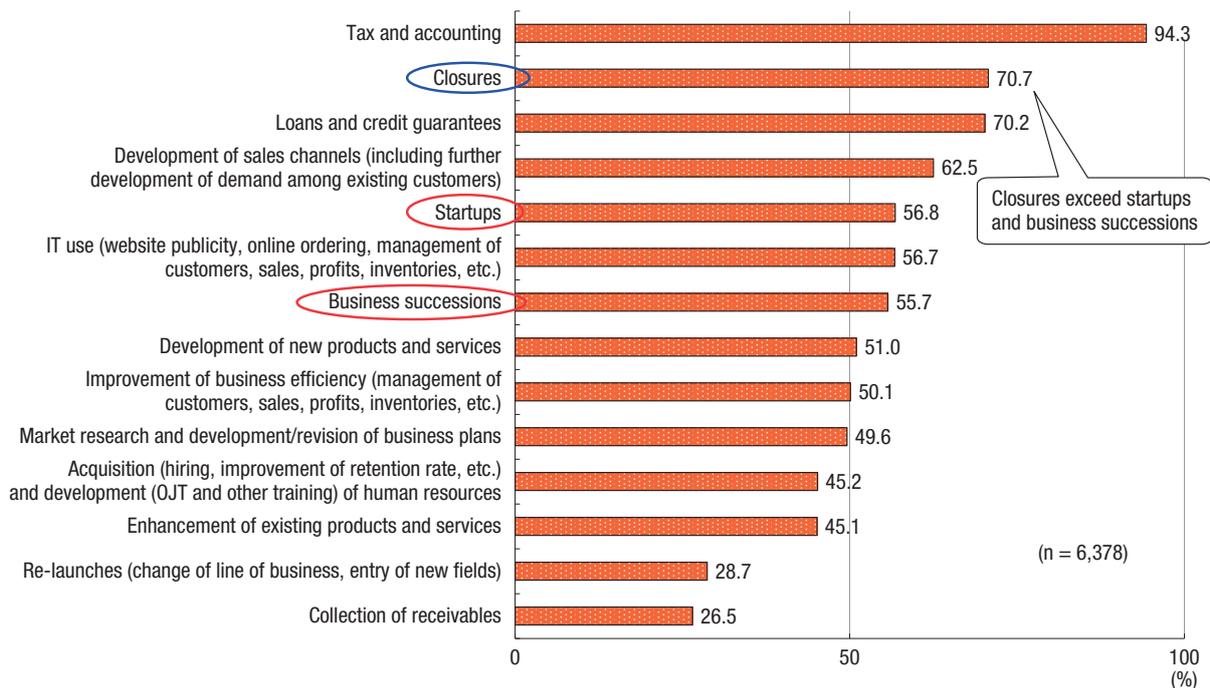
Note: The industrial distribution of micro businesses is a breakdown by industry of the total number of consultation and guidance cases handled by business advisors in the preceding one-year period that involved micro businesses.

Having thus far examined the attributes of business advisors and their clients, the focus of analysis now turns to aspects including changes in the type, number and difficulty of consultations requested by businesses, and the actions taken by business advisors to resolve them.

Fig. 1-3-21 shows the proportions of business advisors who reported handling each type of

consultation in the preceding one-year period (multiple responses). From this it can be seen that the commonest type concerned tax and accounting (94.3%), followed by closures (70.7%) and loans and credit guarantees (70.2%). Notably more consultations concerned closures (70.7%) than startups (56.8%) or business successions (55.7%).

Fig. 1-3-21 Proportions of each type of case handled (in the preceding one-year period) (multiple responses)

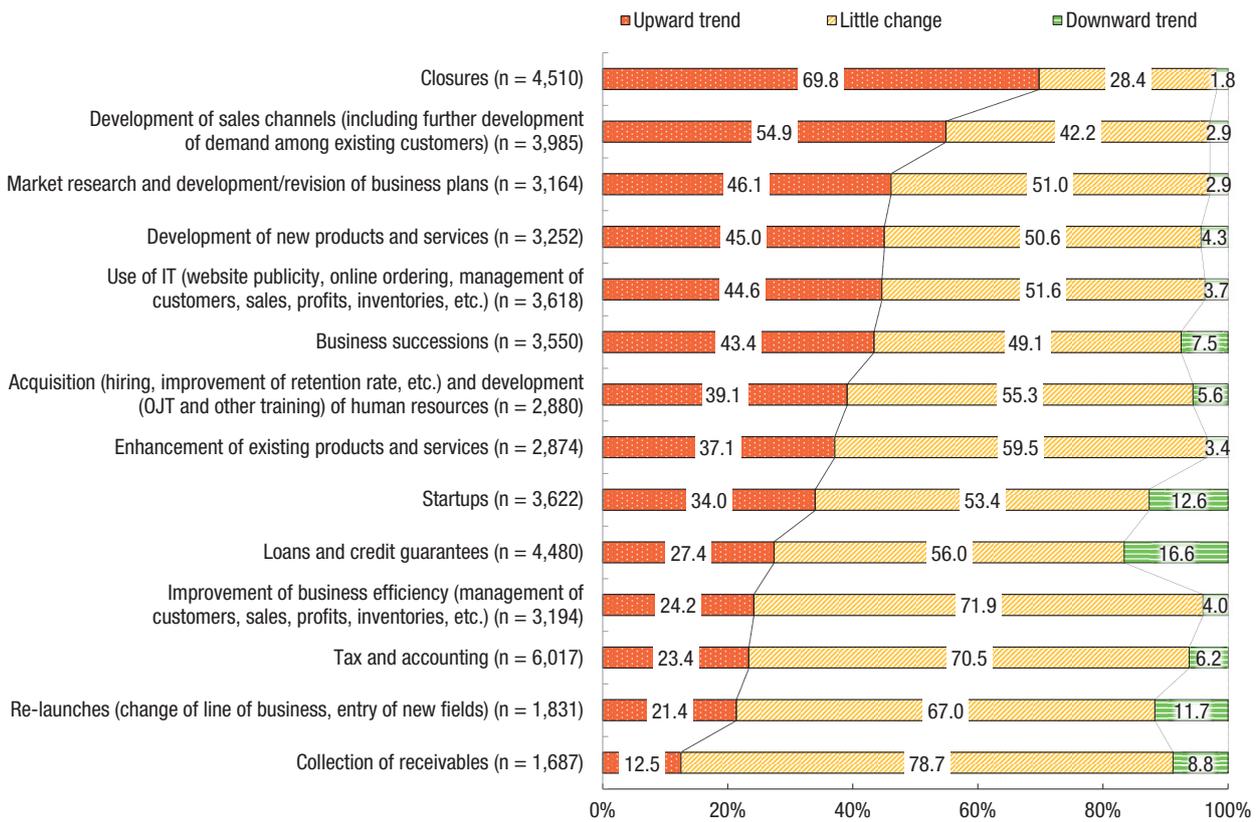


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

The business advisors who reported having handled the types of consultation shown in Fig. 1-3-21 were then asked how the number of such cases had changed over the preceding three-year period, as shown in Fig. 1-3-22. The proportion reporting an “upward trend” in the number of cases was highest for “closures” (69.8%),

followed by “development of sales channels” (54.9%) and “market research and development/revision of business plans” (46.1%). Overall, more respondents reported an “upward trend” than a “downward trend” in the number of consultation cases.

Fig. 1-3-22 Changes in number of consultations (over the preceding three-year period)

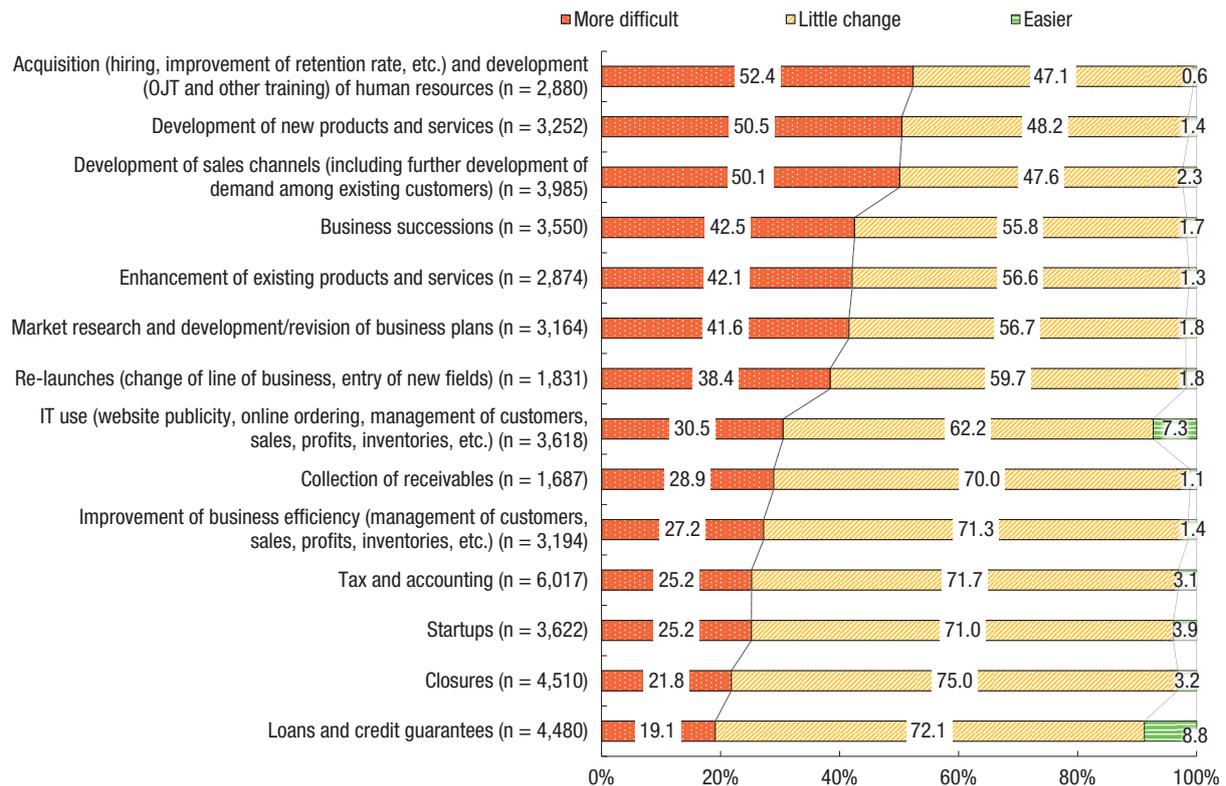


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Business advisors were also asked about changes in the difficulty of resolution of consultations over the preceding three-year period (Fig. 1-3-23). The proportion reporting “more difficult” was highest for “acquisition and development of human resources

(52.4%), followed by “development of new products and services” (50.5%) and “development of sales channels” (50.1%). Overall, the proportion reporting “easier” was low across the board.

Fig. 1-3-23 Changes in difficulty of resolution of consultations (over the preceding three-year period)

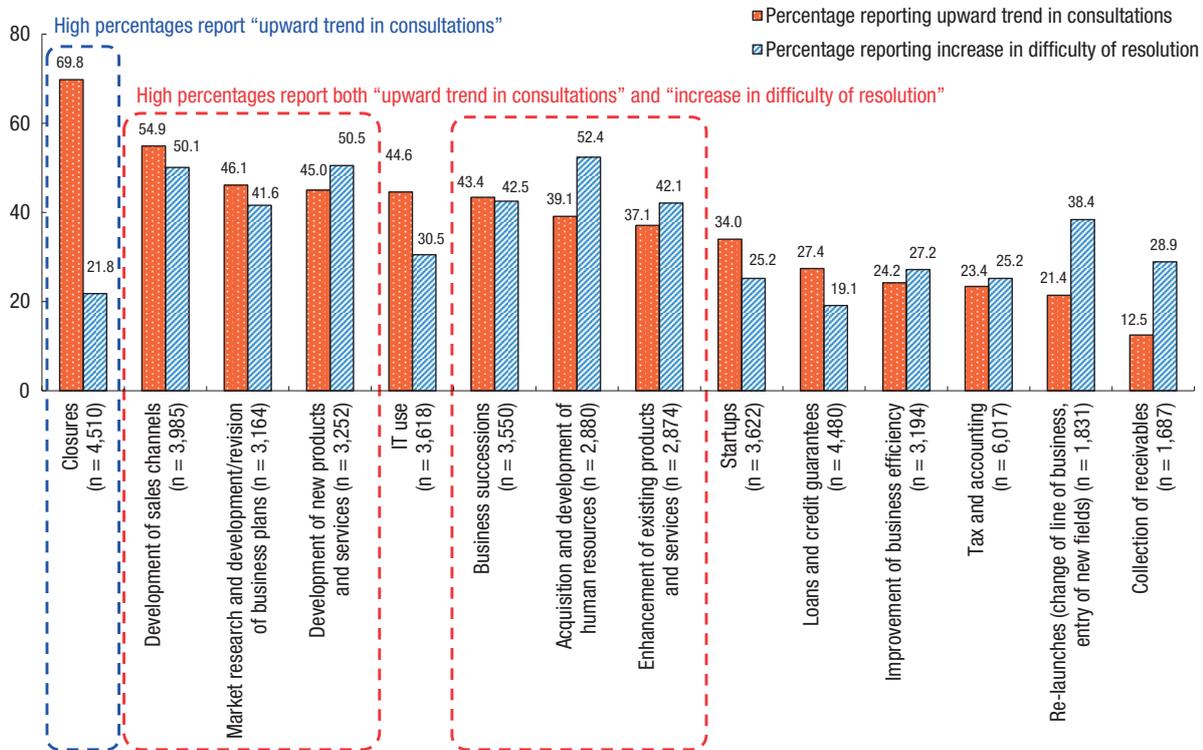


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Fig. 1-3-24 shows the percentages reporting that the number of consultations followed an upward trend (excerpted from Fig. 1-3-22) and that their resolution grew more difficult (excerpted from Fig. 1-3-23). The consultations with high percentages for both were those concerning “development of sales channels,” “market research and development/revision of business plans,” “development of new products and services,” “business successions,” “acquisition and development of human resources,” and “enhancement of existing products and services.” These results point to an urgent need to improve the ability of business advisors to handle

consultations requested by micro businesses regarding how to win more customers, develop appealing products and services, ensure smooth business handovers, and acquire and develop human resources (including business owners themselves). It may also be noted that although the proportion of advisors reporting that consultations regarding “closures” have grown more difficult (to resolve) was not that high, the proportion reporting that the number of such consultations was following an upward trend was the highest of all the types of surveyed.

Fig. 1-3-24 Correlations between growth in number and growth in difficulty of resolution of consultations

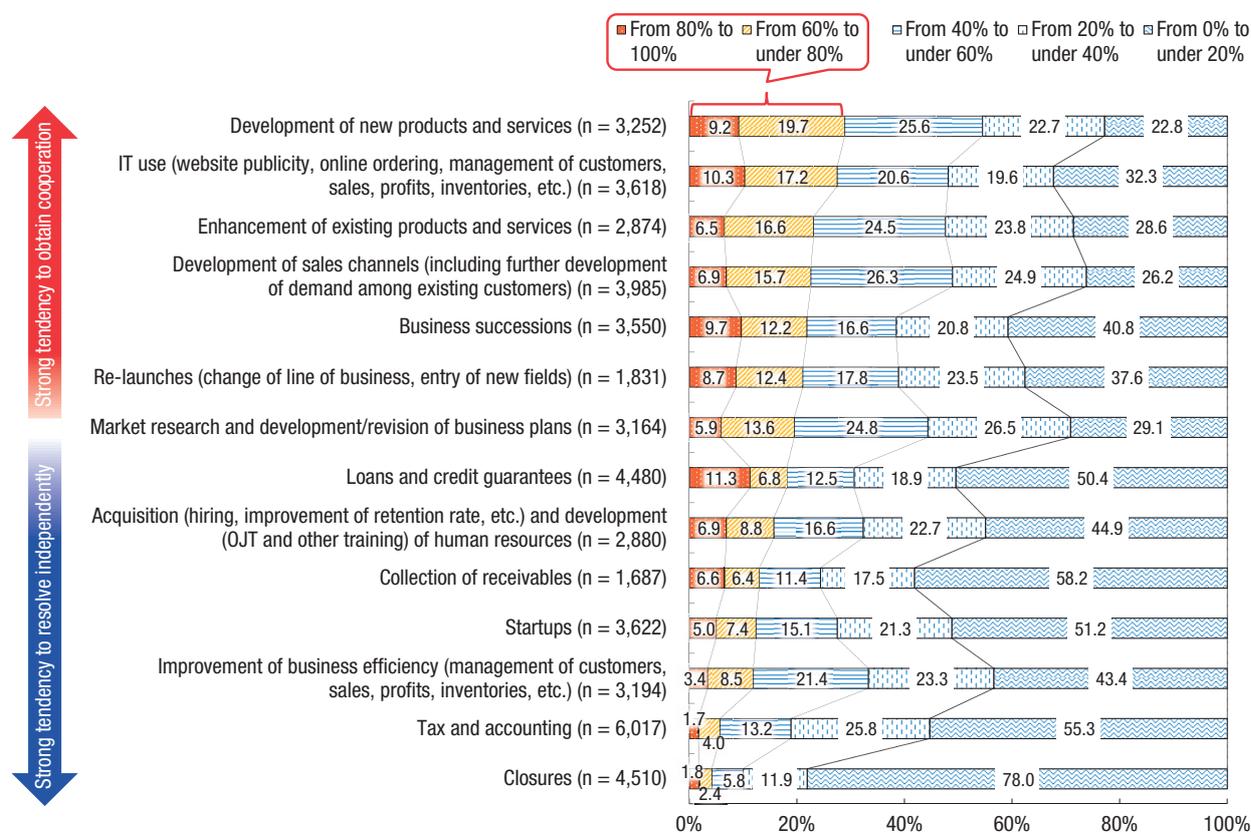


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

The consultations brought by businesses can potentially be resolved not only by business advisors' own commerce and industry associations and chambers of commerce and industry acting alone, but also in cooperation with outside sources of support.¹⁵⁾ The results obtained by asking how frequently business advisors' sought the assistance of outside sources of support (in the preceding one-year period)¹⁶⁾ are

therefore shown in Fig. 1-3-25. The most commonly cited type of consultation for which cooperation was obtained at least 60% of the time was "development of new products and services" (28.9%), followed by "IT use" (27.5%), "enhancement of existing products and services" (23.1%), "development of sales channels" (22.6%), and "business successions" (21.9%).

Fig. 1-3-25 Frequency of obtaining cooperation from outside sources of support to resolve consultations (in the preceding one-year period)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Note: "Outside sources of support" include other commerce and industry associations, federations of societies of commerce and industry, and chambers of commerce and industry.

¹⁵⁾ "Outside sources of support" include other commerce and industry associations, federations of societies of commerce and industry, and chambers of commerce and industry.

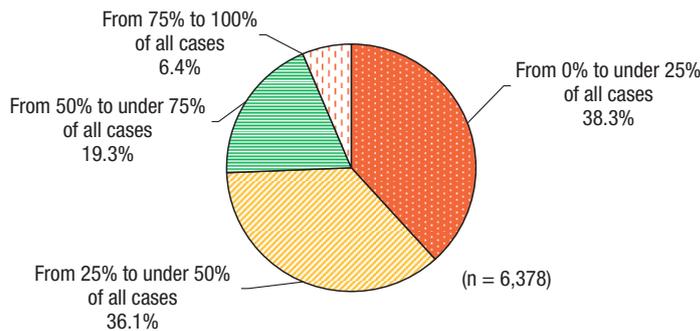
¹⁶⁾ Questionnaire respondents were asked to indicate how frequently they obtained the cooperation of outside sources of support (over the preceding one-year period) by choosing the most appropriate of the following five options: (1) from 0% to under 20% of the time, (2) from 20% to under 40% of the time, (3) from 40% to under 60% of the time, (4) from 60% to under 80% of the time, and (5) from 80% to 100% of the time.

Having thus far examined the types, volume, and difficulty of consultations and guidance cases, the focus now turns to the closeness of the support provided by business advisors.

Fig. 1-3-26 shows the responses obtained by asking

business advisors what percentage of consultation and guidance cases they followed up in the preceding one-year period. The largest proportion of respondents answered “0% to under 25%” (38.3%), followed by “25% to under 50%” (36.1%).

Fig. 1-3-26 Percentage of consultation and guidance cases followed up (in the preceding one-year period)

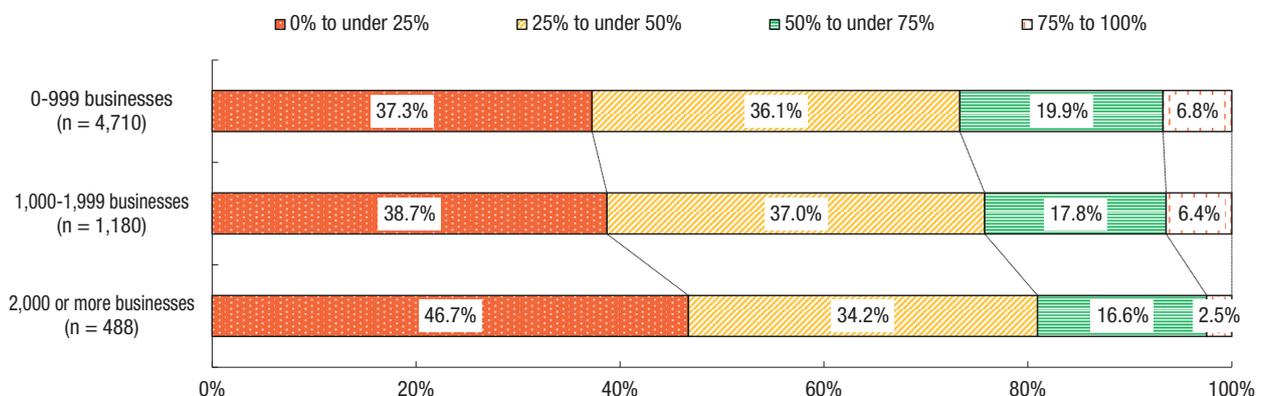


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

The extent of follow-up provided by business advisors is next analyzed to determine whether it differs according to the number of micro businesses in the district of the commerce and industry association or chamber of commerce and industry to which a business advisor belongs. Fig. 1-3-27 shows the extent of follow-up in each of three size categories, which

are defined by the number of micro businesses¹⁷⁾ in the district of the commerce and industry association or chamber of commerce and industry to which a business advisor belongs. These are: (1) under 1,000, (2) from 1,000 to under 2,000, and (3) 2,000 or more. Overall, it may be observed that the follow-up rate increases as the number of micro businesses declines.

Fig. 1-3-27 Percentage of consultation and guidance cases followed up (by number of micro businesses in district of the commerce and industry association or chamber of commerce and industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

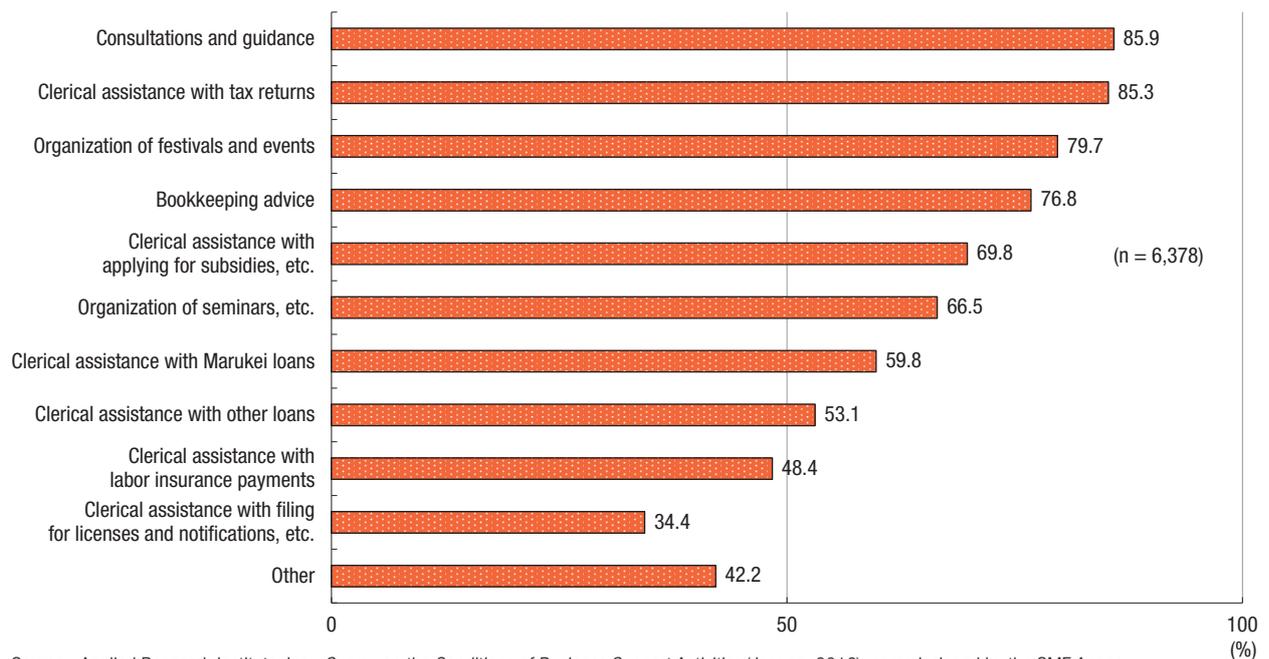
Note: The numbers of micro businesses in the figure represents the numbers of micro businesses that are members.

¹⁷⁾ The numbers of micro businesses in the figure represents the numbers of micro businesses that are members. However, commerce and industry associations and chambers of commerce and industry cater to micro businesses’ requests for consultations and guidance regardless of whether or not they are members.

The forms of support other than consultations and guidance provided by business advisors are examined next. Fig. 1-3-28 shows the forms of direct and indirect support that business advisors reported that they provided to micro businesses in the preceding one-year period. The commonest was “consultations and guidance” (85.9%), followed by “clerical assistance

with tax returns” (85.3%), “organization of festivals and events” (79.7%), “bookkeeping advice” (76.8%), “clerical assistance with applications for subsidies, etc.” (69.8%), and “organization of seminars, etc.” (66.5%). Evident from this is that most business advisors are responsible for a wide range of tasks.

Fig. 1-3-28 Forms of support provided by business advisors (in the preceding one-year period) (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Note: “Business advisors” here includes support staff.

Having examined the forms of support provided by businesses advisors (including their support staff) as a whole in Fig. 1-3-28, Fig. 1-3-29 shows the results for business advisors and support staff separately.

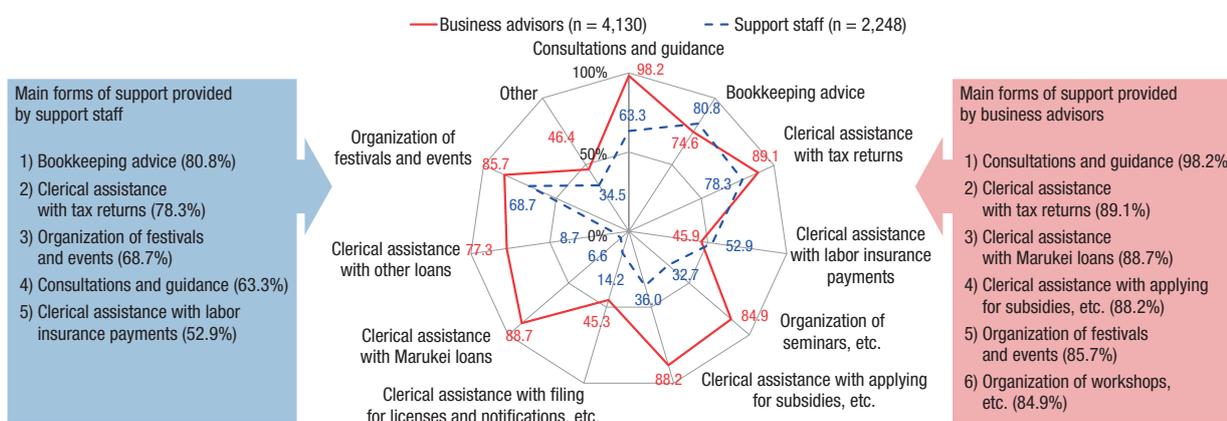
The most widespread form of support provided by business advisors (excluding support staff) is “consultations and guidance” (98.2%), followed by “clerical assistance with tax returns” (89.1%), “clerical assistance with Marukei loans”¹⁸⁾ (88.7%), and “clerical assistance with applying for subsidies, etc.” (88.2%).

The commonest forms of support provided by

support staff are, in descending order, “bookkeeping advice” (80.8%), “clerical assistance with tax returns” (78.3%), “organization of festivals and events” (68.7%), and “consultations and guidance” (63.3%).

These results show that, from the point of view of the micro businesses that are their clients, business advisors perform a range of support tasks, while support staff concentrate more on specific forms of support that pertain to businesses’ internal management (such as the provision of bookkeeping advice and clerical assistance with tax returns).

Fig. 1-3-29 Forms of support provided by business advisors and support staff (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

¹⁸⁾ “Marukei loans” is the abbreviated name for managerial improvement loans for micro businesses, which are provided by the Japan Finance Corporation under a government-run program. For further details, see Column 1-3-1 below.

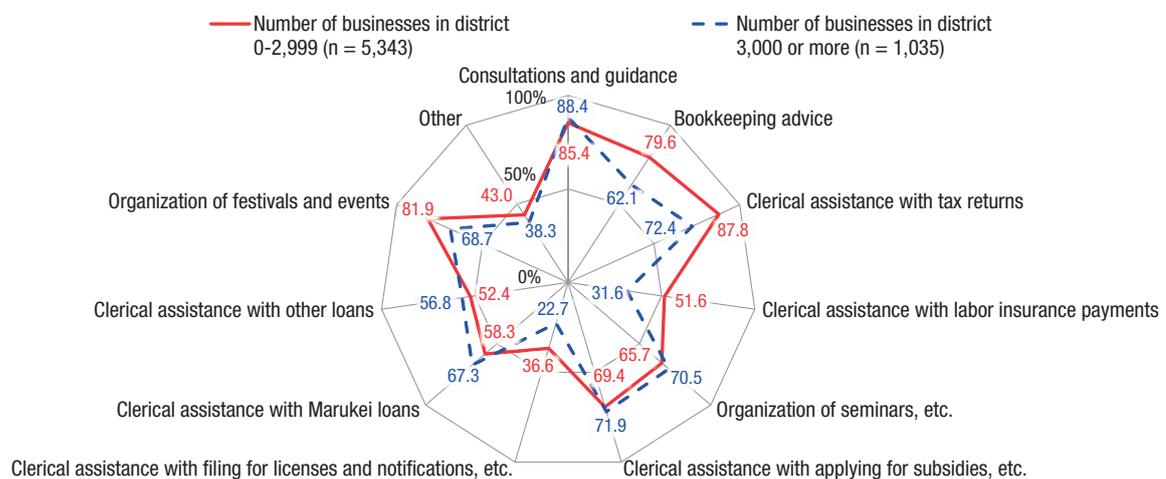
Differences in the forms of support provided by business advisors are next analyzed according to differences in the number of businesses¹⁹⁾ in the district of the commerce and industry association or chamber of commerce association to which a business advisor belongs. This reveals comparative differences between districts with fewer than 3,000 businesses and those with 3,000 or more, as shown in Fig. 1-3-30. The difference is largest in the case of “clerical assistance with labor insurance payments,” followed by “bookkeeping advice,” “clerical assistance with tax returns,” “clerical assistance with filing for licenses and notifications,” and “organization of festivals and events.” All these forms of support were found to be more likely to be provided by business advisors in districts with fewer than 3,000 businesses.

On the other hand, the smallest differences were observed, in ascending order of the margin of the difference, in the case of “clerical assistance with applying for subsidies, etc.,” “consultations and

guidance,” “clerical assistance with other loans,” “organization of seminars, etc.,” and “clerical assistance with Marukei loans.”

It was shown in Fig. 1-3-7 (number of businesses per business advisor at commerce and industry associations) and Fig. 1-3-8 (number of businesses per business advisor at commerce and industry associations) that the number of businesses per business advisor decreases (increases) as the population of the district in which a commerce and industry association or chamber of commerce and industry is located decreases (increases) in size. Matching these results against those concerning the forms of support provided reveals that business advisors in districts with smaller populations tend to provide a wider variety of forms of support. Conversely, business advisors in districts with larger populations serve a larger number of businesses each, leading to a greater division of labor so that they can provide more specialized support.

Fig. 1-3-30 Forms of support provided by business advisors (by number of businesses in district of commerce and industry association or chamber of commerce and industry) (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Notes: 1. “Business advisors” here includes support staff.

2. The number of businesses in a district indicates the number of commercial and industrial businesses (including both members and non-members) in the district of the commerce and industry association or chamber of commerce and industry to which a business advisor belongs.

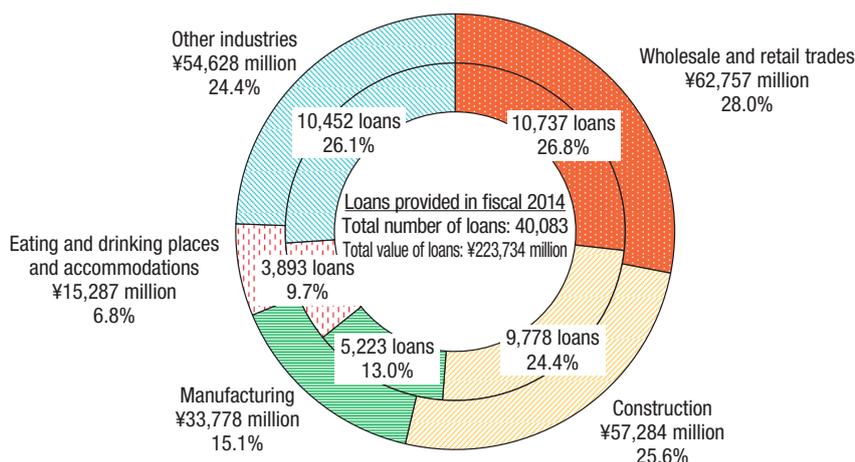
¹⁹⁾ The number of businesses is the number of commercial and industrial businesses in the district of a commerce and industry association and chamber of commerce and industry (including both members and non-members).

Column 1-3-1 Managerial improvement loans for micro businesses (Marukei loans)

Finance is the lifeblood of a business, and obtaining funding can be a challenge for SMEs of all sizes. This is particularly so in the case of micro businesses, however, owing to their greater business insecurity and lack of collateral and creditworthiness.

The government provides a number of lending programs for businesses, and one of the most heavily used among micro businesses is a program of managerial improvement loans for micro businesses called the “Marukei loan” program. The purpose of this program is to financially complement the business guidance delivered through the management improvement dissemination programs operated by commerce and industry associations, chambers of commerce and industry, and prefectural federations of societies of commerce and industry, and to ensure the effectiveness of these programs by facilitating the implementation of management improvements by micro businesses through the provision of low-interest, unsecured, no-guarantor loans by the Micro Business and Individual Unit of the Japan Finance Corporation. 40,083 Marukei loans worth a total of ¥223.7 billion were provided in fiscal 2014.

Column Fig. 1-3-1 (1) Value of Marukei loans provided in fiscal 2014



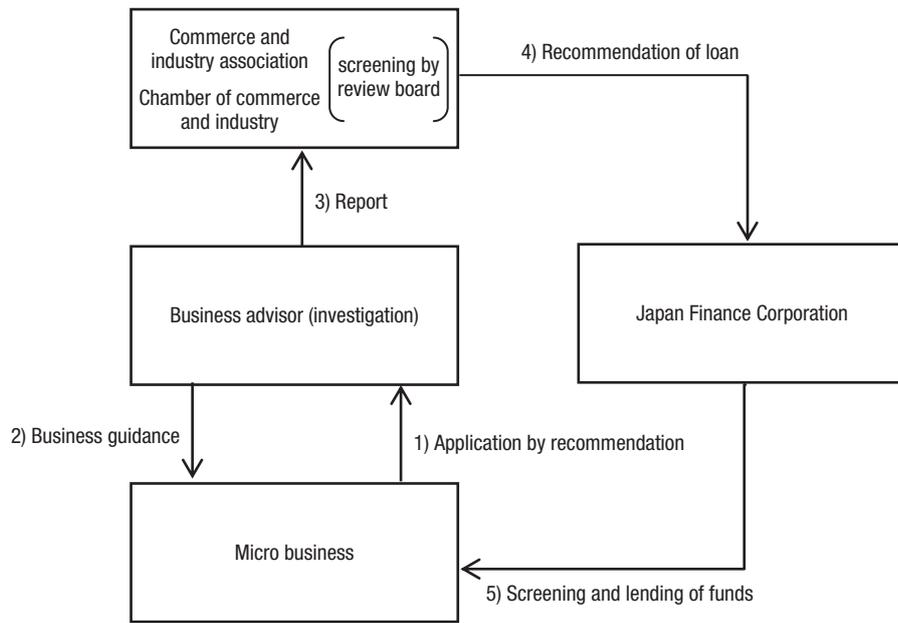
Source: Japan Finance Corporation.

Note: Industries are classified according to the Japan Standard Industry Classification (Rev. 11, March 2002).

Column Fig. 1-3-1 (2) Marukei loan requirements

Main eligibility requirements	<ol style="list-style-type: none"> 1. Loan recipients must be micro businesses that are classified as commercial or industrial businesses under Article 2 of the Commerce and Industry Association Act and that employ not more than 20 regular employees (not more than five in the case of the wholesale and retail trades and services (excluding accommodations and amusement services)). 2. Loan recipients must, as a rule, have received business guidance from a commerce and industry association, chamber of commerce and industry, or similar entity for at least six months. 3. Loan recipients must, as a rule, have been engaged in business in the same district as the commerce and industry association, chamber of commerce and industry, or similar entity from which they are receiving guidance for at least the past year.
Loan conditions	<ol style="list-style-type: none"> 1. Maximum amount: ¥20 million 2. Loan rate: 1.30% as of April 13, 2016 3. Loan period: up to 10 years for equipment funds and up to 7 years for working funds 4. Deferment period: up to 2 years for equipment funds and up to 1 year for working funds 5. Collateral, etc.: No collateral or guarantor required

Column Fig. 1-3-1 (3) How Marukei loans are made



Column

1-3-2

Introduction to management development support programs and the accreditation of management development support plans

In June 2014, the Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry (Act No. 51 of 1993; hereinafter referred to as the “Small Business Support Act”) was amended to place management development support programs within the framework of management improvement dissemination programs, which are operated by commerce and industry associations and chambers of commerce and industry to support micro businesses. Additionally, a new system was established for having the business development support plans developed by commerce and industry associations and chambers of commerce and industry accredited by the Minister of Economy, Trade and Industry. Details are outlined below.

• Background

Micro businesses make up approximately 85% of Japan’s 3.81 million SMEs, and they play a crucial role in underpinning local economies and employment. However, they face structural changes such as population decline, demographic aging, rising competition from overseas, and regional economic stagnation. These challenges are in turn creating problems such as declines in sales and numbers of micro businesses, and the aging of micro business owners themselves.

In order to develop on a sustainable basis in the face of such difficult business conditions, micro businesses need to analyze demand trends (both at home and abroad) and their own strengths, and to restructure their operations so as to tap into fresh sources of demand. This is hard for many micro businesses to do on their own, however, and so higher expectations are being placed on the two sources of support that are closest to micro businesses at the local level, namely commerce and industry associations and chambers of commerce and industry.

Through their management improvement dissemination programs, commerce and industry associations and chambers of commerce and industry had already been providing consultations and guidance to the micro businesses that came to them for advice on finance, tax, management, labor affairs, and other business matters in order to help them improve their management and technologies and contribute to their development. The challenges faced by micro businesses have changed, however, and conventional forms of support focused on bridging the shortfall in their business resources, such as the provision of bookkeeping and tax guidance, were no longer sufficient.

• Outline of management development support programs

The Small Business Support Act was therefore amended to promote the sustainable business development of micro businesses by revising and enhancing the effectiveness of the business support services provided for micro businesses by commerce and industry associations and chambers of commerce and industry.

More specifically, the following forms of support (management development support programs) were added to the management improvement dissemination programs operated by commerce and industry associations and chambers of commerce and industry to support micro businesses:

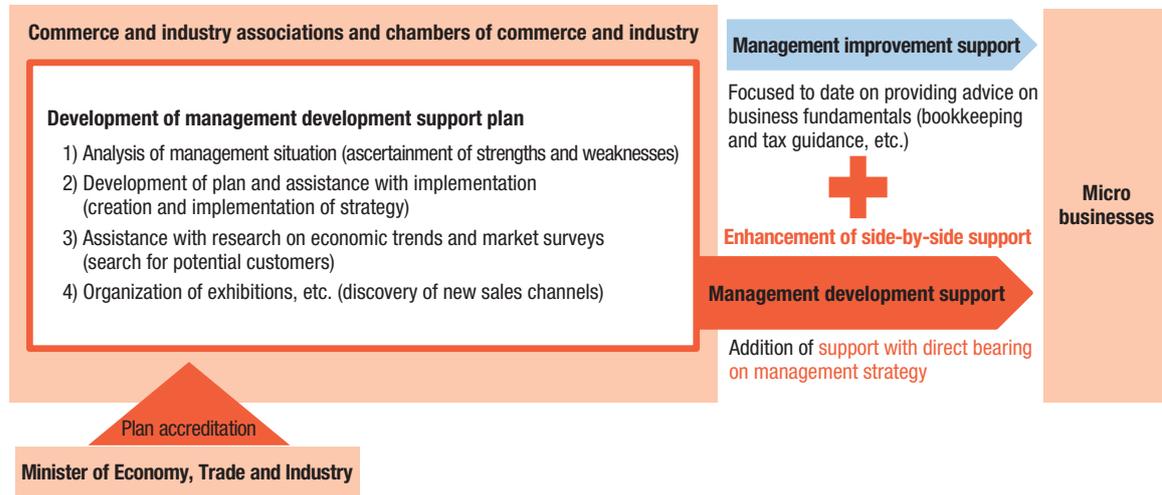
- (1) Analysis of management resources, financial conditions, and other management conditions at micro businesses;
- (2) Guidance and advice on the development of business plans by micro businesses
- (3) Guidance and advice necessary to execute these plans in business;
- (4) Collection, analysis, and provision of information on trends in demand for products sold or services provided by micro businesses;
- (5) Collection, analysis, and provision of information on local economic trends; and
- (6) Activities contributing to the development of demand for products sold or services provided by micro businesses, such as the organization of business fairs and exhibitions.

These have a more direct bearing on individual micro businesses’ management strategies, and they are designed to contribute to their sales and profit growth.

The focus of management guidance provided to micro businesses by commerce and industry associations and chambers of commerce and industry has thus shifted toward delivering support that has a more direct bearing on individual businesses’ management strategies, and the hope is that commerce and industry associations and chambers of commerce and industry will be able to take advantage of their proximity to local businesses, which is one of their strengths, to act as a side-by-side support “escort” delivering fine-tuned support from a micro business-centered perspective .

Column Fig. 1-3-2 (1) Management development support plans in overview

- The Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry (“Small Business Support Act”) was enacted in 1993.
- The act was revised in 2014 to create a new system of **government accreditation of “management development support plans” created by commerce and industry associations and chambers of commerce and industry to support micro businesses in their districts** (Article 5, Paragraph 1).



• Outline of management development support plans and their accreditation

The amendment of the Small Business Support Act created a new mechanism by which commerce and industry associations and chambers of commerce and industry could, in line with the aims of the Small Business Support Act, develop plans (management development support plans) that make a particular contribution to technological improvements, development of new fields of business, or other forms of management development at micro businesses and that fall under the activities specified in (1) to (6) above, and then apply to have these plans accredited by the Minister of Economy, Trade and Industry.

As of February 2016, 326 management development support plans (involving 357 individual associations) had been accredited by the Minister of Economy, Trade and Industry.

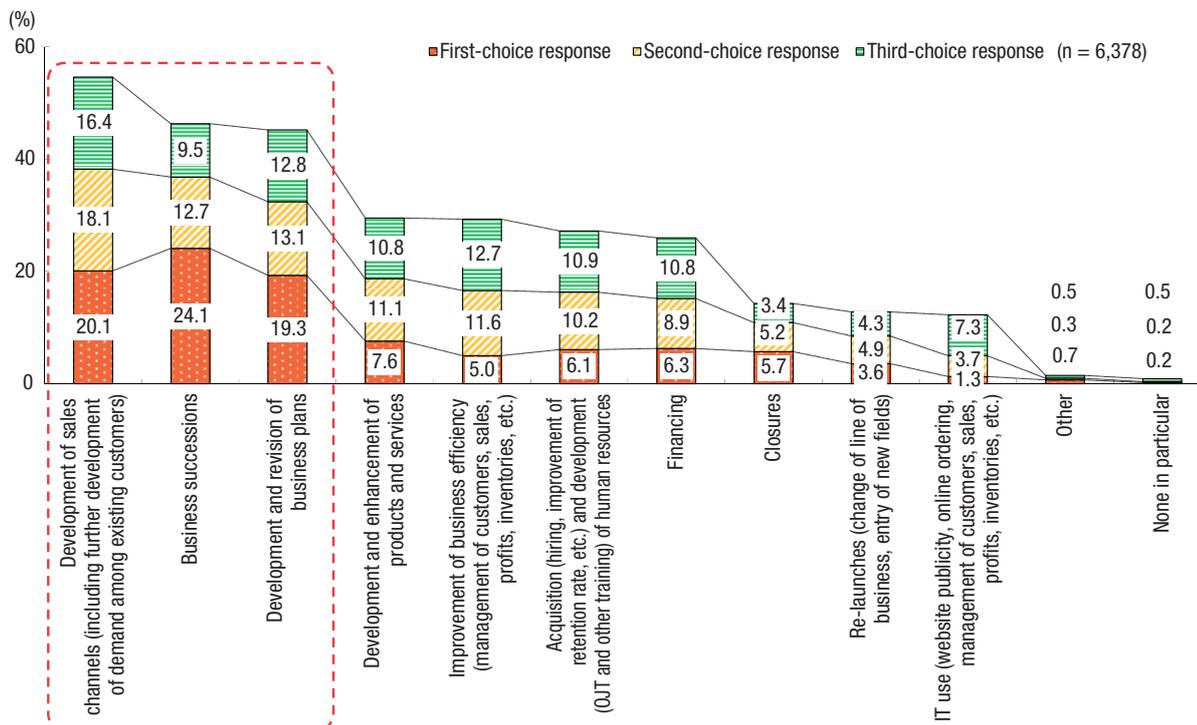
Of these, 197 were developed by commerce and industry associations (227 individual associations), 128 were developed by chambers of commerce and industry (128 individual associations), and one was applied for jointly by a commerce and industry association and a chamber of commerce and industry (two individual associations).

Accredited management development support plans can be viewed on the SME Agency’s website: <http://www.chusho.meti.go.jp/keiei/shokibo/ninteikeikaku.html>

This section closes by examining businesses advisors’ perspectives on management issues at micro businesses (Fig. 1-3-31). Aggregating the top three choices, the commonest issues were found to be, in descending order, “development of sales channels” (54.6%), “business successions” (46.3%), and “development and revision of business plans” (45.2%). These results show that whereas business owners have

a tendency to be more concerned about securing sales and profits on a day-to-day basis, business advisors consider it necessary to assist in areas such as the development of sales channels, and they in addition recognize the importance of providing support in areas of medium- to long-term concern to micro businesses, such as business successions and the development and revision of business plans.

Fig. 1-3-31 Management issues at micro businesses seen from the perspective of business advisors (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

Notes: 1. “Business advisors” here includes support staff.

2. Results are for the top three out of five business issues chosen and ranked by respondents in order of priority.

The above analysis of business support provided by business advisors at commerce and industry associations and chambers of commerce and industry may be summarized in the following points.

1. A questionnaire survey of business advisors at commerce and industry associations and chambers of commerce and industry across Japan revealed the attributes of the advisors providing business support and their clients.
2. An analysis was made of the total number of consultation and guidance cases and how they were handled, along with concrete details of recent cases. Trends in the number and difficulty of each type of case were also identified.
3. Light was also shed on the state of collaboration

with outside sources of support by type of consultation; in other words, the types of consultation that business advisors’ own commerce and industry associations and chambers of commerce and industry resolved independently, and the types that were often more effectively resolved in collaboration with outside support agencies.

4. Micro businesses encounter a variety of management issues in the course of business, and the analysis demonstrated what they consulted commerce and industry associations and chambers of commerce and industry about, and what forms of business support they received.

Section 2 Business support provided by Yorozu Support Centers

Section 1 examined the current state of business guidance provided by commerce and industry associations and chambers of commerce and industry. In this section, the focus turns to the current situation regarding Yorozu Support Centers, which have been set up by the government to deliver comprehensive support to SMEs and micro businesses. Yorozu Support Centers were opened in every prefecture in June 2014 to provide a one-stop source of advice on a range of business concerns faced by SMEs and micro businesses, such as how to expand sales and improve management, and they do so in collaboration with other local sources of support.²⁰⁾

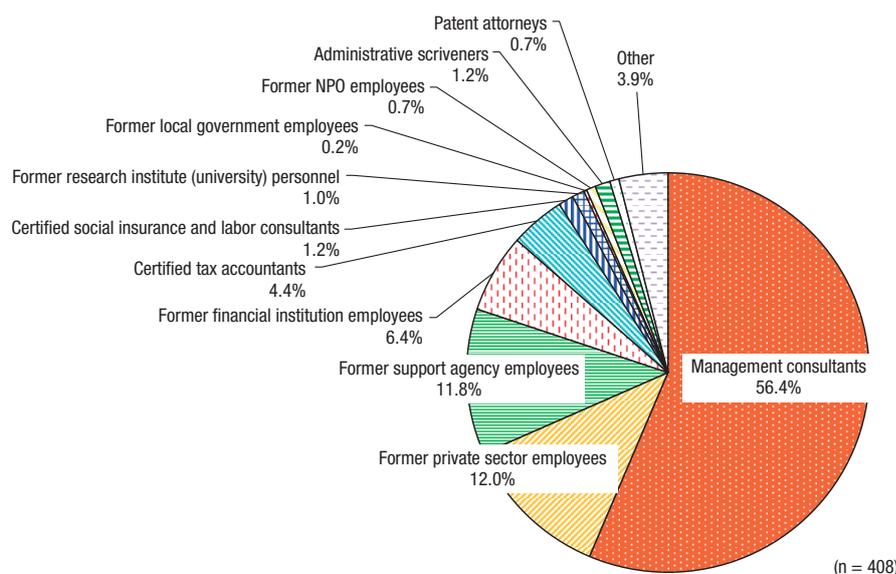
The main support services provided by Yorozu Support Centers are as follows: (1) “management innovation support,” which consists of analyzing challenges such as expanding sales and suggesting certain solutions; (2) “management improvement support,” which consists of analyzing challenges such as improving funding and rehabilitating a business, and suggesting certain solutions; and (3) “one-stop service provision,” which consists of referring businesses that

do not know whom to consult to the most appropriate source of support. Through these services, Yorozu Support Centers are able to provide individualized business consultations for SMEs and micro businesses.

- The Yorozu Support Center network (as of December 31, 2015)
 Number of centers: 47 (one in each prefecture)
 Number of experts: 408 (47 coordinators²¹⁾ and 361 sub-coordinators²²⁾)

The analysis begins by looking at the occupational backgrounds of the experts who staff Yorozu Support Centers, shown in Fig. 1-3-32. From this it can be seen that the commonest previous occupation is “management consultant” (56.4%). However, there are also large proportions of former private sector employees (12.0%), former support agency employees (11.8%), former financial institution employees (6.4%), and certified tax accountants (4.4%), which illustrates the diversity of these human resources.

Fig. 1-3-32 Occupational backgrounds of experts at Yorozu Support Centers



Source: SME Agency.

Note: The above represents a percentage breakdown of the occupational backgrounds of coordinators and sub-coordinators combined.

²⁰⁾ For a list of Yorozu Support Centers, see <http://www.smrj.go.jp/yorozu/>.

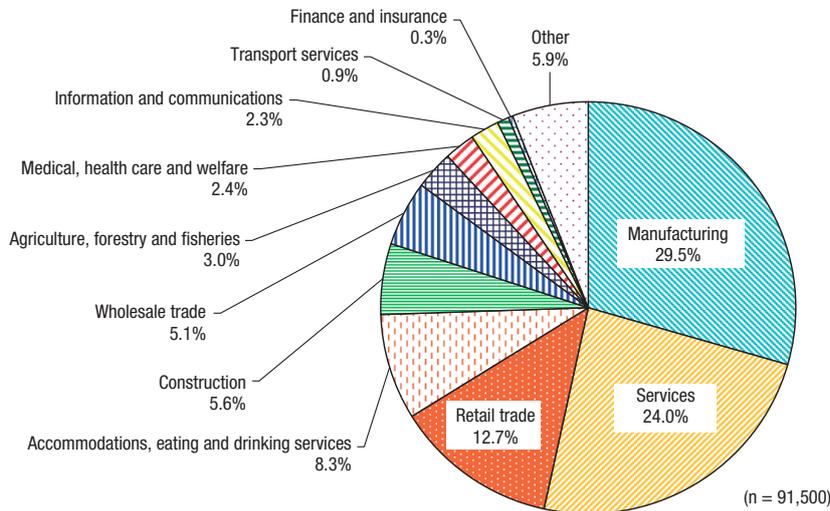
²¹⁾ “Coordinators” are experts in handling businesses’ management consultations who are assigned to each center. They have excellent skills, knowledge, and experience in assisting SMEs and micro businesses, and are at the hub of these centers’ operations.

²²⁾ “Sub-coordinators” assist coordinators in their work.

The clients who use Yorozu Support Centers are shown next, broken down by industry, in Fig. 1-3-33. From this it can be see that manufacturing accounts for

the highest proportion of clients (29.5%), followed by services (24.0%) and the retail trade (12.7%).

Fig. 1-3-33 Attributes of clients of Yorozu Support Centers (by industry)



Source: SMRJ.

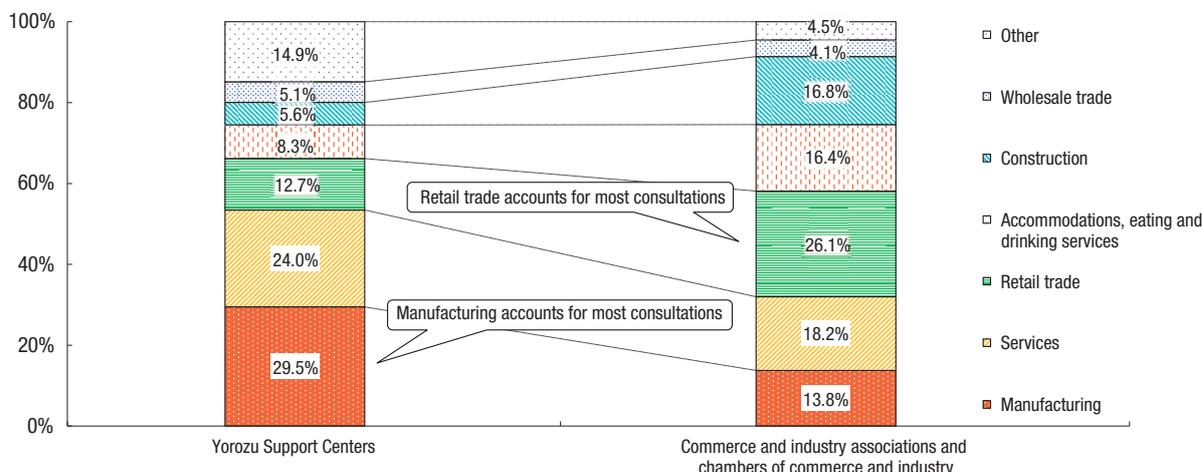
Note: The above is based on the total number of businesses that requested consultations between April and December 2015.

The following examines differences between support agencies in the industrial distributions of their clients. Fig. 1-3-34 compares the industrial distribution of Yorozu Support Centers' clients (shown in Fig. 1-3-33) and the industrial distribution of the clients of commerce and industry associations and chambers of commerce and industry (shown in Fig. 1-3-19). A breakdown by industry shows that manufacturing makes up 29.5% of Yorozu Support Center clients and 13.8% of commerce and industry association

and chamber of commerce and industry clients, while the retail trade makes up 12.7% of Yorozu Support Center clients and 26.1% of commerce and industry association and chamber of commerce and industry clients.

The differing industrial distributions of the clients served by these two sources of support suggest that more effective solutions could be provided through collaboration between the two.

Fig. 1-3-34 Industrial distribution of clients served by Yorozu Support Centers and by commerce and industry associations and chambers of commerce and industry



Sources: Yorozu Support Centers: SMRJ.

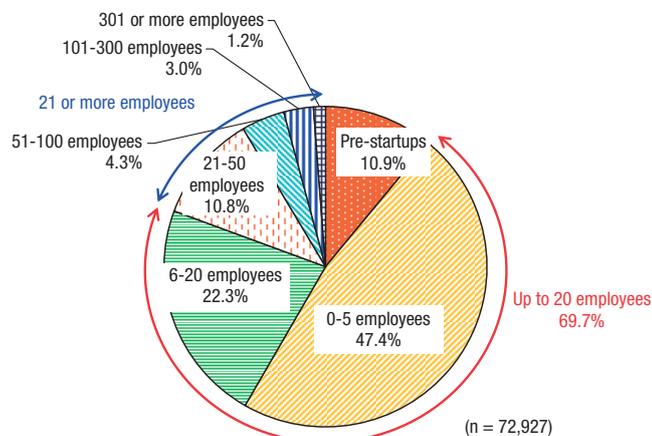
Commerce and industry associations and chambers of commerce and industry: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities* (January 2016), commissioned by the SME Agency.

- Notes:
1. The industrial distribution of Yorozu Support Center clients represents the breakdown by industry of the total number of businesses (91,500) that requested consultations between April and December 2015.
 2. The industrial distribution of clients of commerce and industry associations and chambers of commerce and industry represents the percentage breakdown of micro businesses that requested consultations or guidance in the preceding one-year period according to business advisors.
 3. For Yorozu Support Centers, "other" (14.9%) breaks down as follows: agriculture, forestry and fisheries (3.0%), medical, health care and welfare (2.4%), information and communications (2.3%), transport services (0.9%), finance and insurance (0.3%), and other (5.9%).

To determine the sizes of the businesses that go to Yorozu Support Centers for advice, a breakdown of centers' clients by number of employees is shown in Fig. 1-3-35. According to this, 10.9% of clients were at the pre-startup stage, 69.7% had 20 or fewer employees (this figure includes all micro businesses), and 19.3%

had 21 or more employees. It is thus evident that while these centers are consulted by businesses of all sizes, an extremely high proportion are micro businesses. Yorozu Support Centers are also distinguished by the fact that about 10% of their clients are at the pre-startup stage.

Fig. 1-3-35 Attributes of Yorozu Support Centers (by number of employees)



Source: SMRJ.

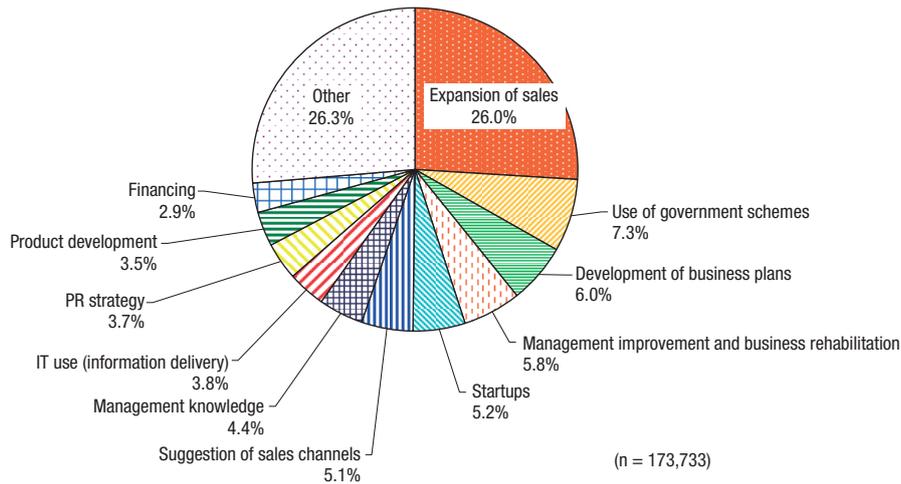
Note: The above is based on the total number of businesses that requested consultations between April and December 2015.

The consultations handled by Yorozu Support Centers are next broken down by subject as shown in Fig. 1-3-36.

The commonest subject is expansion of sales

(26.0%), followed by use of government schemes (7.3%), development of business plans (6.0%), management improvement and business rehabilitation (5.8%), and startups (5.2%).

Fig. 1-3-36 Number of consultations handled by Yorozu Support Centers (by subject)



Source: SMRJ.

Notes: 1. Based on the total number of consultations brought between April and December 2015.

2. "Other" (26.3%) breaks down as follows: "site and productivity improvements" (1.9%), "advertising design" (1.6%), "employment and labor" (1.4%), "business partnerships" (1.1%), and "other" (20.3%).

Below are two examples of the kind of support actually provided by Yorozu Support Centers to

businesses seeking to embark on ventures in new fields.

Case

Case 1-3-1: NeLL Co., Ltd.

(Sapporo City, Hokkaido)

(Planning and production of video content)

<Employees: 3; capital: ¥3 million>

“Conveying the business’s strengths in a business plan to raise the startup funds to open a restaurant overseas”

◆ Company profile

NeLL Co., Ltd. is a video content planning and production company founded in 2010. Its core services consist of video content planning and production and on-location filming coordination and support in Hokkaido, which it delivers using its know-how and knowledge of TV program production.

◆ Background to consultation

The company was planning to open a Japanese restaurant in Australia but was struggling to raise the funds for this venture.

NeLL was planning to venture into a new field of business by opening a Japanese restaurant in Melbourne, Australia. It had applied for startup funding from several financial institutions with no success. As this was its first foray into running a restaurant and also establishing a business overseas, it needed to produce a more concrete business plan, and so it was put in touch with the Hokkaido Yorozu Support Center to help it do so.

◆ Identification and analysis of issues

It needed to produce a concrete plan that would take advantage of its strengths, namely the owner’s overseas business experience and local connections.

Although the venture was the company’s first into restaurant management, it had an enormous amount of information about restaurant management at its disposal thanks to having visited over 700 establishments at home and abroad for filming as part of its TV program production business. Additionally, as the owner had graduated from high school and university in Melbourne, which was the intended location for restaurant, she had extensive local contacts capable of offsetting the business’s lack of experience of restaurant management.

She therefore decided that the business needed to come up with a more concrete business plan that laid out these strengths.

◆ Proposal and implementation of solution

Advised to make its business plan more persuasive by incorporating details of its strengths

The center checked that NeLL’s income and expenditure plan was realistic and, drawing on its coordinator’s²³⁾ expertise, provided its client with information on the overseas Japanese food market and advised it to survey information on subjects including trends in the opening of Japanese-owned eateries in Melbourne. At the same time, it worked with NeLL to produce a more concrete business plan by, for example, looking for possible premises to lease for a restaurant in Melbourne. It also assembled concrete details of its client’s strengths, namely the knowledge that it had gained from many years of filming restaurants and its ample local contacts, and helped it present this information to financial institutions.



Visiting the Yorozu Support Center in Hokkaido for advice
From left to right: Mr. Nakano (Coordinator), Ms. Morohashi (President), and Mr. Onodera (sub-coordinator)

Development of a written business plan, meeting with a financial institution, and detailed investigation of local requirements for opening a restaurant

Assisted by the center, NeLL prepared a written business plan that laid out its strengths and met with a financial institution.

At this time, it received advice on how to give presentations from the center’s sub-coordinator,²⁴⁾ who had extensive experience of working at a regional bank. NeLL also gathered information on premises for lease in Melbourne and made a detailed survey of possible locations, costs, and so on. This not only helped it to identify the challenges associated with opening a restaurant, but also added concrete detail to its business plan.

◆ Outcome of support

Loan application approved, providing the startup funds to achieve its long-held ambition of opening an overseas restaurant

Thanks to its business strengths and the prospect of continued side-by-side support by the center after startup, as well as the detailed nature of its plan, NeLL succeeded in obtaining a loan. Preparations for opening began in earnest, including refurbishment of the premises selected and hiring of staff, and the restaurant served its first customers in December 2015.

◆ Feedback from the client

We had been planning for around a year with the aim of starting up a business in Melbourne, but had been making no headway getting funding and had given up when we were introduced to the center. Thanks to the practical, concrete advice we received regarding, for example, how to go about preparing a business plan, we succeeding in raising the funds we needed and achieved our long-held ambition of opening a restaurant overseas.

◆ Key aspects of support

The focus of support was on examining the results of on-the-spot research and the client’s income and expenditure plan as closely as possible and on making the business plan more concrete and persuasive for the reader in order to convey the client’s strengths. This not only helped the client obtain the funds that it needed, but also facilitated preparations for startup.



The new restaurant in Melbourne

23) “Coordinators” are experts in handling businesses’ management consultations who are assigned to each center. They have excellent skills, knowledge, and experience in assisting SMEs and micro businesses, and are at the hub of these centers’ operations.

24) “Sub-coordinators” assist coordinators in their work.

Case

Case 1-3-2: Eguchi Home Delivery Center
(Ogi City, Saga Prefecture)

(Retail/home delivery service)

<Employees: 0>



Mr. Eguchi (Representative)

“Raising sales by expanding business with an eye to synergies with existing business”

◆ **Company profile**

The owner, Mr. Eguchi, founded the business in 2002 when he returned to his hometown to run a milk delivery service.

Popular for his fleet-footed service and communication skills, he now has about 100 regular customers in not only Saga City but also neighboring cities.

◆ **Background to consultation**

Wanted to venture into new business to expand sales and create jobs

Mr. Eguchi was interested in taking on employees in order to help create local jobs when he heard about the services offered by Saga Prefecture’s Yorozu Support Center through a seminar organized by the center. He therefore decided to give it a visit with the intention of finding a new challenge to take on.

◆ **Identification and analysis of issues**

Necessary to develop business yielding strong synergies with existing business utilizing strengths that the owner was unaware of

The center’s coordinator²⁵⁾ identified the business’s main strengths as being its 100 or so regular customers in Saga Prefecture, its fleet-footed delivery by road, and its owner’s excellent communication skills, active involvement in chamber of commerce and industry workshops and socials, and extensive network of local contacts beyond just his customers. The coordinator’s analysis also highlighted the owner’s detailed knowledge of health matters, and pointed to the need to develop a business that would leverage these unique strengths.

◆ **Proposal and implementation of solution**

Coordinator proposes delivering “quality Saga products, specially selected by Eguchi Home Delivery,” and suggests possible products

The coordinator proposed to Mr. Eguchi that he launch a new service delivering selected Saga products to customers, as this would take advantage of his community-based network of contacts and he could also offer the new service alongside his existing milk delivery service. To get the project off the ground, he suggested providing information online and creating advertising literature. The center helped its client to design these materials through use of a temporary professional services program.

The coordinator also selected and put forward products made by other businesses supported by the center that he felt were a good match with the concept behind the new service.

Customer base expanded by creating a website and distributing leaflets, lineup selected, and sales setup established

With the center’s assistance, the company created advertising leaflets and a website. Mr. Eguchi advertised the service by delivering leaflets during his milk round. He also selected possible products from among those suggested that went well with the concept, and developed a sales setup.

◆ **Outcome of support**

New business gets off the ground, increasing annual sales by 20% and boosting milk round customers by 10% thanks to synergies

Launch of the service increased the business’s annual sales by 20%, while word-of-mouth publicity led to a 10% increase in milk round customers on the previous year due to synergies.

Eguchi Home Delivery Center is now searching out new products to offer through its own network, and expects this to pay off in further sales growth.

◆ **Feedback from the client**

No one else I consulted previously had been able to suggest any concrete solutions, but the Saga Prefecture Yorozu Support Center listened carefully to what I had to say and produced a proposal that looked realistic and low risk (given also the amount of investment involved), and as a result I was able to launch the new service.

◆ **Key aspects of support**

The center’s proposal was informed by a recognition of the importance of generating synergies with existing business, while leveraging the client’s strengths in delivering a service that he would enjoy. The service is expected to produce other benefits too in the form of a new outlet for producers of selected products in Saga Prefecture.



The coordinator, Mr. Imagama, who delivered support



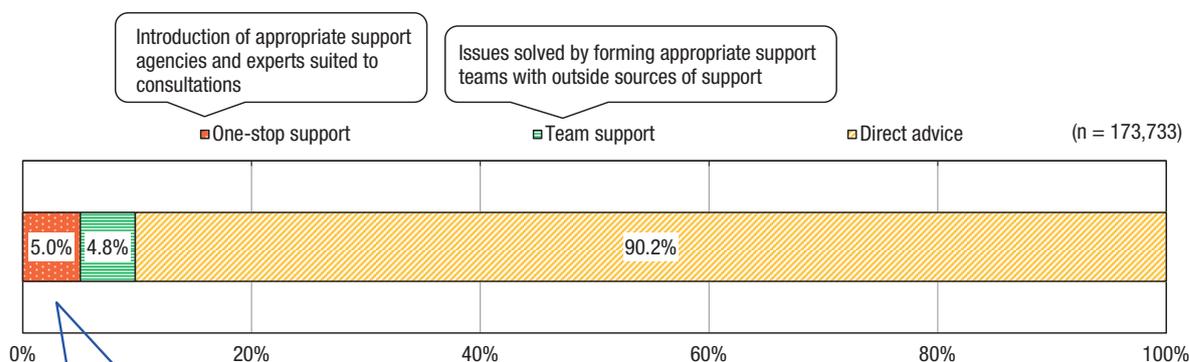
Leaflet created by the owner to explain how he selects what to offer

²⁵⁾ “Coordinators” are experts in handling businesses’ management consultations who are assigned to each center. They have excellent skills, knowledge, and experience in assisting SMEs and micro businesses, and are at the hub of these centers’ operations.

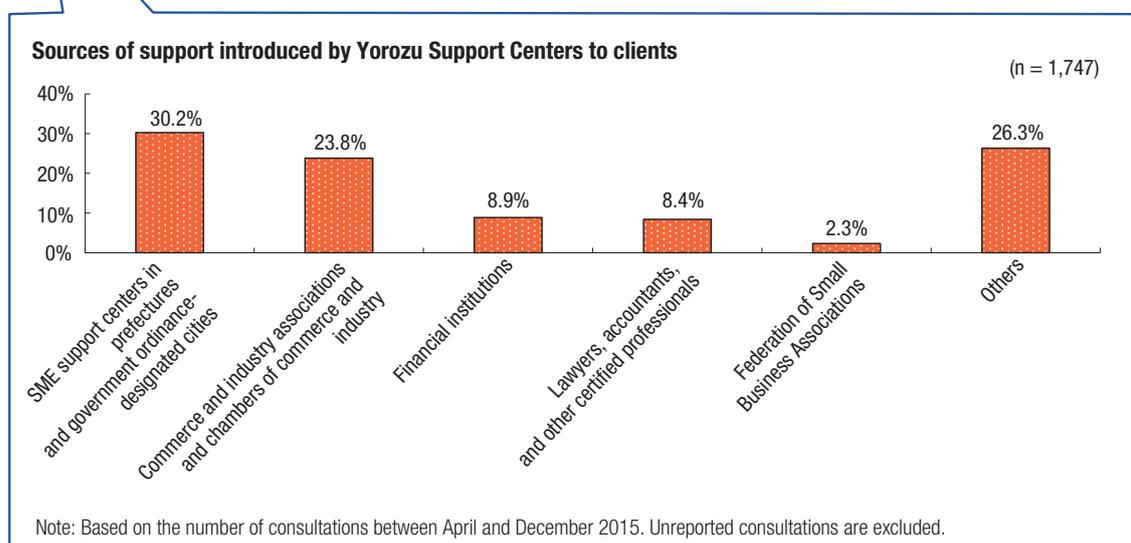
The methods adopted by Yorozu Support Centers to resolve consultations are shown in Fig. 1-3-37. According to this, the commonest response is the provision of direct advice by centers' coordinators and sub-coordinators (90.2%). Yorozu Support Centers also respond to consultations in collaboration with experts from outside support agencies, as well as by using their own experts. In such cases, they provide a "one-stop support" that introduces other appropriate support agencies and experts suited to the nature of

the consultation, and "team support," which consists of forming support teams involving outside sources of support to tackle challenges. Together, these methods are used 9.8% of the time. Regarding "one-stop support," the most commonly used outside source of support introduced by centers to clients are prefectural SME support centers and similar agencies (30.2%), followed by commerce and industry associations and chambers of commerce and industry (23.8%).

Fig. 1-3-37 Methods of solving consultations at Yorozu Support Centers



Note: Based on the number of consultations between April and December 2015.



Note: Based on the number of consultations between April and December 2015. Unreported consultations are excluded.

Source: SMRJ.

Chapter 4 Micro businesses at the local level

Micro businesses that generate most of their sales locally play an important role in supporting their local economies.

The Japanese population is forecast to soon begin to fall in earnest, however, as the effects of ongoing birthrate decline and aging take hold, and it is feared that the business environment faced by micro businesses will grow more difficult by the year as demand shrinks at the local level as a consequence.

With this in mind, the focus of this chapter is on analyzing the relationship between population changes and micro businesses at the local level, and on exploring the significance of micro businesses at the local level from a variety of angles.

Section 1 Population changes and numbers of micro businesses at the local level

This section analyzes the relationship between the populations of municipalities and how many micro

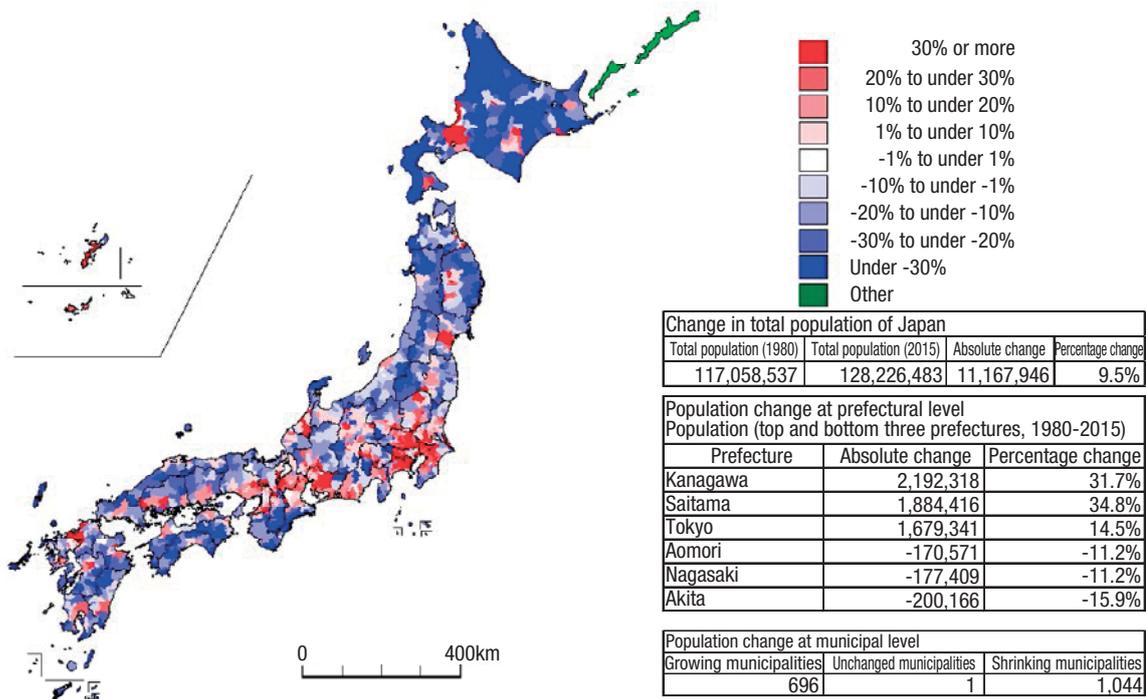
businesses they have.

1 Changes in the demographic structure of Japan

Population change in Japan is considered first. Fig. 1-4-1 shows the changes in population that occurred between 1980 and 2015 by municipality.

From this it can be seen that the population of Japan increased by approximately 11,170,000 overall

during this 35-year period. This was due to population growth in urban areas (principally the special wards of Tokyo, government ordinance-designated cities, and prefectural capitals), and there were marked declines in more rural areas.

Fig. 1-4-1 Population change by municipality (1980-2015)

Sources: Prepared by the SME Agency based on MIC, *1980 National Census*, *Basic Resident Registration* (January 1, 2015).

- Notes:
1. Figures are as of October 1, 1980, for the *National Census*, and as of January 1, 2015, for the *Basic Resident Registration*.
 2. It should be noted that the *National Census* and the *Basic Resident Registration* employ different survey methodologies.
 3. The above map does not represent the entire territory of Japan.

Fig. 1-4-2 shows the rate of change in population between 1980 and 2015 by dividing municipalities into four categories: “special wards of Tokyo + ordinance-designated cities,” “prefectural capitals and cities with a population of 300,000 plus,” “regional cities,” and “towns and villages in rural areas.”

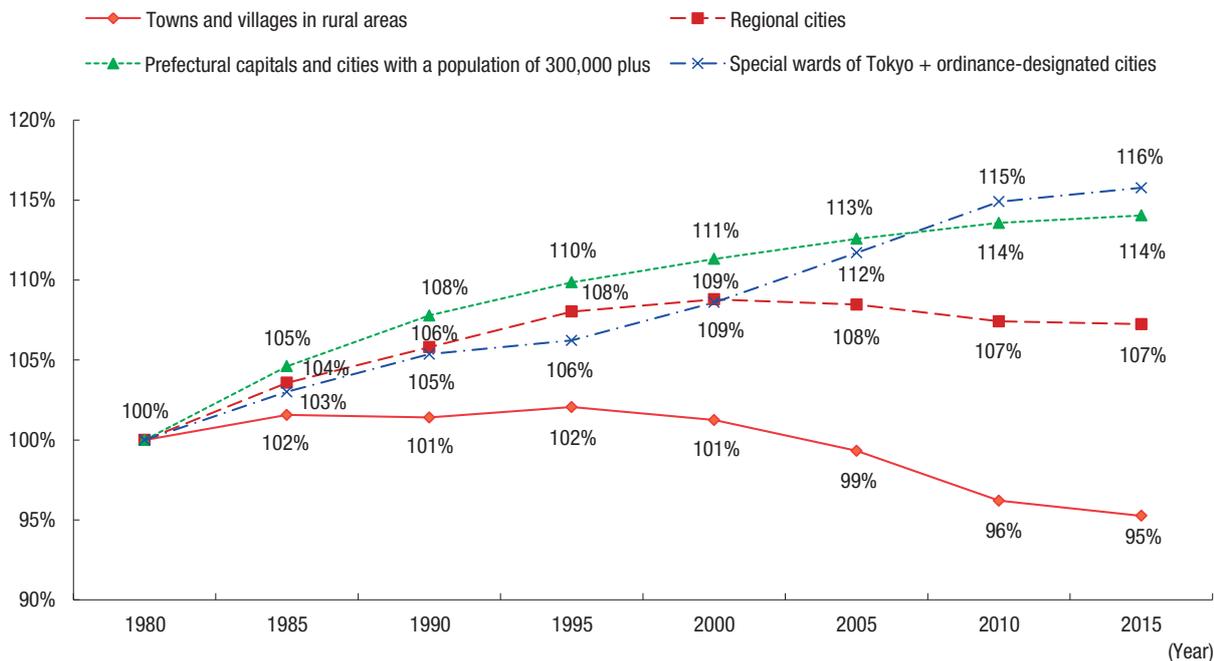
From this it can be seen that the populations of “special wards of Tokyo + ordinance-designated cities” and “prefectural capitals and cities with a population of 300,000 plus” continued to grow (by 16% and 14%

respectively) during this 35-year period.

The population of “regional cities” rose by 9% between 1980 and 2000, but then dipped slightly before holding steady for the rest of the period from 2000 to 2015.

The population of “town and villages in rural areas,” on the other hand, increased slightly before holding steady between 1980 and 1995, but then followed a downward trend between 1995 and 2015.

Fig. 1-4-2 Rates of change in population by category of municipality (1980-2015)



Sources: Prepared by SME Agency based on MIC, *National Census, Basic Resident Registration* (January 1, 2015).

- Notes:
1. Populations are based on MIC's *National Census* for 1980-2010, and on MIC's *Basic Resident Registration* for 2015.
 2. Figures are as of October 1, 1980, of each year for the *National Census*, and as of January 1, 2015, for the *Basic Resident Registration*.
 3. It should be noted that the *National Census* and *Basic Resident Registration* employ different survey methodologies.
 4. "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.
 5. The above data is for 1,741 municipalities categorized in every year according to their classification by the *Basic Resident Registration* as of January 1, 2015.

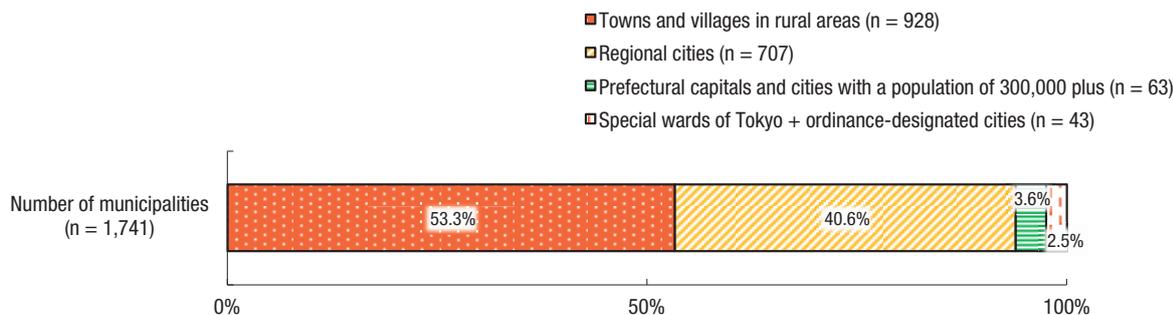
Fig. 1-4-3 shows the proportion of all municipalities in Japan in each of the four categories, and Fig. 1-4-4 shows the proportion of the Japanese population in each of the four categories.

From this it can be seen that "towns and villages in rural areas" make up the majority of municipalities, but

only 8.9% of the population.

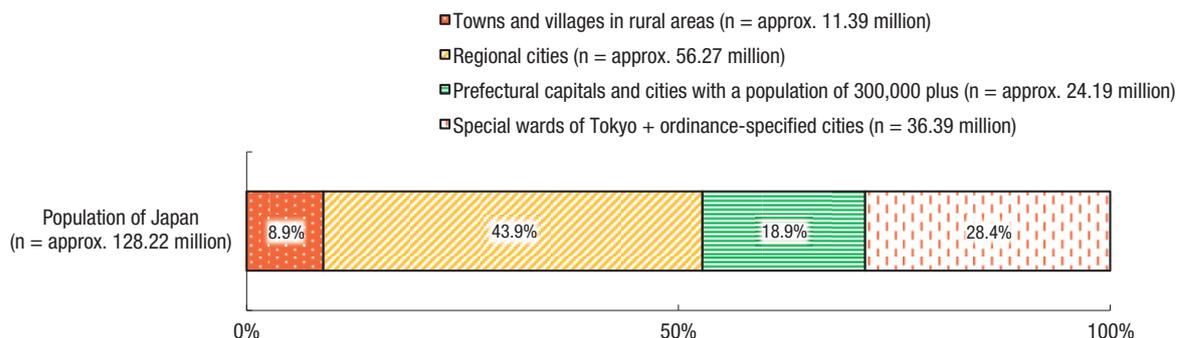
Furthermore, while "towns and villages in rural areas" and "regional cities" together make up over 90% of all municipalities, they account for only about 50% of the population.

Fig. 1-4-3 Distribution of municipalities by category



Source: MIC, *Basic Resident Registration* (January 1, 2015).

Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

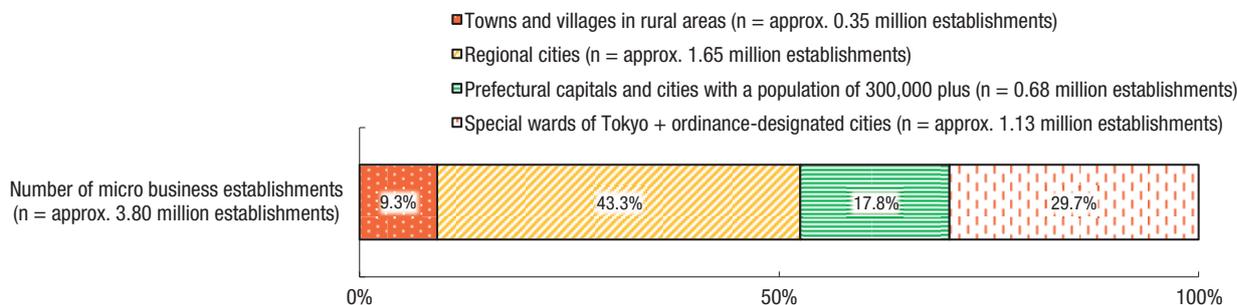
Fig. 1-4-4 Distribution of the Japanese population by category of municipality

Source: MIC, *Basic Resident Registration* (January 1, 2015).

Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-5 shows how Japan's micro business establishments are distributed among these four categories of municipality, and Fig. 1-4-6 shows how workers at micro business establishments in Japan are distributed among these four categories.

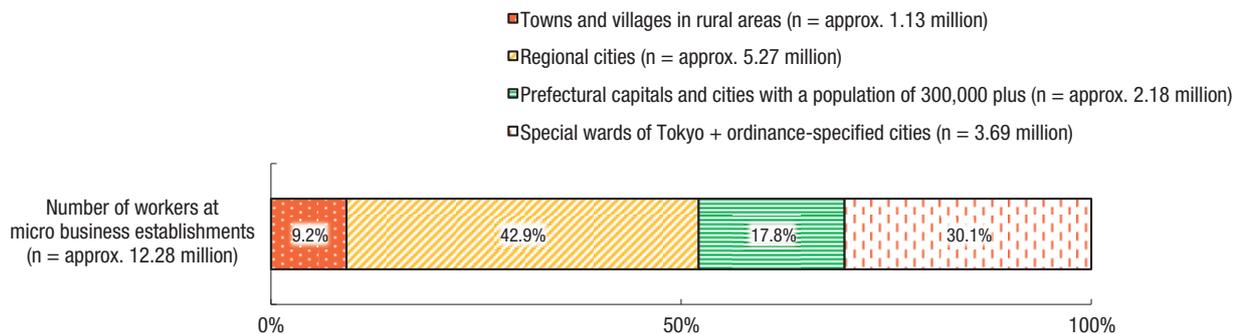
From this it can be seen that the distributions of both micro business establishments and workers at micro business establishments almost exactly mirror the distribution of the population shown in Fig. 1-4-4.

Fig. 1-4-5 Distribution of micro business establishments by category of municipality

Source: MIC, *2014 Economic Census for Business Frame*.

- Notes:
1. "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 4. The above excludes agriculture, forestry, and fisheries.

Fig. 1-4-6 Distribution of workers at micro business establishments by category of municipality



Source: MIC, 2014 Economic Census for Business Frame.

- Notes:
1. "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 4. The above excludes agriculture, forestry, and fisheries.

2 Municipality population size and number of micro business establishments

In order to explore the conditions that micro businesses are likely to face at the local level once Japan's demographic decline begins in earnest, the relationship between the number of micro business establishments in a region and the population of that region is analyzed in more detail below.

The relationship between the number of micro business establishments and the population of a municipality is considered first.

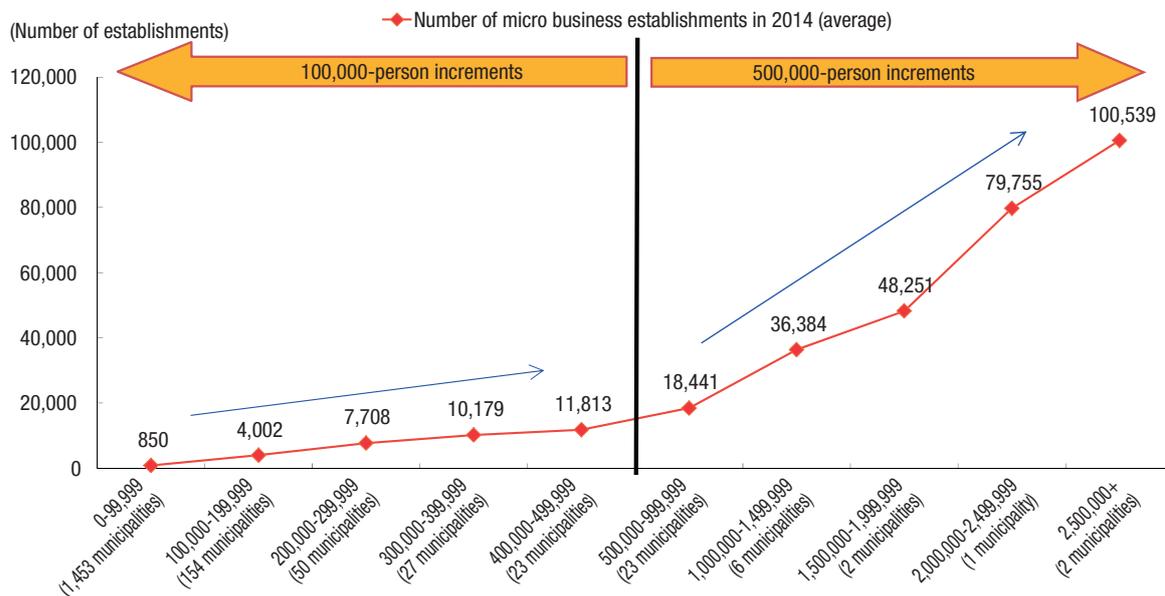
Fig. 1-4-7 shows the correlation between the population size (as of January 1, 2015) of 1,741 municipalities nationwide and the numbers of micro

business establishments in these municipalities. From this it can be seen that the number of business establishments is almost directly proportional to the population size of a municipality.

As 1,453 (83.5%) of these 1,741 municipalities have a population of less than 100,000, this size group is next analyzed in more detail by dividing it into increments of 20,000 as shown in Fig. 1-4-8.

In this case, too, the number of micro business establishments is almost directly proportional to the population size of municipalities.

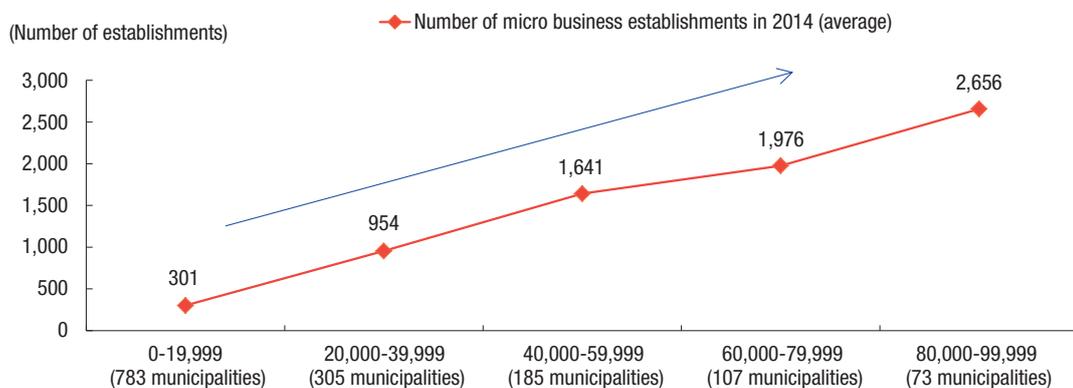
Fig. 1-4-7 Correlation between municipality population size and number of micro business establishments



Sources: MIC, 2014 Economic Census for Business Frame, Basic Resident Registration (January 1, 2015).

- Notes: 1. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
- 2. The above excludes agriculture, forestry, and fisheries.
- 3. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).

Fig. 1-4-8 Correlation between municipality population size and number of micro business establishments (municipalities with a population of under 100,000)



Sources: MIC, 2014 Economic Census for Business Frame, Basic Resident Registration (January 1, 2015).

- Notes: 1. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
- 2. The above excludes agriculture, forestry, and fisheries.
- 3. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).

Having observed that the number of micro business establishments is almost directly proportional to population size, the number of micro business establishments per 1,000 population is next examined in Fig. 1-4-9 and Fig. 1-4-10.

From these it can be seen that there are between 27 and 35 micro business establishments per 1,000

population (based on the population figures for 2015), and the national average is 30 per 1,000 population.

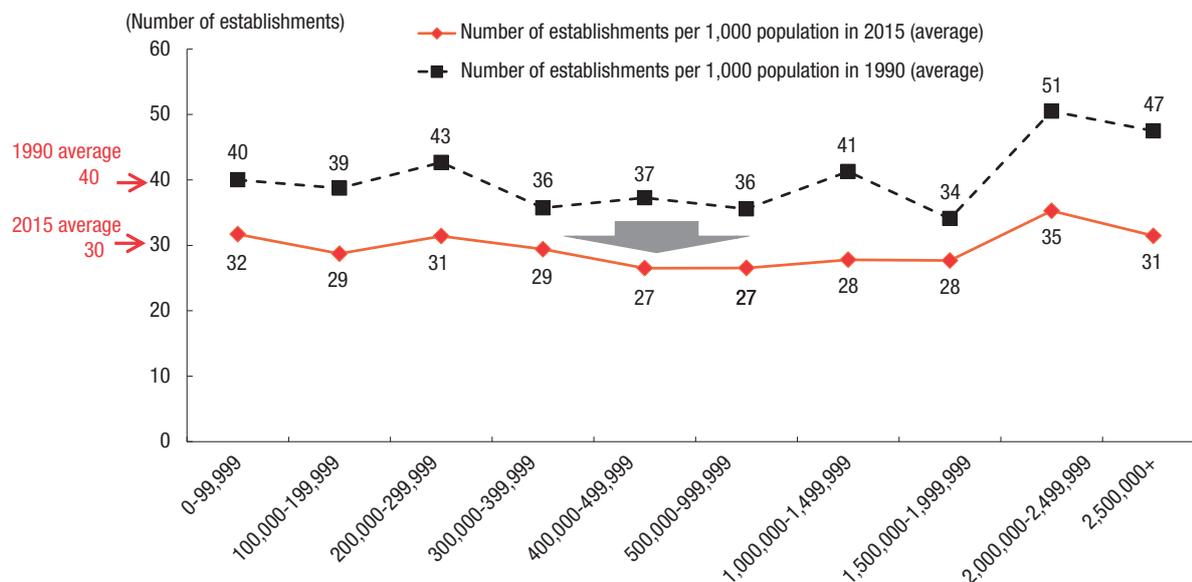
When the population figures for 1990 are used, the number of establishments per 1,000 population is between 34 and 51, and the national average is 40 per 1,000 population.

The nationwide average number of micro business establishments per 1,000 population thus fell from 40 to 30 over the 25-year period from 1990 to 2015.

The decline in the number of micro business

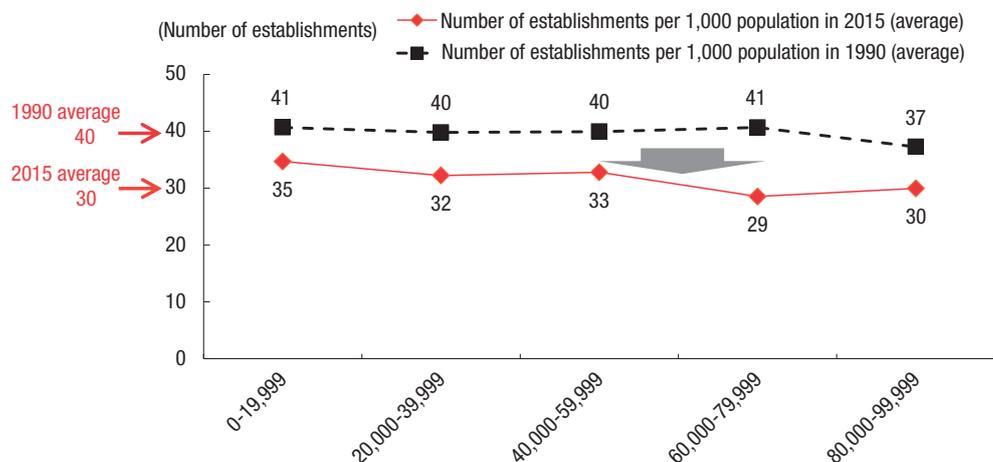
establishments thus exceeded the rate of regional population decline, which suggests that local micro businesses have faced difficult business conditions.

Fig. 1-4-9 Number of micro business establishments per 1,000 population



Sources: MIC, 2014 Economic Census for Business Frame, 1991 Establishment Census, Basic Resident Registration (January 1, 2015), 1990 National Census.
 Notes: 1. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 2. The above excludes agriculture, forestry, and fisheries.
 3. Published statistics on “establishments with a total workforce of up to 19 or up to 4” are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).

Fig. 1-4-10 Number of micro business establishments per 1,000 population (municipalities with a population of under 100,000)



Sources: MIC, 2014 Economic Census for Business Frame, 1991 Establishment Census, Basic Resident Registration (January 1, 2015), 1990 National Census.
 Notes: 1. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 2. The above excludes agriculture, forestry, and fisheries.
 3. Published statistics on “establishments with a total workforce of up to 19 or up to 4” are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).

3 Changes in population and number of micro business establishments

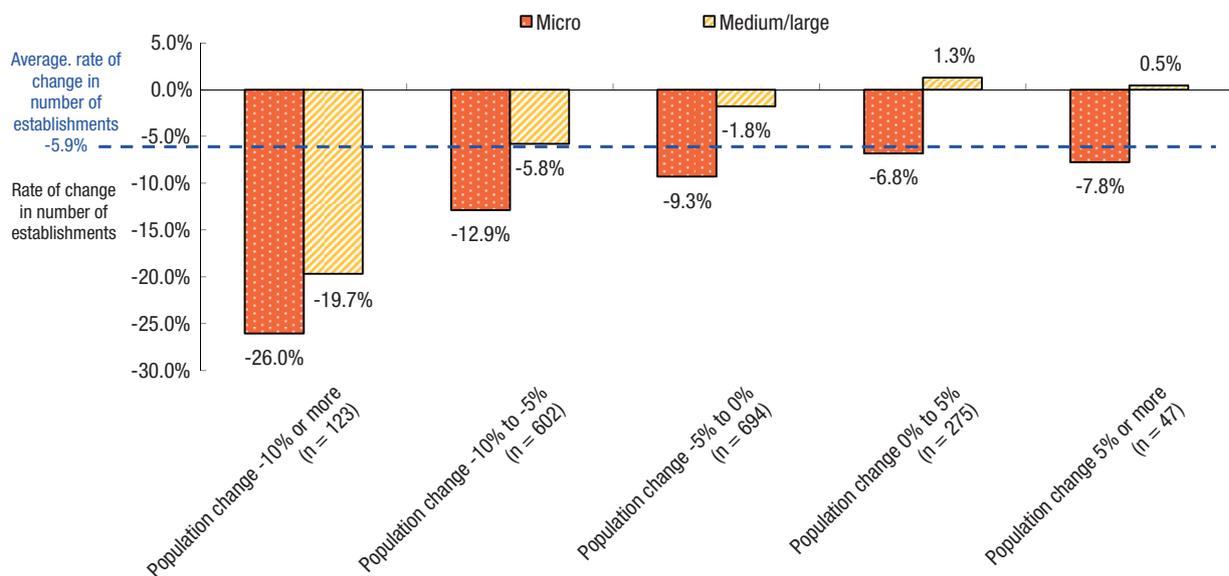
The relationship between the rate of change in the population of 1,741 municipalities nationwide between 2010 and 2015 and the rate of change in the number of establishments by size between 2009 and 2014 is shown in Fig. 1-4-11.

From this it can be seen that the 123 municipalities whose populations declined by more than 10% between 2010 and 2015 saw particularly large decreases in the numbers of micro business establishments (-26.0%) and medium and large business establishments (-19.7%).

The rates of decline in the number of business establishments were greater in municipalities with high rates of population decrease than those with low rates of population decrease, and the rate of decline in micro business establishments was higher than that for medium and large business establishments.

This indicates that micro businesses are more susceptible than medium and large businesses to the effects of demographic change.

Fig. 1-4-11 Relationship between rate of change in population (2010-2015) and rate of change in number of business establishments (2009-2014)



Sources: MIC, 2009 Economic Census for Business Frame, 2014 Economic Census for Business Frame, Basic Resident Registration (2010, 2015).

- Notes:
1. Rates of change indicate the change in population between 2010 and 2015, and the change in number of business establishments between 2009 and 2014.
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Published statistics on "establishments with a total workforce of up to 19 or up to 4" are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 4. The above excludes agriculture, forestry, and fisheries.

4 Differences in industrial structure between rural areas and major urban areas

This sub-section examines the differences in industrial structure between major urban areas and more rural areas.

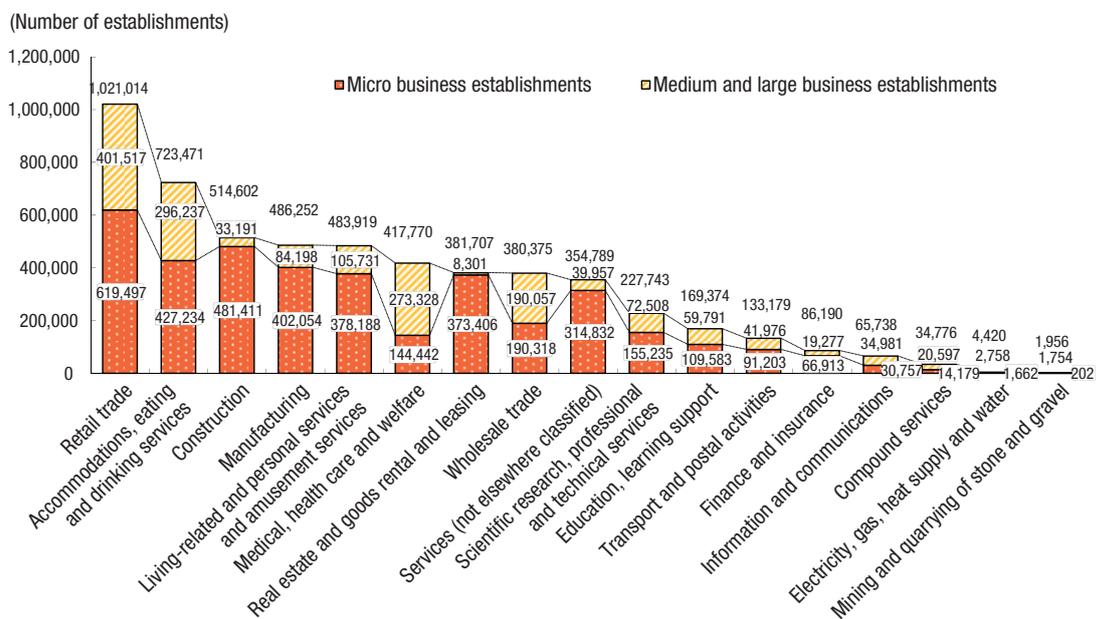
Before proceeding, the nationwide distribution of business establishments by industry is examined in Fig. 1-4-12.

As can be seen, the retail trade has the highest number of establishments (approximately 1,020,000), followed by accommodations, eating and drinking services

(approximately 720,000), construction (approximately 510,000), manufacturing (approximately 490,000), and living-related and personal services and amusement services (approximately 480,000).

Of these establishments, micro business establishments account for approximately 620,000 in the retail trade, 480,000 in construction, 430,000 in accommodations, eating and drinking services, and 400,000 in manufacturing.

Fig. 1-4-12 Number of business establishments by industry (at major industry group level)



Source: MIC, 2014 Economic Census for Business Frame.

- Notes:
1. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 2. The above excludes agriculture, forestry, and fisheries.
 3. Published statistics on “establishments with a total workforce of up to 19 or up to 4” are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 4. Business establishments with an unknown number of workers are excluded.

Next, in order to clarify the differences in industrial structure between rural areas and major urban areas, the industrial structures of “towns and villages in rural areas” and “major cities (special wards of Tokyo and ordinance-designated cities)” are compared. Fig. 1-4-13 compares the total number of business establishments per 1,000 population by industry (at the major industry group level) in rural areas and major cities expressed as a ratio between the two.

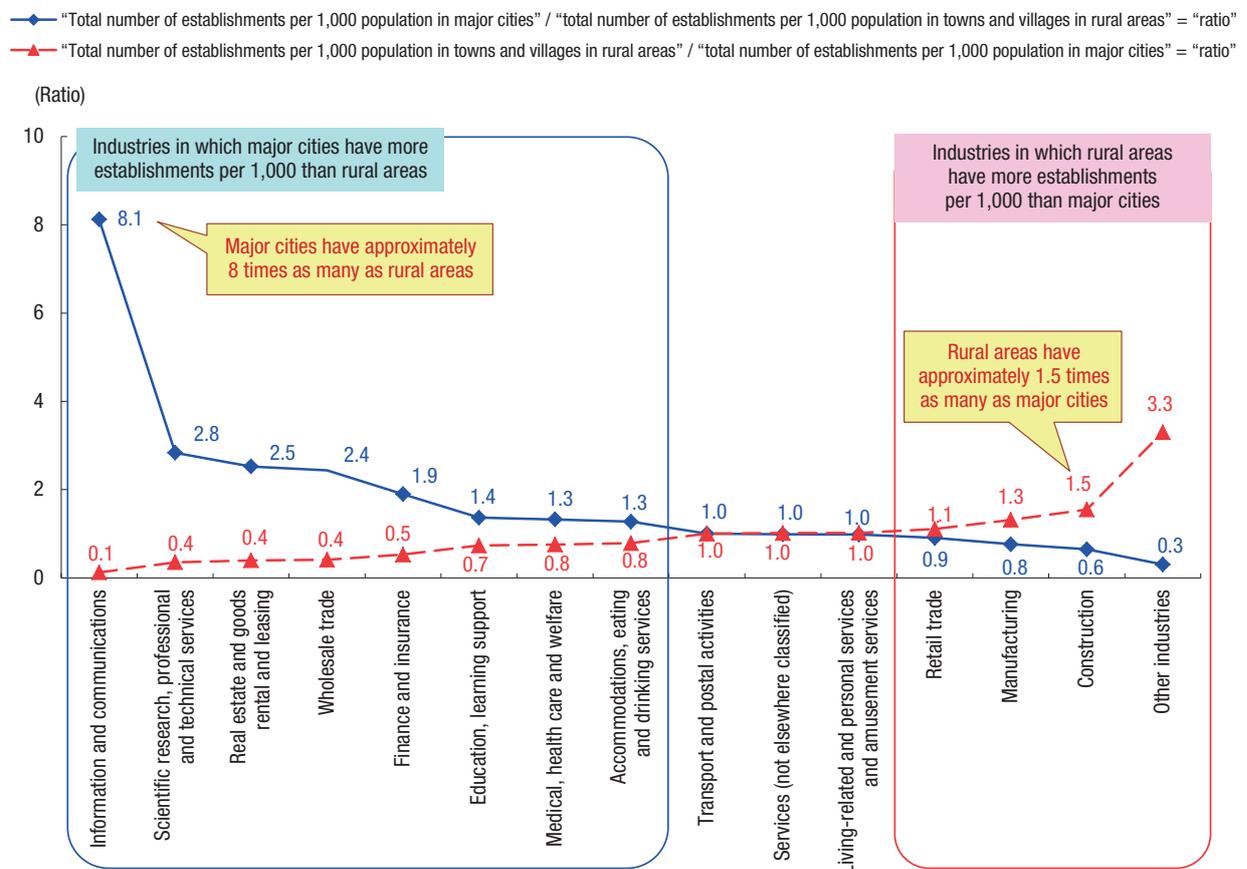
From this it can be seen that the industries in which “major cities (special wards of Tokyo and ordinance-designated cities)” have more establishments per 1,000 population than “towns and villages in rural areas” are information and communications (8.1 times as many), scientific research, professional and technical services (2.8 times as many), real estate and goods rental and leasing (2.5 times as many), the wholesale trade (2.4 times as many), finance and insurance (1.9 times as many), education, learning support (1.4 times as many), medical, health care and welfare (1.3 times as many), and accommodations, eating and drinking services (1.3 times as many).

as many), medical, health care and welfare (1.3 times as many), and accommodations, eating and drinking services (1.3 times as many).

On the other hand, the industries in which “towns and villages in rural areas” have more than “major cities (special wards of Tokyo and ordinance-designated cities)” are other industries (1.3 times as many), construction (1.5 times as many), manufacturing (1.3 times as many), and the retail trade (1.1 times as many).

Little difference is observable between rural areas and major cities in industries that are closely associated with everyday life, such as living-related and personal services and amusement services (1.0 times as many), which consist mostly of hairdressing and beauty salons, barbershops, and laundries; services (not elsewhere classified) (1.0 times as many), which consist mostly of automobile maintenance services; and transport and postal activities (1.0 times as many), which consist mostly of transport services.

Fig. 1-4-13 Total numbers of establishments per 1,000 population (comparison of ratios between rural areas and major cities)



Sources: MIC, 2014 Economic Census for Business Frame, Basic Resident Registration (January 1, 2015).

- Notes:
1. “Major cities” here means “special wards of Tokyo + ordinance-designated cities.”
 2. Industry categories are major industry groups according to MIC, *Japan Standard Industrial Classification*.
 3. “Other industries” covers the following: mining and quarrying of stone and gravel; electricity, gas, heat supply and water; and compound services.

A similar comparison of the numbers of micro business establishments is shown in Fig. 1-4-14.

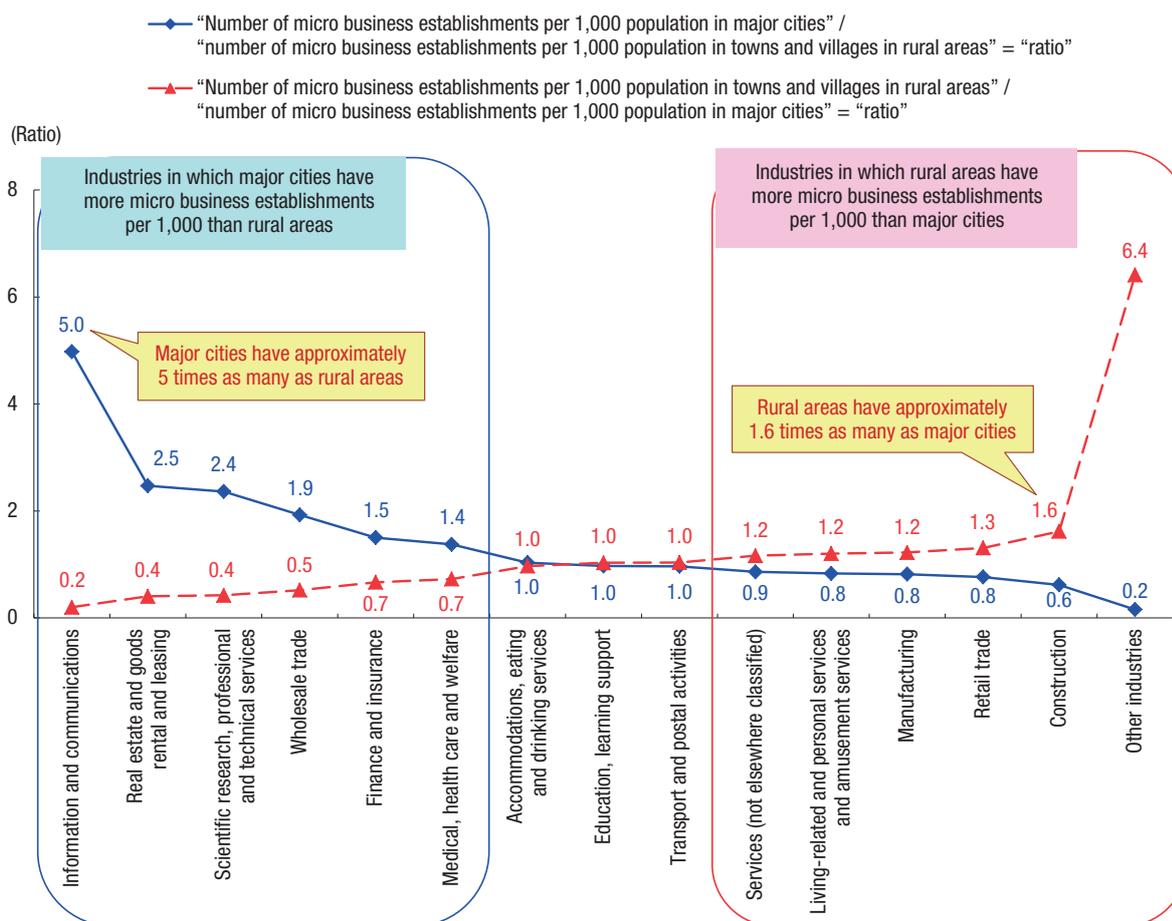
From this it can be seen that “major cities (special wards of Tokyo + ordinance-designated cities)” have more establishments per 1,000 population than “towns and villages in rural areas” in information and communications (5.0 times as many), real estate and goods rental and leasing (2.5 times as many), scientific research, professional and technical services (2.4 times as many), the wholesale trade (1.9 times as many), finance and insurance (1.5 times as many), and medical, health care and welfare (1.4 times as many).

On the other hand, “towns and villages in rural areas” have more establishments per 1,000 population

than “major cities (special wards of Tokyo + ordinance-designated cities)” in other industries (6.4 times as many), construction (1.6 times as many), the retail trade (1.3 times as many), and manufacturing (1.2 times as many), and also in living-related and personal services and amusement services (1.2 times as many) and services (not elsewhere classified) (1.2 times as many).

The gap between rural and urban areas is small in accommodations, eating and drinking services (1.0 times as many), education, learning support (1.0 times as many), and transport and postal activities (1.0 times as many).

Fig. 1-4-14 Numbers of micro business establishments per 1,000 population (comparison of ratios between rural areas and major cities)



Sources: MIC, 2014 Economic Census for Business Frame, Basic Resident Registration (January 1, 2015).

- Notes:
1. “Major cities” here means “special wards of Tokyo + ordinance-designated cities.”
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Published statistics on “establishments with a total workforce of up to 19 or up to 4” are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 4. “Other industries” covers the following: mining and quarrying of stone and gravel; electricity, gas, heat supply and water; and compound services.

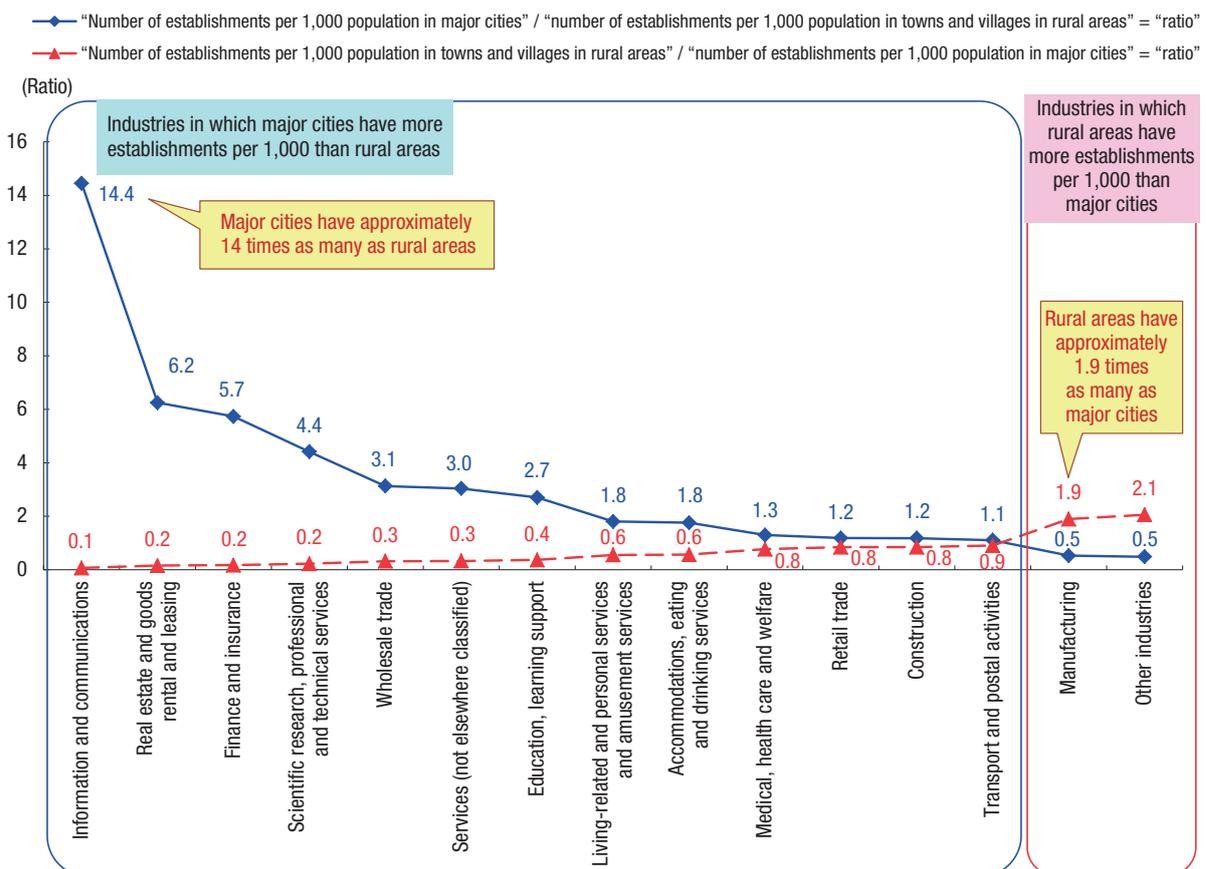
For reference, a similar comparison is shown for medium and large business establishments in Fig. 1-4-15.

From this it can be seen that the industries in which “major cities (special wards of Tokyo + ordinance-designated cities)” have more establishments per 1,000 population than “towns and villages in rural areas” are information and communications (14.4 times as many), real estate and goods rental and leasing (6.2 times as many), finance and insurance (5.7 times as many), scientific research, professional and technical services (4.4 times as many), the wholesale trade (3.1 times as many), services (not elsewhere classified) (3.0 times as many), education, learning support (2.7 times as many), living-related and personal services and amusement services (1.8 times as many), accommodations, eating and drinking services (1.8 times as many), medical, health care and welfare (1.3 times as many), the retail trade (1.2 times as many), construction (1.2 times as many), and transport and postal activities (1.1 times as many).

many), education, learning support (2.7 times as many), living-related and personal services and amusement services (1.8 times as many), accommodations, eating and drinking services (1.8 times as many), medical, health care and welfare (1.3 times as many), the retail trade (1.2 times as many), construction (1.2 times as many), and transport and postal activities (1.1 times as many).

On the other hand, “towns and villages in rural areas” have more establishments per 1,000 population than “major cities (special wards of Tokyo + ordinance-designated cities)” in other industries (2.1 times as many) and manufacturing (1.9 times as many).

Fig. 1-4-15 Numbers of medium and large business establishments per 1,000 population (comparison of ratios between rural areas and major cities)



Sources: MIC, *2014 Economic Census for Business Frame, Basic Resident Registration* (January 1, 2015).

- Notes:
1. “Major cities” here means “special wards of Tokyo + ordinance-designated cities.”
 2. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 3. Published statistics on “establishments with a total workforce of 20 or more, or 5 or more” are used. Note that these definitions differ from the definition of medium enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 21 or more regular employees, or 6 or more in certain industries).
 4. “Other industries” covers the following: mining and quarrying of stone and gravel; electricity, gas, heat supply and water; and compound services.

Fig. 1-4-16 shows the industrial distribution of micro business establishments by category of municipality.

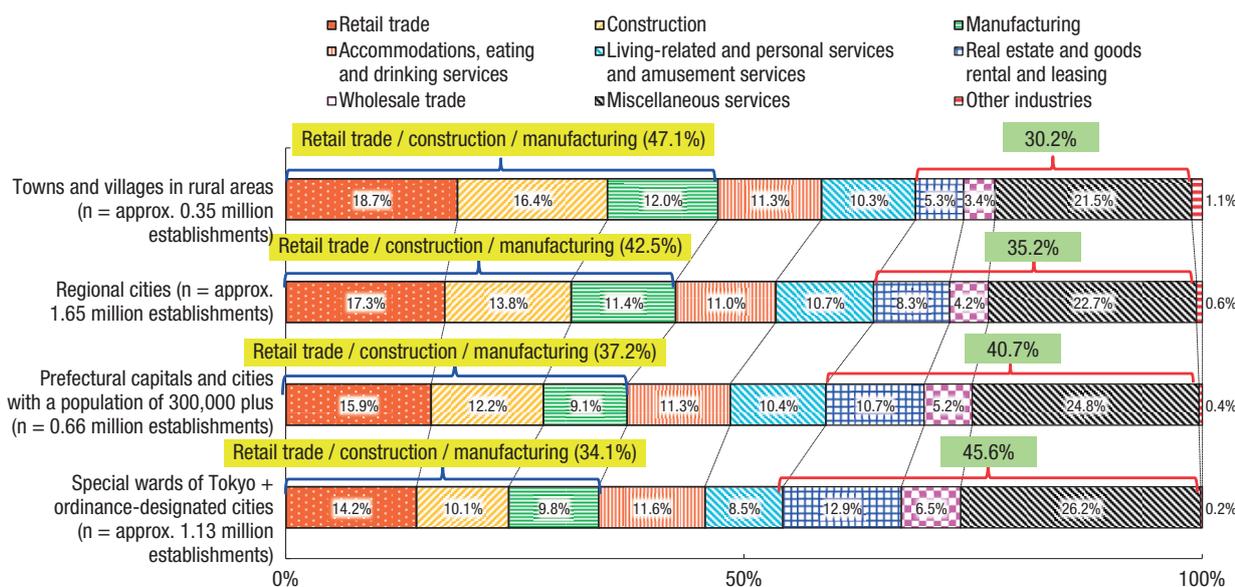
From this it can be seen that in “towns and villages in rural areas,” high proportions are to be found in the retail trade (18.7%), construction (16.4%), and manufacturing (12.0%), and these three industries together account for 47.1% of the total. In the other categories of municipality, these three industries account for 42.5% of the total in “regional cities,” 37.2% in “prefectural capitals and cities with a population of 300,000 plus,” and 34.1% in “special wards of Tokyo + ordinance-designated cities.”

In “special wards of Tokyo + ordinance-designated cities,” on the other hand, high proportions are to be found in real estate and goods rental and leasing

(12.9%), the wholesale trade (6.5%), and miscellaneous services (26.2%), and these three industries together account for 45.6% of the total. In the other categories of municipality, these three industries account for 40.7% of the total in “prefectural capitals and cities with populations with a population of 300,000 plus,” 35.2% in “regional cities,” and 30.2% in “towns and villages in rural areas.”

The proportion of micro business establishments thus rises in more rural areas in the retail trade, construction, and manufacturing, and conversely the proportion rises in more urban areas in mainly service-related industries such as real estate goods rental and leasing, the wholesale trade, and miscellaneous services.

Fig. 1-4-16 Percentage breakdown by industry of number of micro business establishments (by category of municipality)



Sources: MIC, 2014 Economic Census for Business Frame.

- Notes:
1. Figures represent the number of establishments, and not the number of enterprises obtained by counting all establishments operated by the same enterprise as a single establishment.
 2. Published statistics on “establishments with a total workforce of up to 19 or up to 4” are used. Note that these definitions differ from the definition of small enterprises provided by the Small and Medium-sized Enterprise Basic Act (enterprises with 20 or fewer regular employees, or 5 or fewer in certain industries).
 3. Total of non-agriculture, forestry and fishery.
 4. “Miscellaneous services” covers the following: information and communications; transport and postal activities; finance and insurance; scientific research, professional and technical services; education, learning support; medical, health care and welfare; and services (not elsewhere classified).
 5. “Other industries” covers the following: mining and quarrying of stone and gravel; electricity, gas, heat supply and water; and compound services.

Section 2 Business activities of micro businesses in each category of municipality

This section uses the questionnaire results of the *Survey on the Conditions of Business Activities of Micro Businesses*¹⁾ to examine the various business

activities of micro businesses according to the category of municipality in which they are located.

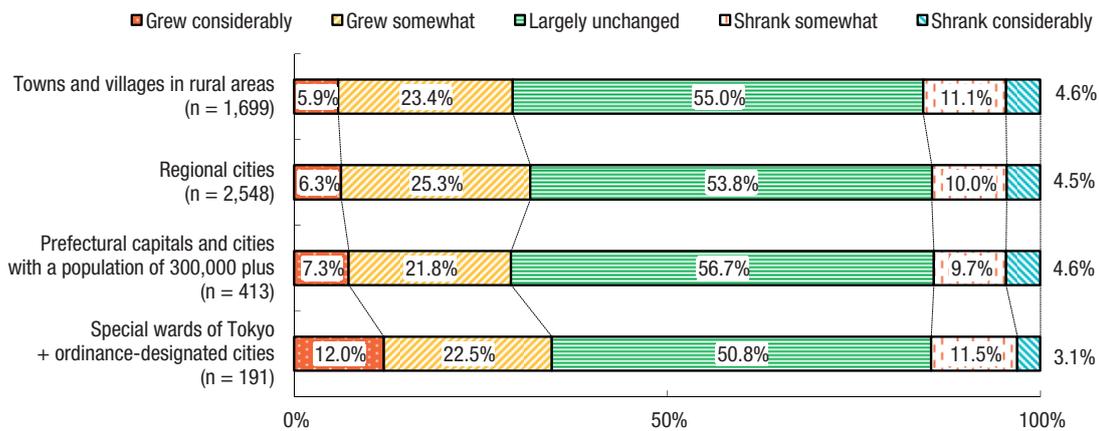
1 Business activities of micro businesses by category of municipality

Fig. 1-4-17 shows the trends in size of micro businesses' sales areas (i.e., whether they grew or shrank) over the last three years according to the category of municipality in which they are located.

of Tokyo + ordinance-designated cities," 29.1% in "prefectural capitals and cities with a population of 300,000 plus," 31.6% in "regional cities," and 29.3% in "towns and villages in rural areas." Trends in growth in sales areas thus do not vary greatly between the four categories of municipality.

From this it can be seen that the proportion that reported that their sales areas either "grew considerably" or "grew somewhat" was 34.5% in "special wards

Fig. 1-4-17 Trends in size of sales areas according to category of municipality (in last three years)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

1) An online survey of micro businesses belonging to the Central Federation of Societies of Commerce and Industry and the Japan Chamber of Commerce and Industry. It was commissioned by the Small and Medium Enterprise Agency (SME Agency) and conducted by the Applied Research Institute, Inc. in January 2016. It received 4,857 valid responses.

Trends in micro business sales over the last three years broken down by category of municipality are shown next in Fig. 1-4-18.

This reveals there to be little variation between “towns and villages in rural areas,” “regional cities,” and “prefectural capitals and cities with a population of 300,000 plus,” with almost equal proportions (just under 30%) in all three reporting that sales are rising.

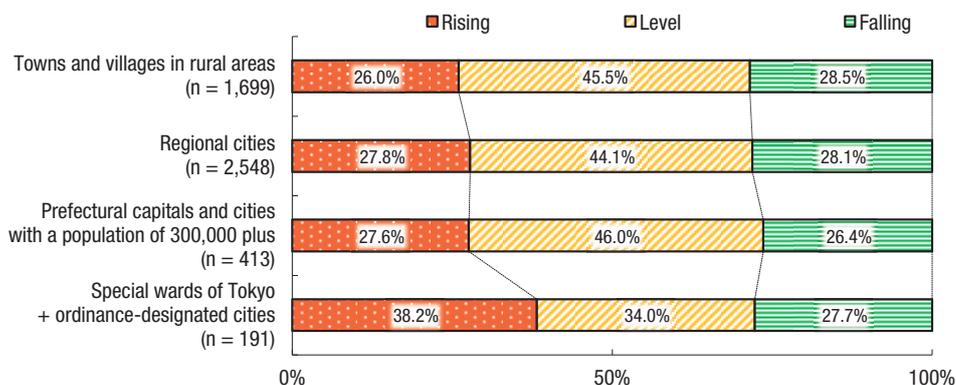
In “special wards of Tokyo + ordinance-designated cities,” on the other hand, a higher proportion than in the other categories (approximately 40%) said that sales were rising.

Expected sales trends over the coming three years

are shown in Fig. 1-4-19.

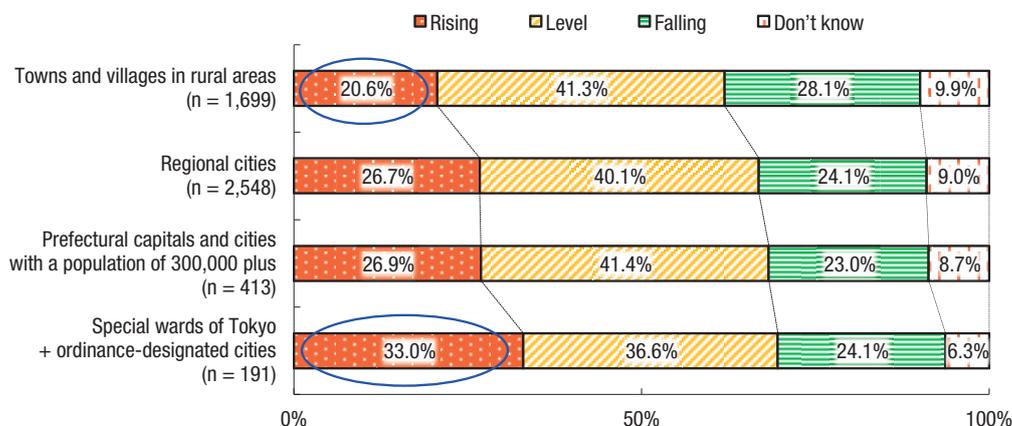
From this it can be seen that whereas in “towns and villages in rural areas” the proportion reporting rising sales over the last three years (shown in Fig. 1-4-18) was 26.0%, the proportion saying that they expect sales to rise over the next three years falls to 20.6%. Similarly in the “special wards of Tokyo + ordinance-designated cities,” the proportion falls from 38.2% to 33.0%. These figures suggest that micro businesses in “towns and villages in rural areas” and “special wards of Tokyo + ordinance-designated cities” already feel bearish about the future outlook.

Fig. 1-4-18 Sales trends by category of municipality (in last three years)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: “Regional cities” are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-19 Expected sales trends by category of municipality (over next three years)

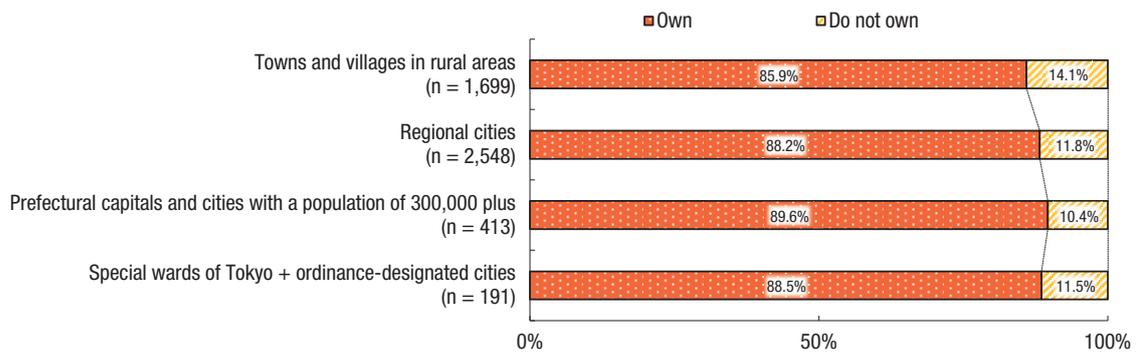


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: “Regional cities” are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

A breakdown of micro businesses' ownership of information appliances by category of municipality is shown in Fig. 1-4-20, and similar breakdowns of their use of IT in information management and in advertising are shown in Fig. 1-4-21 and Fig. 1-4-22.

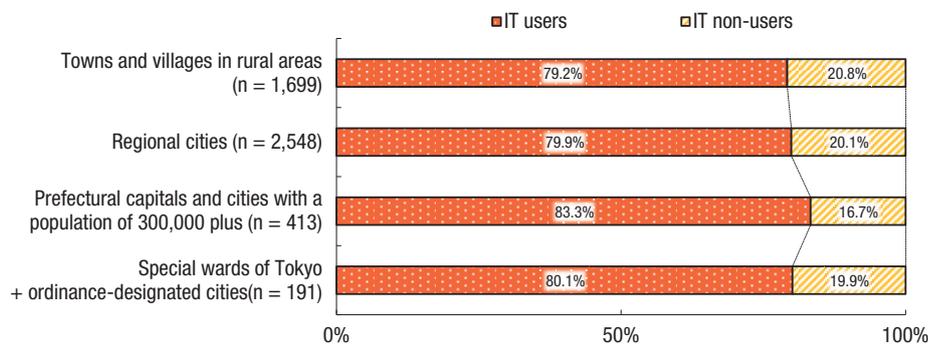
From these it can be seen that, while the rate of "IT use in advertising" is slightly lower in "towns and villages in rural areas," rates of use are almost the same in the other categories of municipality and little regional variation is observable.

Fig. 1-4-20 Ownership of information appliances by category of municipality



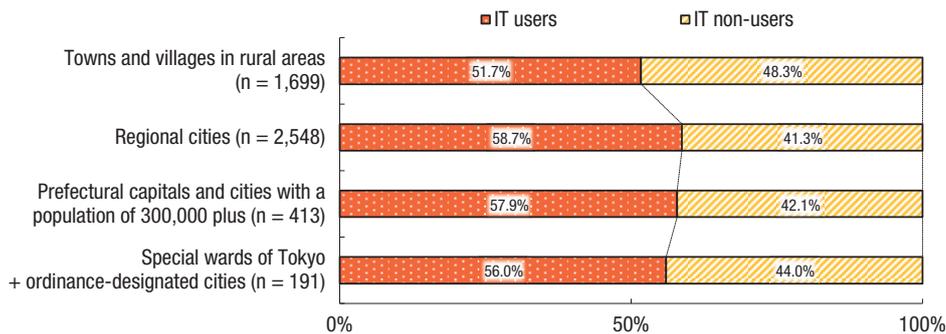
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-21 Use of IT in information management by category of municipality



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-22 Use of IT in advertising by category of municipality

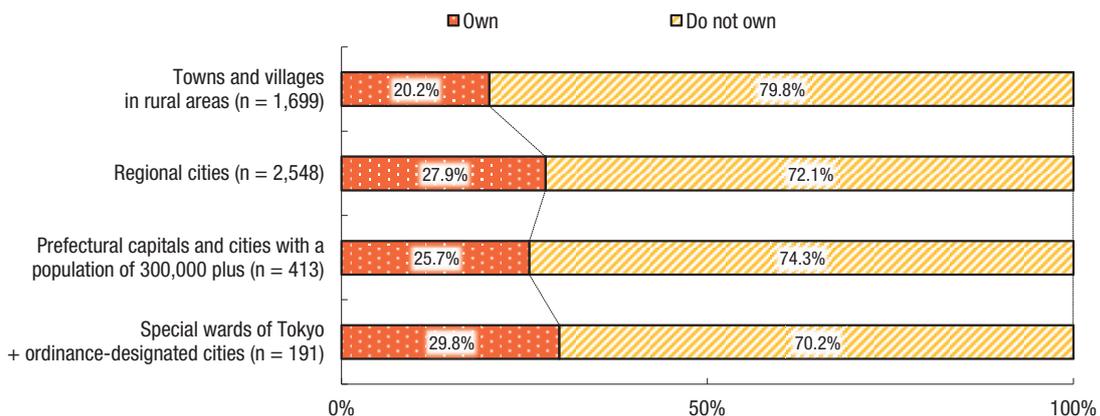


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

A breakdown of micro businesses' ownership of intellectual assets by category of municipality is shown in Fig. 1-4-23.

From this it can be seen that, at 20.2%, ownership of intellectual assets is lower in "towns and villages in rural areas" than in other categories of municipality.

Fig. 1-4-23 Ownership of intellectual assets by category of municipality



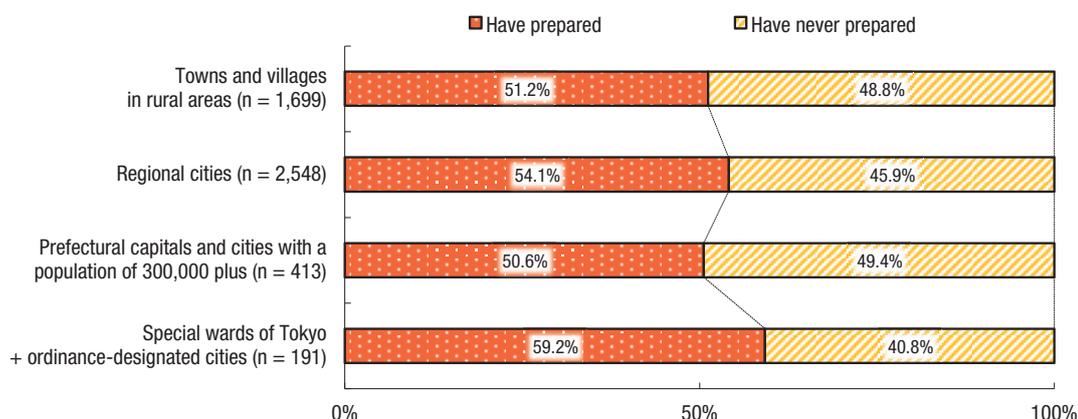
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Notes: 1. "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.
 2. "Intellectual assets" is the term for intangible assets such as human resources, technologies, customer networks, and brands. It extends beyond simply "intellectual property" that is included in industrial property rights, and is the generic term for the various kinds of assets that give a business its edge.

Fig. 1-4-24 shows a breakdown by category of municipality of the proportions of micro businesses that have and have not prepared business plans in the past. This reveals little difference in the proportion that have developed such plans between "towns and villages in rural areas" (51.2%), "regional cities" (54.1%), and "prefectural capitals and cities with a population of 300,000 plus" (50.6%). In "special wards of Tokyo + ordinance-designated cities," on the other hand, the

proportion is a somewhat higher 59.2%.

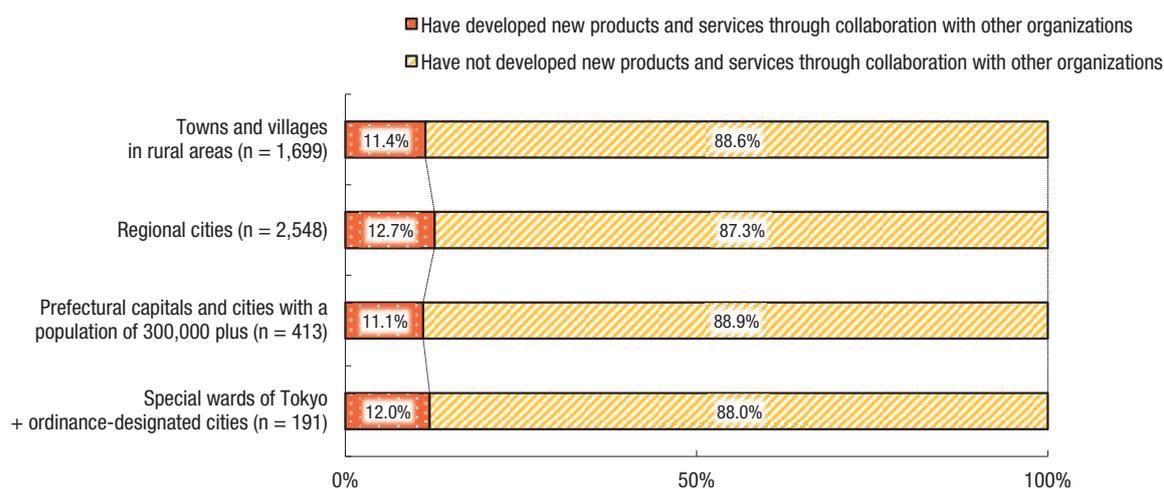
The proportions of micro businesses that have and have not in the past developed new products and services through collaboration with other organizations are shown in Fig. 1-4-25. This reveals little regional difference, with collaboration low at just over 10% in all four categories of municipality.

Fig. 1-4-24 Proportions of micro businesses that have and have not prepared business plans by category of municipality



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-25 Collaboration with other organizations by category of municipality



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

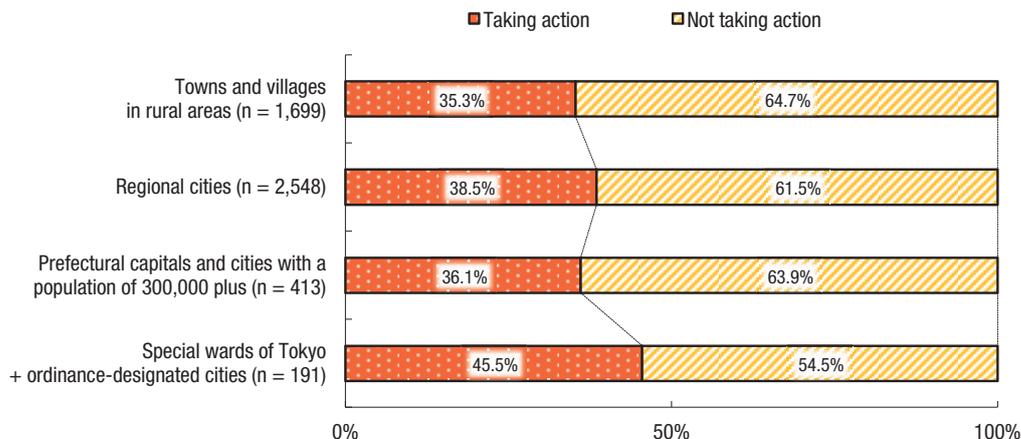
Considered next are breakdowns by category of municipality of the state of action by micro businesses over the past three years to develop human resources (Fig. 1-4-26) and acquire human resources (Fig. 1-4-27).

From these it can be seen that whereas 45.5% of businesses in "special wards of Tokyo + ordinance-

designated cities" are taking action to "develop human resources," a somewhat lower 35-39% are doing so in the other categories of municipality.

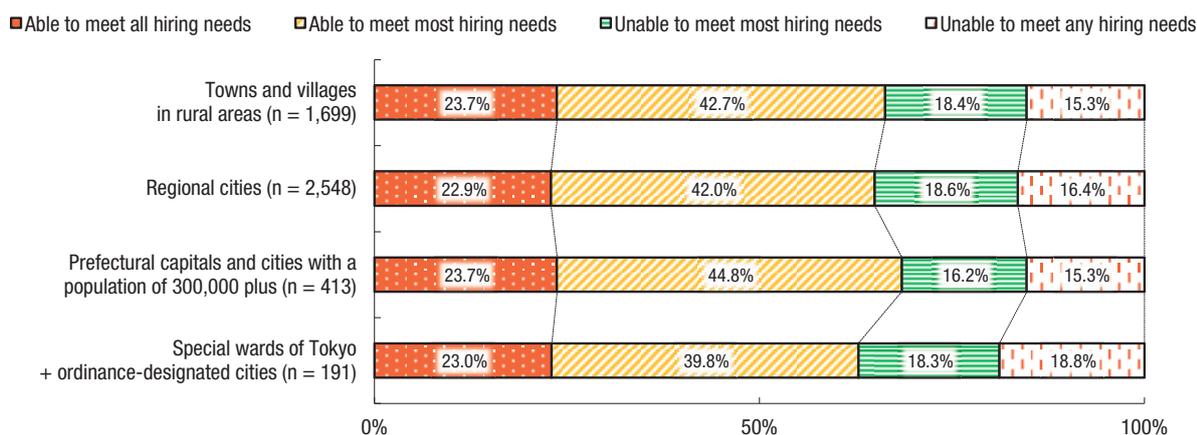
Regarding "acquisition of human resources," the proportion taking action is a little over 20% in all categories of municipality, and no regional variation is observable.

Fig. 1-4-26 State of action to develop human resources by category of municipality (in last three years)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-27 Acquisition of human resource by category of municipality (in last three years)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

This section examined the various business activities of micro businesses in four different categories of municipality, and found that, despite some minor differences, there was no marked disparity between the categories.

From this, it may be concluded that there is

surprisingly little regional disparity in business activities, suggesting that whether or not a micro business engages in various business activities is a more important influence on its development than the geographical constraints imposed by its location.

Section 3 Significance of micro businesses at the local level

This section analyses micro businesses from the point of view of their significance at the local level.

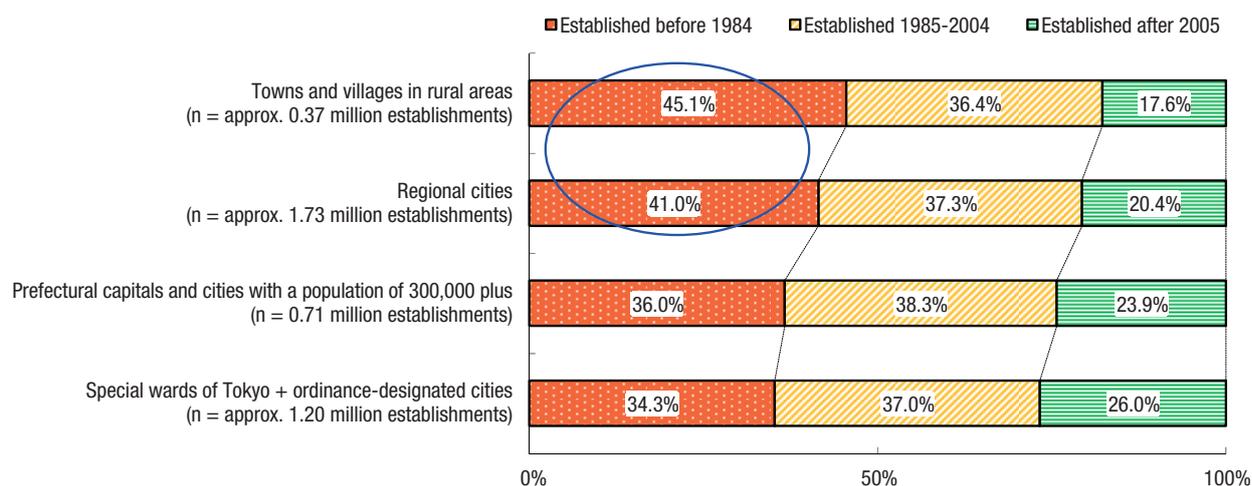
1 Ages of micro businesses at the local level

Fig. 1-4-28 shows the proportion of micro businesses in existence in 2014 that founded business establishments in 1984 or earlier (i.e., the proportion of business establishments that have been in existence for 30 years or more), and the proportion that opened establishments in or after 2005.

From this it can be seen that the proportion of establishments that have been in existence for 30 years or more increases in more rural areas.

This is a reflection of the fact that the more rural a region is, the longer its micro businesses tend to have been engaged in business

Fig. 1-4-28 Period of establishment of micro business establishments in existence in 2014



Source: MIC, 2014 Economic Census for Business Frame.

Note: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

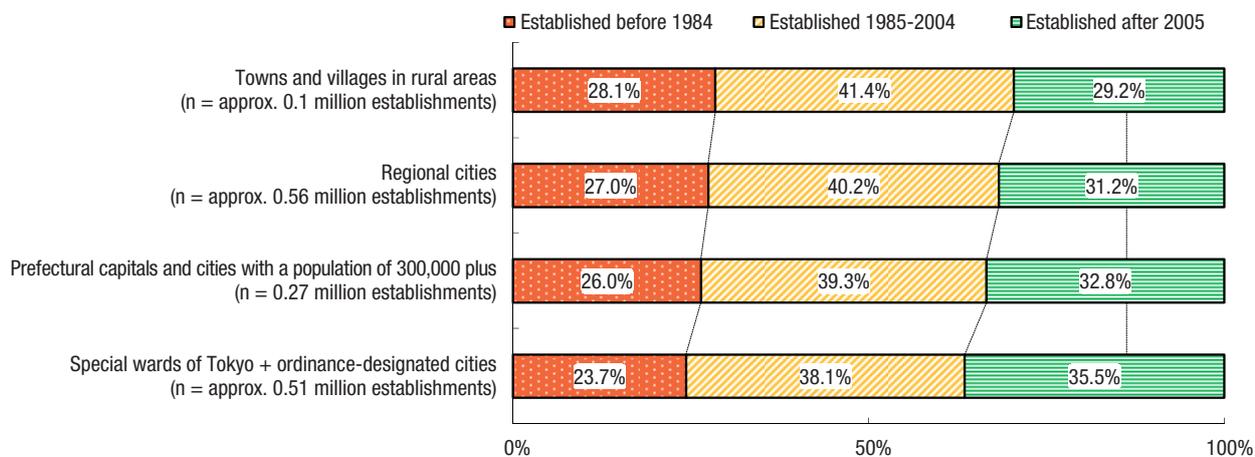
Similarly to Fig. 1-4-28, Fig. 1-4-29 shows an analysis of medium business establishments in existence in 2014.

From this it is apparent that in all categories of municipality, the proportions of medium business establishments that were established before 1984 are higher than the proportions among micro business

establishments shown in Fig. 1-4-28, while the proportions opened after 2005 are higher. It can also be seen that there is less of a disparity between the different categories of municipality than in the case of micro business establishments.

This implies that there is greater turnover among medium businesses than micro businesses.

Fig. 1-4-29 Period of establishment of medium business establishments in existence in 2014



Source: MIC, 2014 Economic Census for Business Frame.

Notes: "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

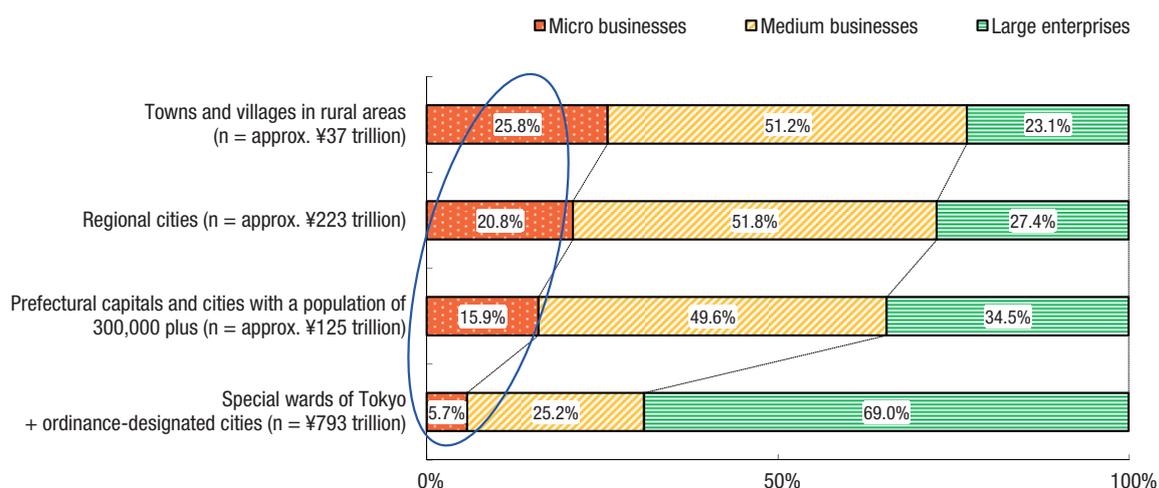
2 Roles and presence of micro businesses at the local level

Fig. 1-4-30 shows a breakdown of sales by enterprise size in each category of municipality.

From this it can be seen that whereas micro businesses account for 5.7% of sales in "special wards of Tokyo + ordinance-designated cities," this figure

risks to 15.9% in "prefectural capitals and cities with a population of 300,000 plus," 20.8% in "regional cities," and 25.8% in "towns and villages in rural areas." Micro businesses' share of sales thus increases in rural areas than urban areas.

Fig. 1-4-30 Breakdown of sales by enterprise size (by category of municipality based on businesses in 2012)



Sources: Recompiled from MIC and METI, 2012 Economic Census for Business Activity

Notes: 1. Over 500,000 out of a total of approximately 3.86 million enterprises did not respond regarding their sales.

2. "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

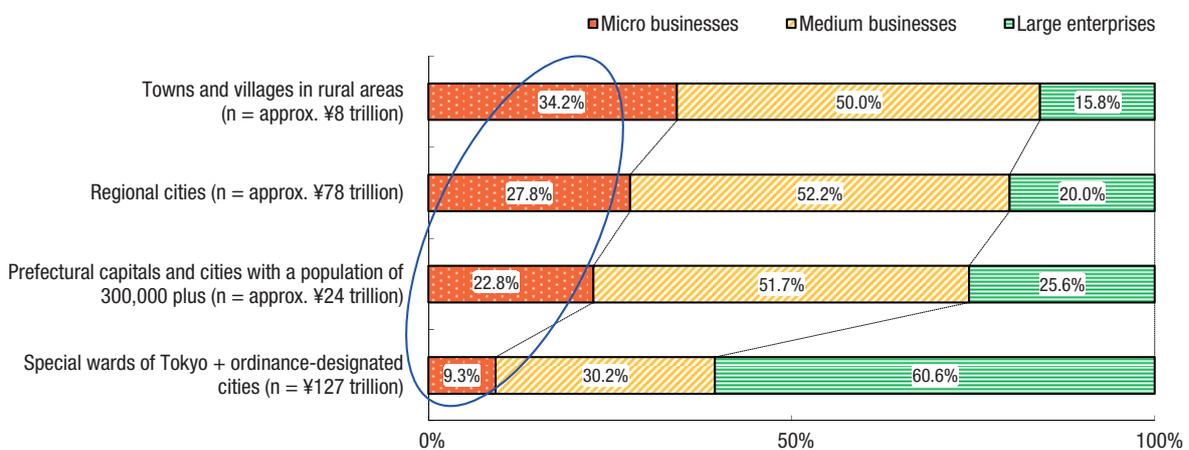
A more accurate measure of enterprises' contributions to economic activity at the local level is value added. Value added is calculated by deducting total expenses from sales, and then adding back gross pay and taxes and public impositions, and it provides a useful measure of the level of a business's contribution to the local economy.

Fig. 1-4-31 shows a breakdown of value added by enterprise size for each category of municipality. From this it can be seen that whereas micro businesses' share of value added in "special wards of Tokyo + ordinance-

designated cities" is 9.3%, this figure rises to 22.8% in "prefectural capitals and cities with a population of 300,000 plus," 27.8% in "regional cities," and 34.2% in "towns and villages in rural areas." The proportion of value added by micro businesses thus increases in rural areas than urban areas.

It may be concluded from this that micro businesses contribute more to their local economies in "regional cities," and even more in "towns and villages in rural areas."

Fig. 1-4-31 Breakdown of value added by enterprise size (by category of municipality based on businesses in 2012)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

- Notes:
1. "Value added" is the value newly generated by production activity at enterprises and other entities, and is calculated by deducting intermediate inputs (such as raw materials) from output. In the *Economic Census for Business Activity*, it is calculated using the following formula: value added = sales - total expenses (cost of sales + selling and general administrative expenses) + gross pay + taxes and public impositions
 2. Over 500,000 out of a total of approximately 3.86 million enterprises did not respond regarding their sales.
 3. "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

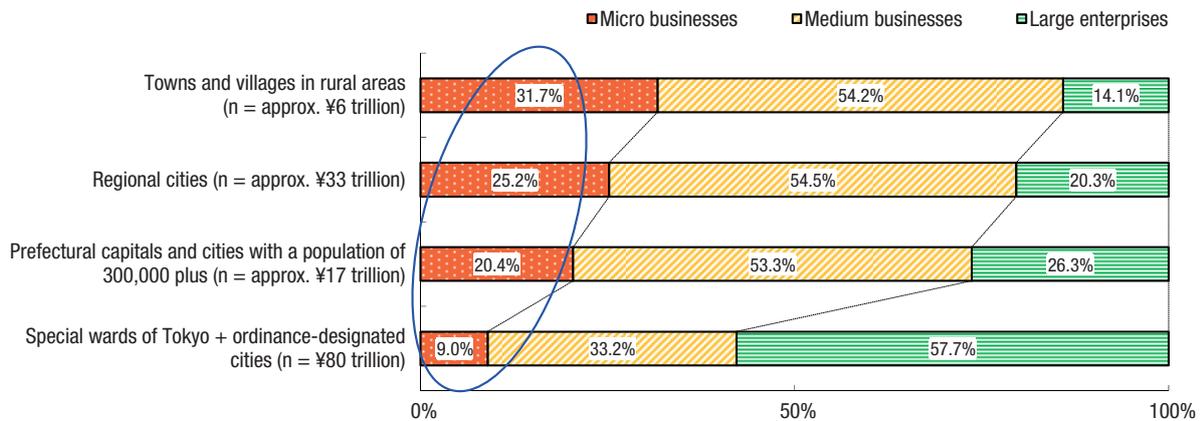
A breakdown by enterprise size of one particular element of value added, namely gross pay, is next shown for each category of municipality in Fig. 1-4-32.

From this it may be seen that whereas micro businesses' share of gross pay is 9.0% in "special wards of Tokyo + ordinance-designated cities," this figure rises to 20.4% in "prefectural capitals and cities with a population of 300,000 plus," 25.2% in "regional

cities," and 31.7% in "towns and villages in rural areas." Thus as in the case of value added, the proportion of gross pay accounted for by micro businesses increases in rural areas than urban areas.

This means that micro businesses contribute more to their local economies in "regional cities," and even more in "towns and villages in rural areas."

Fig. 1-4-32 Breakdown of gross pay by enterprise size (by category of municipality based on businesses in 2012)



Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Over 500,000 out of a total of approximately 3.86 million enterprises did not respond regarding their sales.

2. "Regional cities" are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-33 depicts a breakdown by industry of the value added of micro businesses in each category of municipality.

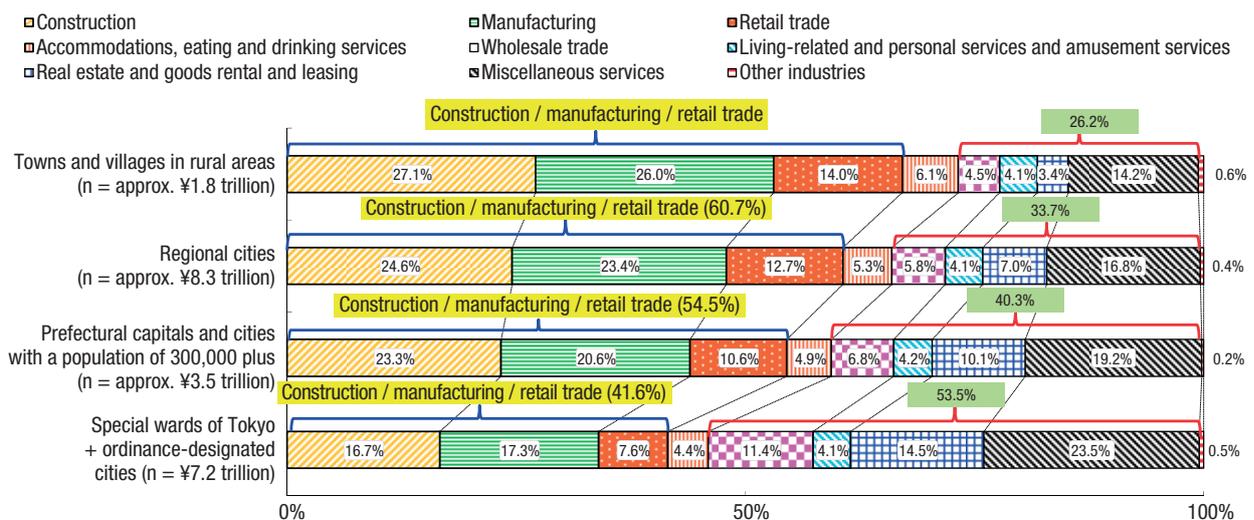
In “towns and villages in rural areas,” construction (27.1%), manufacturing (26.0%), and the retail trade (14.0%) account for high shares, and these three industries together account for 67.1% of the total. In the other categories of municipality, these three industries account for 60.7% of value added in “regional cities,” 54.5% in “prefectural capitals and cities with a population of 300,000 plus,” and 41.6% in “special wards of Tokyo + ordinance-designated cities.”

In “special wards of Tokyo + ordinance-designated cities,” on the other hand, the wholesale trade (11.4%), living-related and personal services and amusement services (4.1%), real estate and goods rental and

leasing (14.5%), and miscellaneous services (23.5%) have high shares, and these four industries together account for 53.5% of the total. In the other categories of municipality, these four industries account for 40.3% in “prefectural capitals and cities with a population of 300,000 plus,” 33.7% in “regional cities,” and 26.2% in “towns and villages in rural areas.”

It is thus apparent that the proportion of value added by micro businesses in construction, manufacturing, and the retail trade increases in more rural areas, and conversely the proportion accounted for mainly by service industries, such as the wholesale trade, living-related and personal services and amusement services, real estate and goods rental and leasing, and miscellaneous services, increases in more urban areas.

Fig. 1-4-33 Industrial distribution of value added by micro businesses (by category of municipality)



Source: Recompiled from MIC, 2012 Economic Census for Business Activity.

Notes: 1. Over 500,000 out of a total of approximately 3.86 million enterprises did not respond regarding their sales.

2. Total of non-agriculture, forestry and fishery.

3. “Value added” is the value newly generated by production activity at enterprises and other entities, and is calculated by deducting intermediate inputs (such as raw materials) from output. In the Economic Census, it is calculated using the following formula: value added = sales - total expenses (cost of sales + selling and general administrative expenses) + gross pay + taxes and public impositions

4. “Miscellaneous services” covers the following: information and communications; transport and postal activities; finance and insurance; scientific research, professional and technical services; education, learning support; medical, health care and welfare; and services (not elsewhere classified).

5. “Other industries” covers the following: mining and quarrying of stone and gravel; electricity, gas, heat supply and water; and compound services.

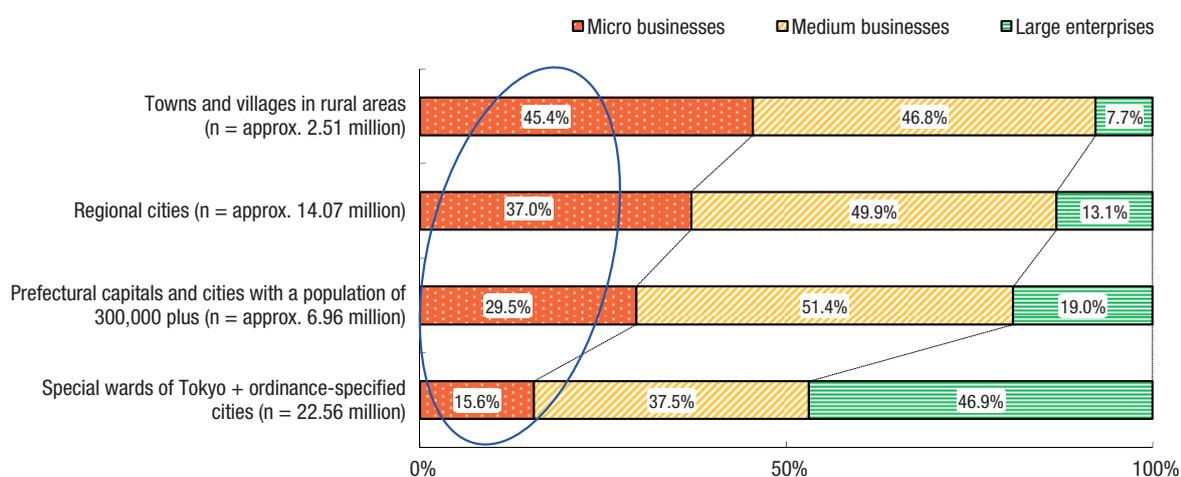
Fig. 1-4-34 next shows the distribution of workers by enterprise size in each category of municipality.

From this it can be seen that whereas micro businesses account for 15.6% of workers in “special wards of Tokyo + ordinance-designated cities,” this figure rises to 29.5% in “prefectural capitals and cities with a population of 300,000 plus,” 37.0% in “regional cities,” and 45.4% in “towns and villages in rural areas.” The proportion of workers at micro businesses

thus increases in more rural areas.

Micro businesses make up a higher proportion of all workers than of sales or value added, and the proportion is especially high in “towns and villages in rural areas,” where around one in two workers works at a micro business. It can thus be seen that micro businesses’ importance to local employment increases in more rural areas.

Fig. 1-4-34 Distribution of workers by enterprise size (by category of municipality based on businesses in 2012)



Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

Note: “Regional cities” are here defined as cities other than ordinance-designated cities, prefectural capitals, and cities with a population of 300,000 plus.

Fig. 1-4-35 shows the industrial distribution of workers at micro businesses in each category of municipality.

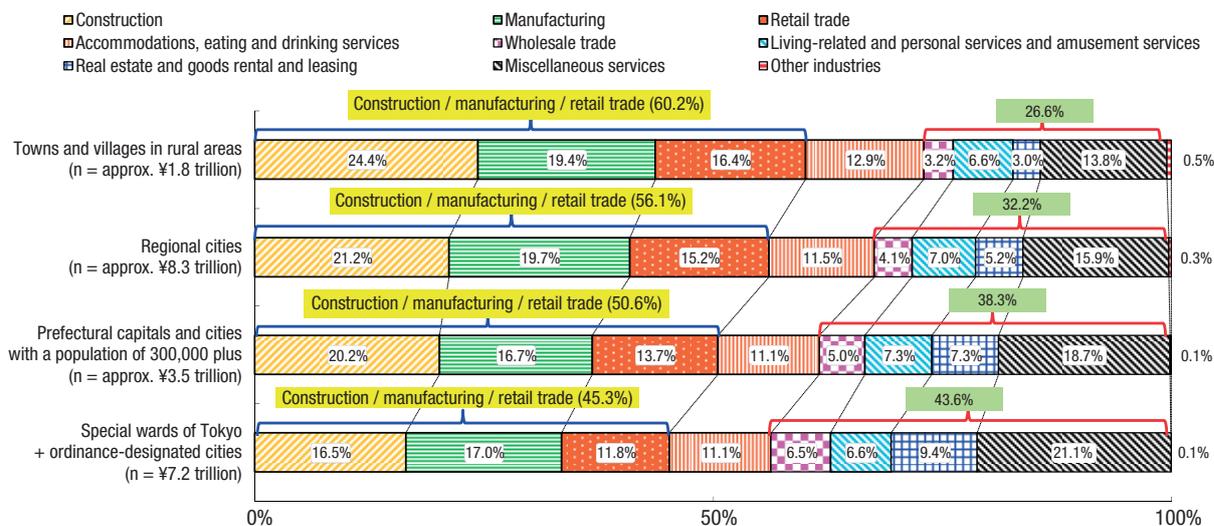
From this it can be seen that construction (24.4%), manufacturing (19.4%), and the retail trade (16.4%) account for large shares in “towns and villages in rural areas,” and together these three industries account for 60.2% of the total in this category. In the other categories of municipality, these three industries make up 56.1% of the total in “regional cities,” 50.6% in “prefectural capitals and cities with a population of 300,000 plus,” and 45.3% in “special wards of Tokyo and ordinance-designated cities.”

In “special wards of Tokyo + ordinance-designated cities,” on the other hand, high proportions are accounted for by the wholesale trade (6.5%), living-related and personal services and amusement services

(6.6%), real estate and goods rental and leasing (9.4%), and miscellaneous services (21.1%), and together these four industries account for 43.6% of the total. In the other categories of municipality, these four industries account for 38.3% in “prefectural capitals and cities with a population of 300,000 plus,” 32.2% in “regional cities,” and 26.6% in “towns and villages in rural areas.”

It is observable from this that the proportion of workers at micro businesses who are employed in construction, manufacturing, and the retail trade increases the more rural a municipality is, and conversely the proportions working mainly in service industries such as the wholesale trade, living-related and personal services and amusement services, real estate and goods rental and leasing, and miscellaneous services are higher in more urban areas.

Fig. 1-4-35 Industrial distribution of workers at micro businesses (by category of municipality)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

Notes: 1. Over 500,000 out of a total of approximately 3.86 million enterprises did not respond regarding their sales.

2. Total of non-agriculture, forestry and fishery.

3. "Miscellaneous services" covers the following: information and communications; transport and postal activities; finance and insurance; scientific research, professional and technical services; education, learning support; medical, health care and welfare; and services (not elsewhere classified).

4. "Other industries" covers the following: mining and quarrying of stone and gravel; electricity, gas, heat supply and water; and compound services.

The above analysis examined micro businesses at the local level mainly from the perspective of their correlations with population and contributions to local economies.

The analysis of businesses by size revealed that micro businesses are more susceptible than larger ones to the effects of population. It also reaffirmed that micro businesses play a bigger role and show a greater presence in the local economies of more rural areas.

It in addition found that the regional disparity in business activities is surprisingly small, demonstrating that action on business activities is a more important factor than geographical constraints. It should of course be borne in mind that the severity of geographical constraints naturally varies considerably according to

factors such as a micro business's industry and type of business, and that some micro businesses will therefore face more difficult conditions. On the other hand, advances in the use of IT in advertising, for example, open the door for even micro businesses to expand their markets, irrespective of the geographical constraints that they face.

Amid concerns over the contraction of local demand as the decline of the population begins in earnest, it is hoped that micro businesses will recognize their own intellectual assets and exercise their knowledge and ingenuity to develop products and expand their sales areas, enabling them to vigorously maintain and develop their businesses while continuing to play an important role in their local economies.

Column

1-4-1

Introduction to the Regional Economy Society Analyzing System (RESAS)

- **What is the Regional Economy Society Analyzing System?**

The Regional Economy Society Analyzing System, or “RESAS” as it is known for short, was developed by the Ministry of Economy, Trade and Industry (METI) in collaboration with the Head Office for Creation of Cities, People, and Work (in the Cabinet Secretariat) to aggregate and present visually accessible “big data” on topics such as industrial structure, demographics, and movements of people.

RESAS is used by approximately 1,800 local governments, central government agencies, and private-sector enterprises as a key tool for making decisions on policy and running administrations on the basis of objective data.

- **Purpose and background to development of RESAS**

<Start of development of RESAS>

METI began developing RESAS in June 2014 with the aim of assisting the “planning, doing, checking, and adjusting” (PDCA) of genuinely effective policies by local governments. In October 2014, it was decided that the Head Office for Creation of Cities, People, and Work should assume responsibility for planning and general coordination of RESAS in order to produce a system that could be used to assist regional revitalization, and the system’s development took a further step forward with the addition of public data from sources beyond METI.

<Phase I release of RESAS>

April 2015 saw the first (Phase I) release of RESAS. This offered a number of functions, including tools for understanding industrial structure (such as “hanabi maps* of all industries” to identify the main industries in a region, “hanabi maps of individual industries” to show the links between the industries in a region, and “hanabi maps of individual enterprises,” which focus on the transactions of individual enterprises), and the functionality to estimate demographic structure, project future populations, and track trends in domestic tourism.

* So called because when the business transactions between enterprises are drawn as lines on a map, the resulting network appears to fan out like an exploding firework (*hanabi* in Japanese).

<Phase II release of RESAS>

From June 2015 following the Phase I release of RESAS, functionality was added to cover imports and exports, trends in agricultural, forestry, and fisheries, and trends in visits by foreign tourists. In September 2015, an advance Phase II Ver. 1 release was published incorporating some of the maps completed in this process (concerning patents, imports and exports, sales of agricultural products, and the situation regarding foreign nationals visiting Japan).

In December 2015, maps for regional economic cycles, forestry product sales, consumption trends among foreign nationals, and so on were published in the form of a Phase II Ver. 2 release.

A Phase II Ver. 3 release was unveiled in March 2016. This completed the Phase II system by added data on topics including the siting of business establishments, fishing industry, and trends in domestic consumption.

Column Fig. 1-4-1 (2) Use of RESAS by Sapporo City, Hokkaido

<Background to use>

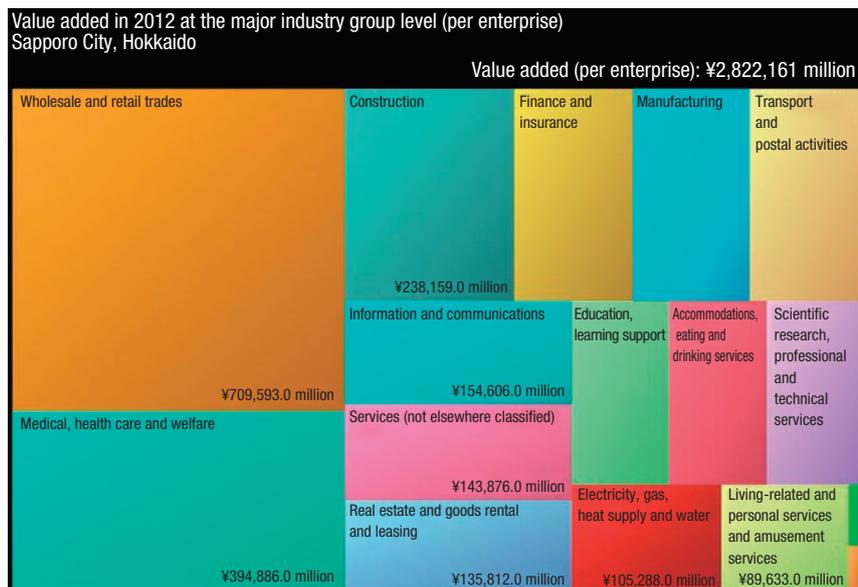
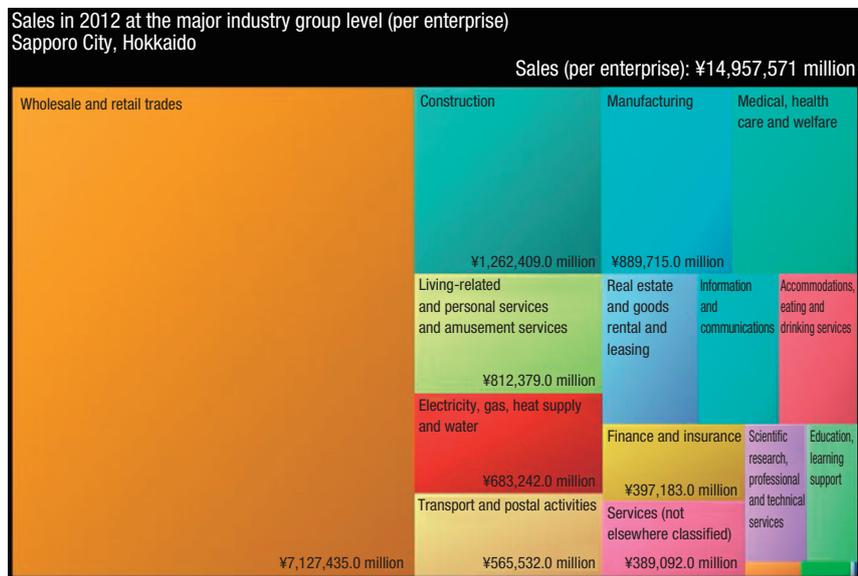
Sapporo City has little manufacturing or other heavy industries, and services make up the bulk of its industrial structure. As many of these service industries are domestic demand-based industries that profit from population growth, Sapporo decided to focus on the IT industry, which does not need large sites for factories or other facilities and is less affected by distance from the capital, and since the 1980s it has worked to develop this industry by developing facilities such as the Sapporo Techno Park (a business park for R&D-oriented companies).

Using RESAS, Sapporo identified the advantages possessed by its IT industry and the challenges that it faced, and investigated what course it should pursue in the future.

<Details of analysis>

Fig. 1 shows the sales and value added by each industry in Sapporo. From this it can be seen that the information and communications industry has a relatively significant presence, and that overall, when costs and investment are also taken into consideration, it is at an overall advantage even in comparison to other industries

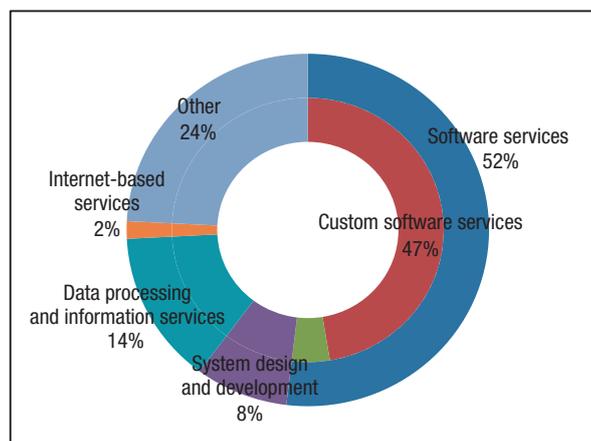
(Fig. 1) Sales and value added (per enterprise) by industry in Sapporo



Sources: Regional Economy Society Analyzing System (RESAS); recompiled from MIC and METI, 2012 Economic Census for Business Activity.

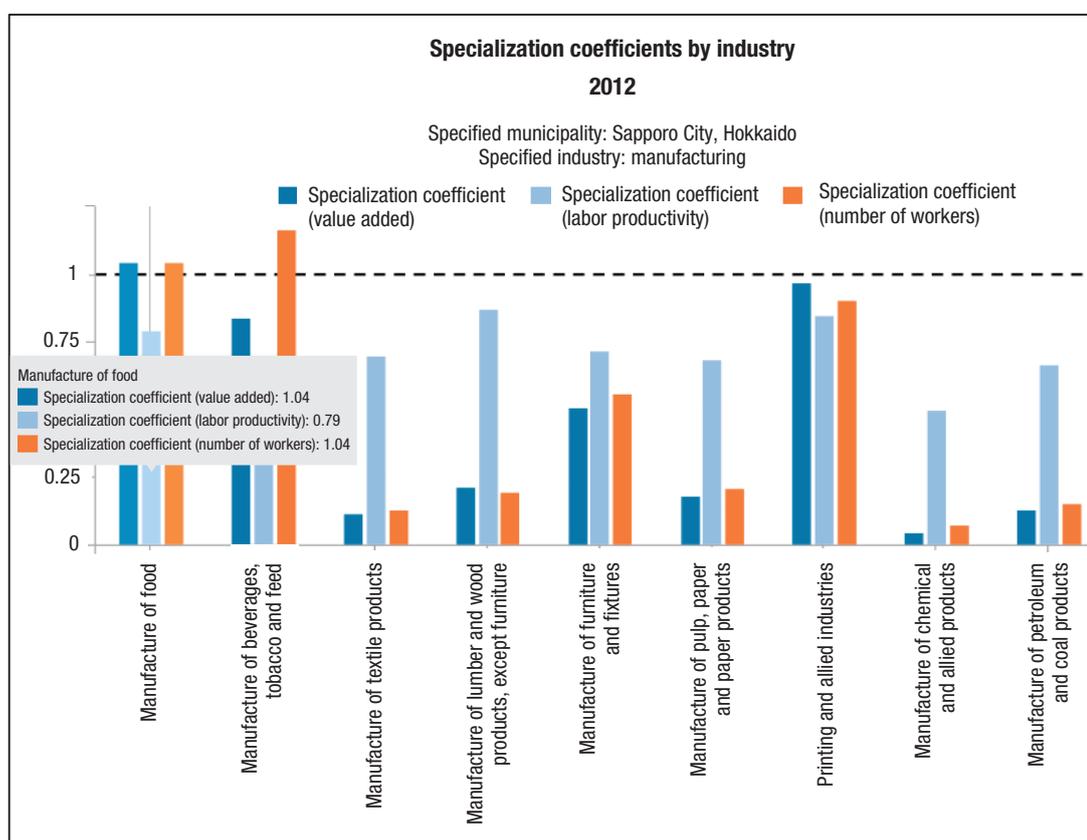
A breakdown of sales in Hokkaido's information and communications industry by type of service shows that software services generate approximately half of all sales, and the majority of this is accounted for by custom development. Custom development is heavily affected by factors such as IT investment by domestic enterprises and trends among leading IT providers in the Greater Tokyo Area, making sales susceptible to economic trends (Fig. 2).

(Fig. 2) Breakdown of sales in the information and communications industry in Sapporo by type of service



Next, the situation in the food-related industries that are one of Sapporo's strengths was ascertained. Fig. 3 shows the specialization coefficients for the value added, number of workers, and labor productivity of manufacturing in Sapporo. From this it can be seen that the value added (1.04) and number of workers (1.04) in the manufacture of food are on a par with the national averages (even in comparison with other industries), but that labor productivity is slightly low (0.79).

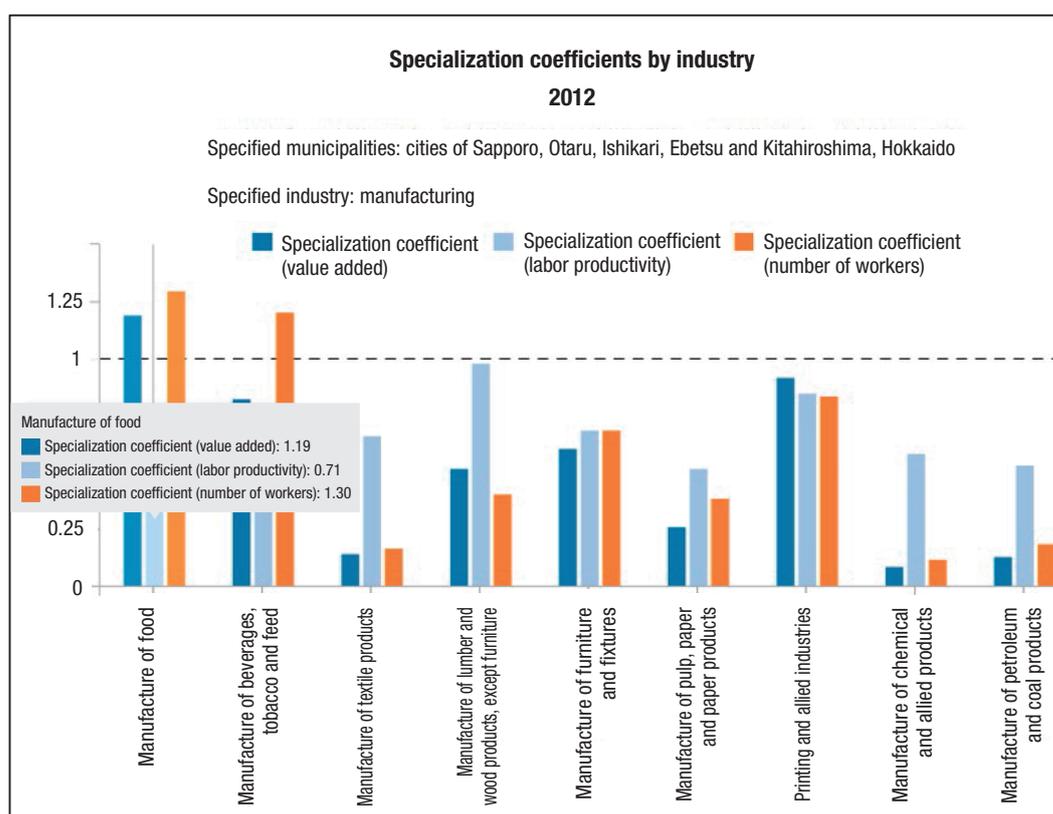
(Fig. 3) Specialization coefficients for manufacturing in Sapporo



Sources: Regional Economy Society Analyzing System (RESAS); recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

An analysis was then performed by aggregating the figures for Sapporo and a number of neighboring municipalities, namely, cities of Otaru, Ishikari, Ebetsu, Kitahiroshima, Eniwa and Chitose, and Tobetsu town. Fig. 4 shows the specialization coefficients for the value added, number of workers, and labor productivity of manufacture of food in Sapporo and these neighboring municipalities. The coefficients are 1.19 for value added, 1.30 for number of workers, and 0.71 for labor productivity. The figures for value added and number of workers are slightly higher than for Sapporo by itself, while that for labor productivity (0.71) is, like the coefficient for Sapporo by itself, slightly low.

(Fig. 4) Specialization coefficients for manufacturing in Sapporo and surrounding municipalities combined



Sources: Regional Economy Society Analyzing System (RESAS); recompiled from MIC and METI, 2012 Economic Census for Business Activity.

<Conclusion and future direction of policy>

“Given the projected decline of its working age population, it is important that Sapporo develop high-productivity IT industries,” explain Sapporo City officials, “and RESAS showed us that IT is a high value-adding industry and corroborated the direction that industrial development should take.” RESAS also revealed an overreliance on custom software services and reaffirmed the need for the IT industry to become more advanced in order to ensure its continued, stable development, and so measures will be developed to further raise value added in the IT industry in collaboration with enterprises in other industries, especially in the food-related industries in which Sapporo has an edge.

As RESAS also confirmed that the specialization coefficients for value added and number of workers are high in food-related industries, for example, when neighboring municipalities such as Ishikari (home to many food processing plants) and Ebetsu (a center of wheat and vegetable production) are considered in aggregate with Sapporo, and so made it possible to revitalize the wider area beyond Sapporo by focusing on attracting enterprises to these neighboring municipalities.

As collaboration with the IT industry will also contribute to improvements in labor productivity in food manufacturing, in which productivity is below the national average, Sapporo plans to promote cross-industry collaboration between the food and IT industries to help generate new products and services and expand markets.

Local governments’ data-based exploration and implementation of industrial support and multi-municipality region-wide economic revitalization measures is expected to produce knock-on benefits for not only SMEs, but also the micro businesses that comprise the core of activity at the local level.

Column

1-4-2

Revision of the Regional Resources Act and declarations of support for regional specialties

The business recovery is lagging among SMEs in Japan, particularly beyond the major urban areas. Because the stable and sustained growth of the Japanese economy depends on revitalizing regional economies over a wider area spanning multiple regions, the Act on Promotion of Business Activities by Small and Medium Sized Enterprises Utilizing Resources Derived from Local Industries (“Regional Resources Act”) was enacted in 2007 to promote the business activities of SMEs at the local level that involve the use of regional industrial resources (referred to below as “regional resource utilization projects”), and this has enabled the provision of support for initiatives through the accreditation by the government of business plans drawn up by SMEs that use regional industrial resources.

However, because virtually all accredited projects have been pursued by individual companies and so have been insufficient to bring about region-wide revitalization, and owing also to the finding of a questionnaire survey of accredited businesses that most are poor at developing their markets and information outreach, the act was revised and action is now also being taken to encourage the wider adoption of “declarations of support for regional specialties” to promote community-wide initiatives that involve a range of businesses and are coordinated by municipalities.

• **Outline of revision of the Regional Resources Act**

(1) Statutory provision for municipalities to play a role

The revision provided a clear legal basis for municipalities, as the agencies with most knowledge about their regions, to pursue necessary measures suited to local conditions in order to ensure the active promotion in their regions of the development and production of and development of markets for “regional specialties.”

More specifically, provision is made under the Basic Policy for the Promotion of Regional Resource Utilization Projects (“Basic Policy”) to allow prefectural governors to determine the specifics of the regional industrial resources expected to contribute to the revitalization of their regional economies through their use by regional resource utilization projects in their prefectures, and the revised Regional Resources Act made fresh provision for the relevant municipalities to give prefectural governors their opinions regarding these specifics.

As prefectures need access to local knowledge when designating regional economic resources, it is indispensable that they respect the opinions of the municipalities that have closer local ties than them, and so the revised act explicitly allows the heads of municipalities to state their opinion regarding the specifics of the regional industrial resources specified by their prefectures.

(2) Support for development of markets

Developing markets for their products and services can be a challenge for many SMEs, including those engaged in regional resource utilization projects. To surmount this challenge and ensure that the products and services developed and produced as a result of such projects are marketable, they must be tailored to suit consumers tastes. The SMEs that develop and produce them do not always come into contact with consumers, however, making it harder to ensure that their products and services reflect consumers’ tastes.

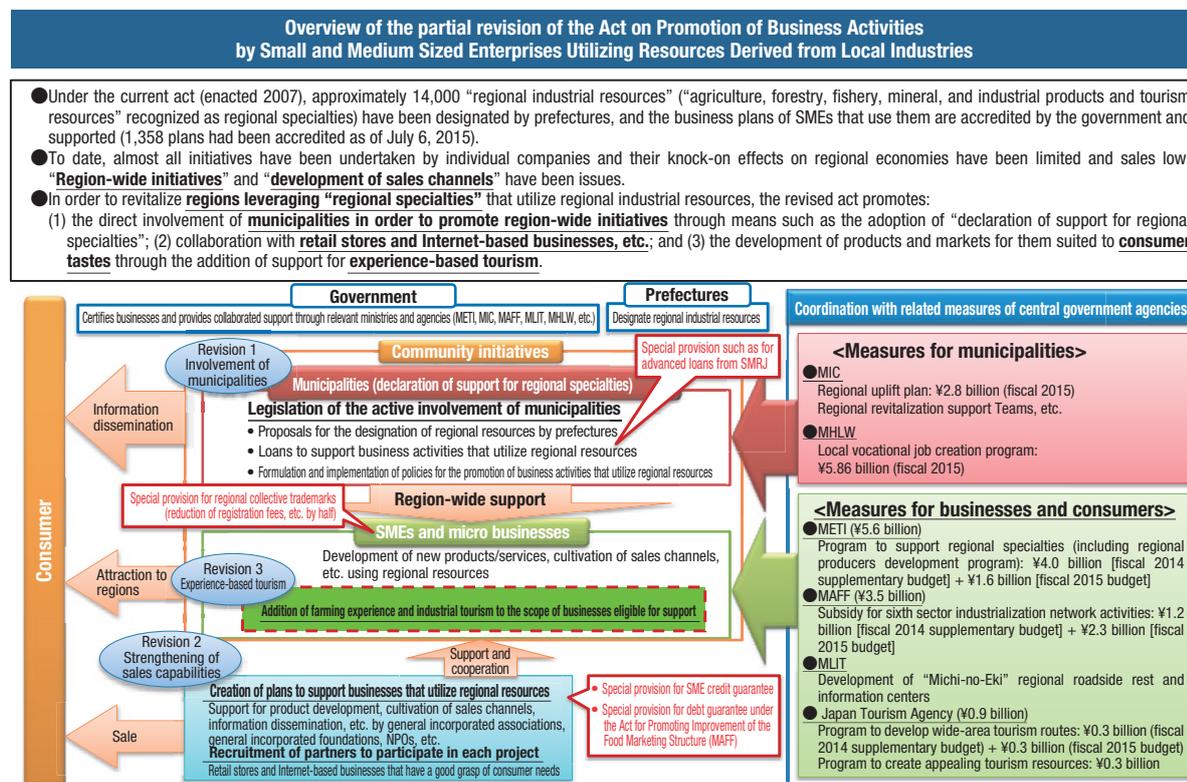
In order therefore to promote support projects that provide information and feedback on consumer tastes to the SMEs that develop and produce products and services, and that help SMEs to refine and market the products and services that result from regional industrial resource utilization projects, projects of this kind were newly defined as “regional industrial resource utilization support projects” created by general incorporated associations, general incorporated foundations, or NPOs.

(3) Addition of “experienced-based tourism” to supported projects

Prior to the act’s revision, regional industrial resource utilization projects were defined as “products undertaken to develop, produce, or cultivate demand for products that rely on the use, either as raw materials or parts, of regional industrial resources in the form of agricultural, forestry, fishery, mineral, and industrial products or their production technologies” and “projects undertaken to develop, produce (provide), or cultivate demand for products or services undertaken using the features of regional industrial resources in the form of tourism resources.” As the development, provision, and cultivation of demand for services pertaining to agriculture, forestry, fishery, mineral, and industrial products (and their production technologies) were not included, however, forms of business such as industrial tourism and experience-based tourism were ineligible for support under the act.

Recent years have seen the emergence of businesses engaging in the “optional tour” business by, for example, developing tours that allow participants to experience manufacturing and agriculture. As such initiatives promote the inflow of tourists and other visitors to regions with regional industrial resources and contribute to the revitalization of these regional economies, they were added to the scope of regional industrial resource utilization projects to make them eligible for support under the act.

Column Fig. 1-4-2 (1)



• Overview of declarations of support for regional specialties

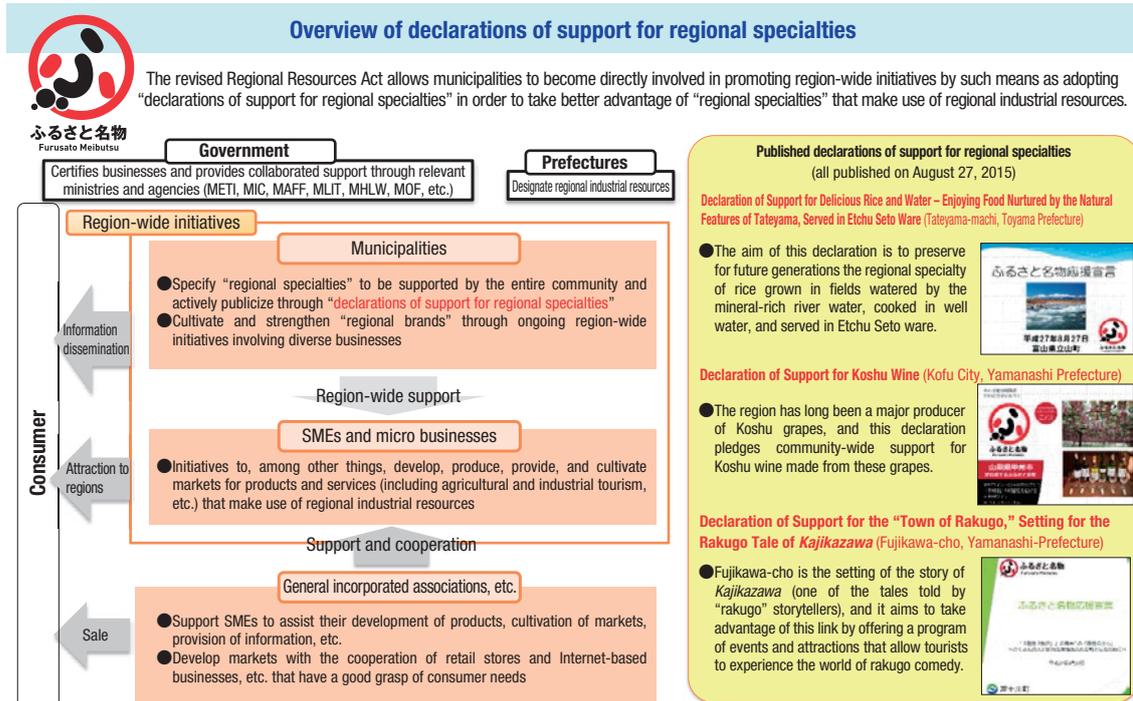
Regional industrial resources can be shared by local SMEs and are important elements by which SMEs can differentiate themselves from enterprises in other regions and add value to their products and services. Developing brands based on regional industrial resources or products and services incorporating them is thus known to raise the value added by regional industries that depend on these resources, thereby creating an autonomous virtuous cycle for regional economies.

In order to create such a virtuous cycle, it is important that a wide range of local stakeholders, including businesses, support agencies, and residents, be on the same page and work together on initiatives to develop a “regional brand” using regional industrial resources, while presenting a unified voice to the outside world.

Owing to their knowledge of local conditions and potentially pivotal position in collaboration between various stakeholders, it is hoped that the Basic Policy will be revised to allow municipalities to play a leading role in instigating and overseeing such region-wide initiatives. The government is therefore encouraging municipalities to proactively engage in publicizing information by adopting “declarations of support for regional specialties” that specify “regional specialties” targeted for region-wide support.

This will facilitate the cultivation and strengthening of “regional brands” through ongoing area-wide initiatives involving diverse businesses, leading to the expansion of local sales and jobs and creating a regional economic virtuous cycle.

Column Fig. 1-4-2 (2)



Column

1-4-3

Japan Traditional Crafts Week

The Minister of Economy, Trade and Industry has so far designated 222 categories of traditional craft products under the Act on the Promotion of Traditional Craft Industries (as of March 2016) (Column Fig. 1-4-3).

Column Fig. 1-4-3 Examples of traditional craft products (Odate Magewappa bent woodwork from Akita and Edo Kiriko cut glasswork from Tokyo)



These crafts formed the kernel from which grew Japan's manufacturing industries. In recent years, however, the collapse of the traditional system of receiving orders and producing products via "assembling wholesalers" and "wholesalers in areas of consumption" has made it difficult for those at the production end to make products that reflect consumer needs.

The problem is compounded by the fact that many manufacturers of traditional craft products are SMEs and micro businesses that lack the know-how and networks to find new markets, develop brands, and publicize themselves and their products all by themselves.

The government is therefore helping businesses to overcome these difficulties by promoting collaboration that transcends conventional boundaries.

• **Overview of Japan Traditional Crafts Week**

The aim of this program is to promote collaboration between areas of production of traditional craft products and retailers (such as fashion shops and stores selling interior furnishings) catering mainly to consumers in their thirties to fifties in the Greater Tokyo Area.

Retailers and areas of production of traditional craft products are first paired up on a one-to-one basis. Each retailer then makes several visits to the area of production that it has been paired with to develop close ties with the area, provide advice regarding methods of making and selling marketable products that reflect the area's attractions and features, develop new products, and so on. At the same time, areas of production tell retailers about the skills and techniques that go into making their products, their attention to functionality, and other aspects of their craft that they particularly want consumers to know about.

This interaction makes it possible for:

- (1) areas of production (creators) to learn about consumers' needs from retailers (sellers) and also acquire new markets;
- (2) retailers to learn about traditional skills, techniques, and histories from areas of production, enabling them to introduce products more attractively to consumers; and
- (3) consumers (users) to learn about the appeal of traditional craft products from retailers and encounter products that they genuinely want to have.

In this way, this program creates a triple "win-win-win" relationship for the creators, sellers, and users of craft products, and this leads in turn to the development of traditional craft industries as a whole.

- **Response to the program**

The project has been running since fiscal 2014. Initially held only in Tokyo, it has been held concurrently in Aichi Prefecture since fiscal 2015.

Retailers that have taken part have commented that “being able to learn about what makes products special directly from their creators deepened our understanding of skilled manufacturing, and we want to start offering their products in our stores.” The number of participants has increased approximately 2.5-fold, going from 20 stores in fiscal 2014 to 51 stores in fiscal 2015.

The government continues to expand the program, and is considering holding it concurrently in the Kansai region in fiscal 2016 as it further expands the scope of collaboration between “micro businesses” and “SMEs and micro businesses.”

Scenes at Japan Traditional Crafts Week 2014



Part II

The future of micro businesses

Chapter 1 Characteristics of better-performing micro businesses

Part I examined developments among micro businesses, their business activities, and how they are viewed by support providers. Building on the findings concerning their business activities and other features described in Part I, Part II looks at the characteristics of micro businesses according to the age and generation of their owners, analyzes the working environment experienced by women at micro businesses, and explores one particular aspect of micro businesses' diversity, namely the situation regarding freelancers and their business activities.

This chapter examines micro businesses' various business activities with a focus on the characteristics of those micro businesses that are managing to perform well despite the difficult business environment, and the working environment experienced by women.

Section 1 Characteristics of micro businesses by owner age and generation

Drawing on the questionnaire findings of the *Survey on the Conditions of Business Activities of Micro Businesses*,¹⁾ this section mainly analyzes the

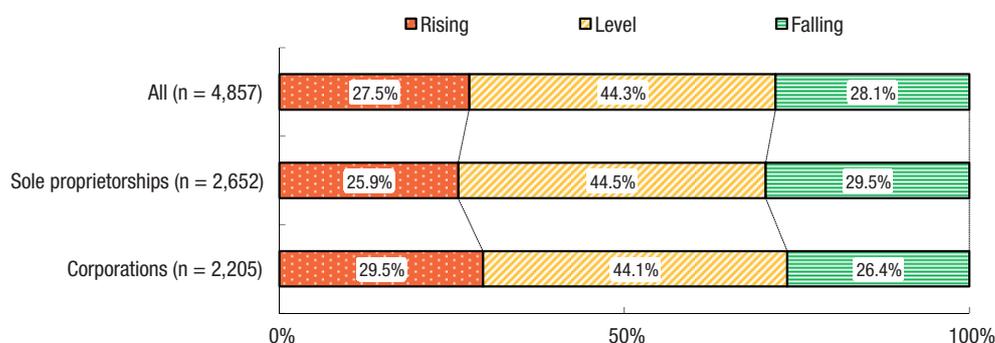
characteristics of micro businesses according to the age and generation of their owners.

1 Performance trends among sole proprietorships and corporations, and performance trends by business startup period

The analysis begins by dividing micro businesses into sole proprietorships and corporations, and examining trends in sales over the last three years in each group, as shown in Fig. 2-1-1.

It can be seen from this that although sales trends do not differ greatly between sole proprietorships and corporations, a slightly higher proportion of corporations report rising sales.

Fig. 2-1-1 Sales trends over the last three years (sole proprietorships / corporations)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

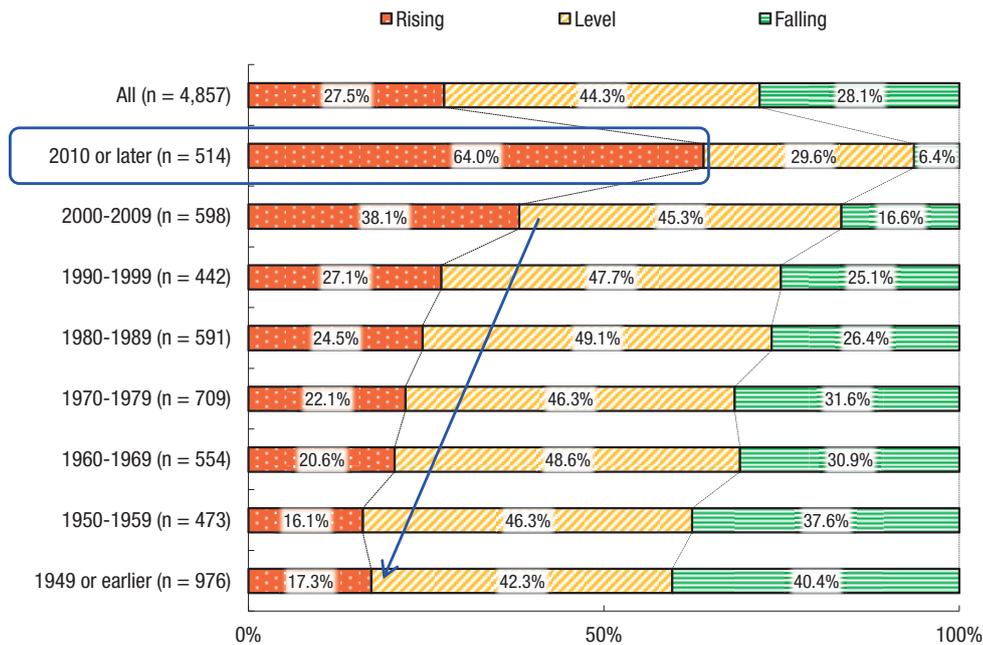
1) An online survey of micro businesses belonging to the Central Federation of Societies of Commerce and Industry and the Japan Chamber of Commerce and Industry. It was commissioned by the Small and Medium Enterprise Agency (SME Agency) and conducted by the Applied Research Institute, Inc. in January 2016. It received 4,857 valid responses.

Trends in the sales of micro businesses over the last three years are next examined by business startup period, as shown in Fig. 2-1-2.

From this it can be seen that while the proportion of businesses whose sales are rising averages 27.5% overall, the proportion is 64.0% for those started their

business in the most recent years (2010 or later) and the 38.1% for those started their business in the second most recent years (2000-2009). The proportion of micro businesses whose sales are rising thus clearly rises with proximity of business startup period to the present.

Fig. 2-1-2 Sales trends over the last three years (by business startup period)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

2 Characteristics of micro businesses by age of owner

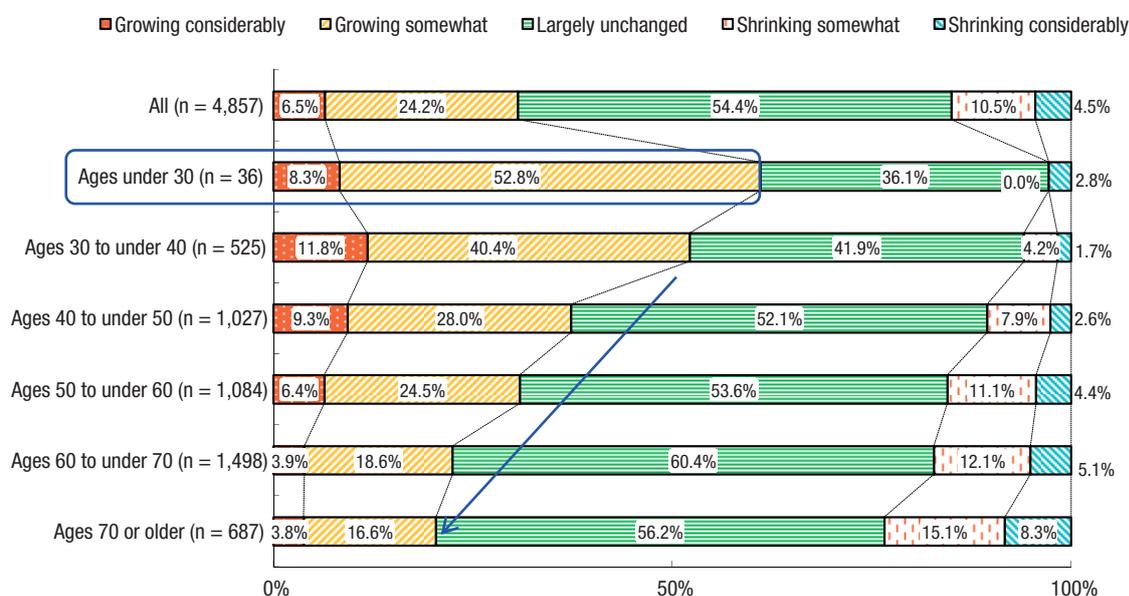
The business activities of micro businesses are next examined according to the ages of their owners. Fig. 2-1-3 shows trends in the size of sales areas (i.e., whether they are growing or shrinking) by age of owner.

From this it can be seen that the proportion of businesses whose sales areas are “growing

considerably” or “growing somewhat” is highest in the up to 29 age group (61.1%), and also extremely high in the 30-39 age group (52.2%).

Additionally, the proportion of businesses whose sales areas are growing falls as age rises, indicating that younger owners are more likely to see sales area growth.

Fig. 2-1-3 Trends in size of sales areas (by age of owner)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

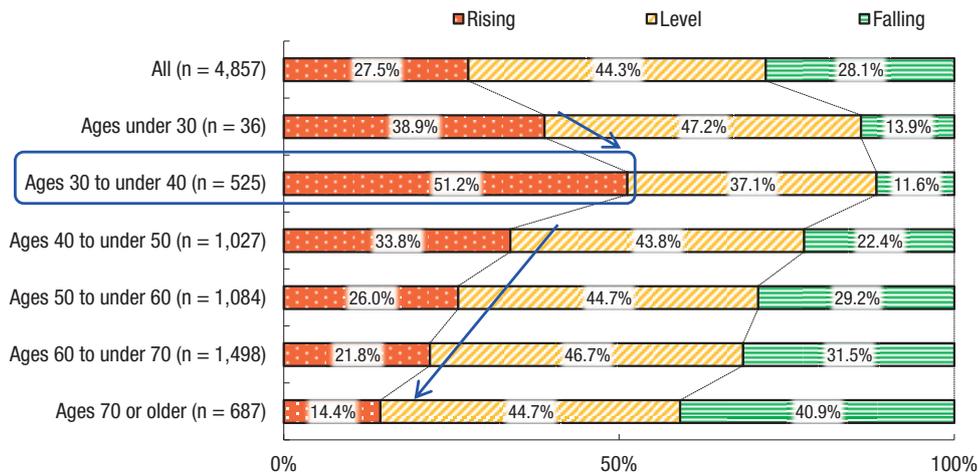
Sales trends are next analyzed by age of owner in Fig. 2-1-14, which shows trends over the last three years, and Fig. 2-1-5, which shows expected trends over the next three years.

From these it can be seen that the proportion reporting that sales rose over the last three years is highest in the 30-39 age group (51.2%), followed by the up to 29 age group (38.9%). In other age groups, the proportion reporting rising sales falls as age increases.

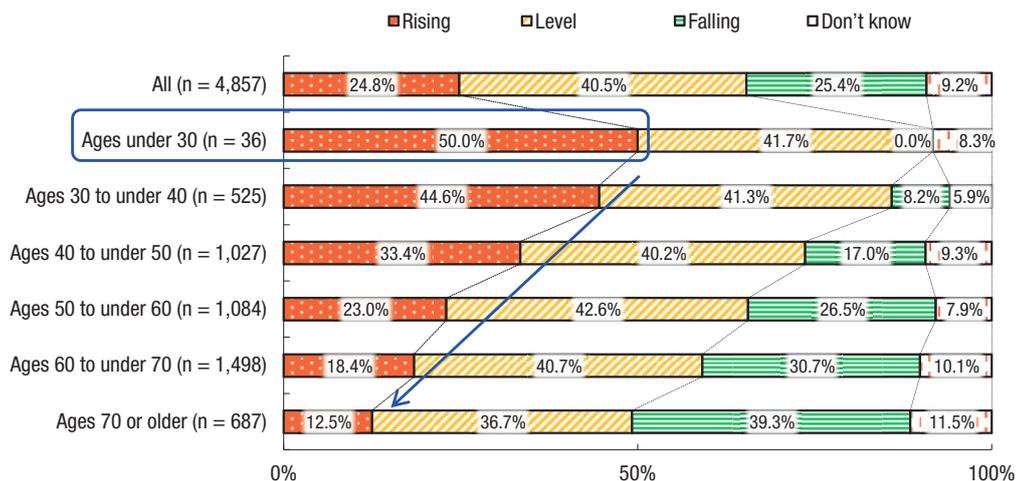
The proportion expecting sales to rise over the next

three years is highest in the up to 29 age group (50.0%), and the proportion reporting that sales are expected to grow falls as age increases.

These results show actual sales growth to be commonest among owners of the 30-39 age group, who have acquired a certain degree of business experience, and expectations of sales growth to be most widespread among owners of the up to 29 age group, reflecting greater bullish sentiment in this youngest age group.

Fig. 2-1-4 Sales trends over the last three years (by age of owner)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 2-1-5 Expected sales trends over the next three years (by age of owner)

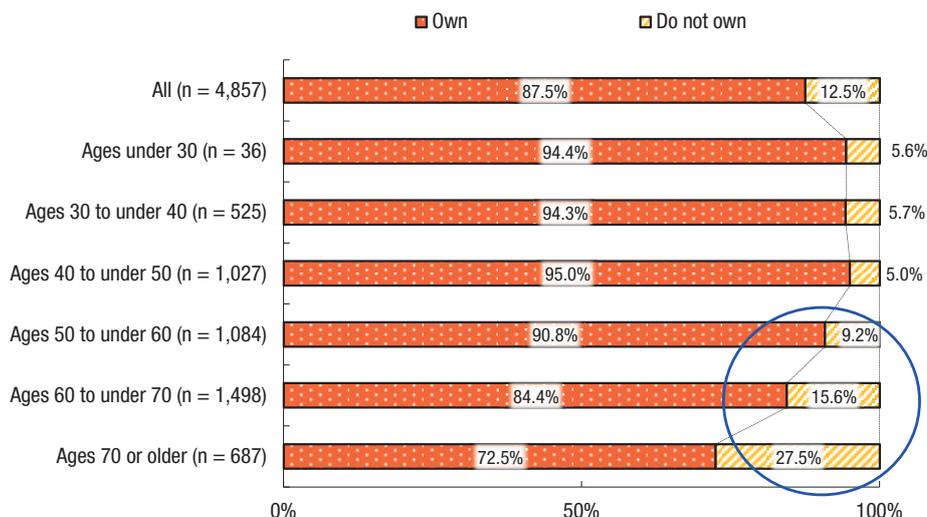
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Next, ownership of information appliances used in business, such as personal computers, smartphones, and tablets, is shown by age of owner in Fig. 2-1-6. From this it can be seen that ownership is generally high in all age groups. This is especially true of the up to 29, 30-39, and 40-49 age groups, in which ownership

is about 95%.

In contrast, ownership declines with age to approximately 90% in the 50-59 age group, approximately 80% in the 60-69 age group, and approximately 70% in the 70 or older age group.

Fig. 2-1-6 Ownership of information appliances (by age of owner)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

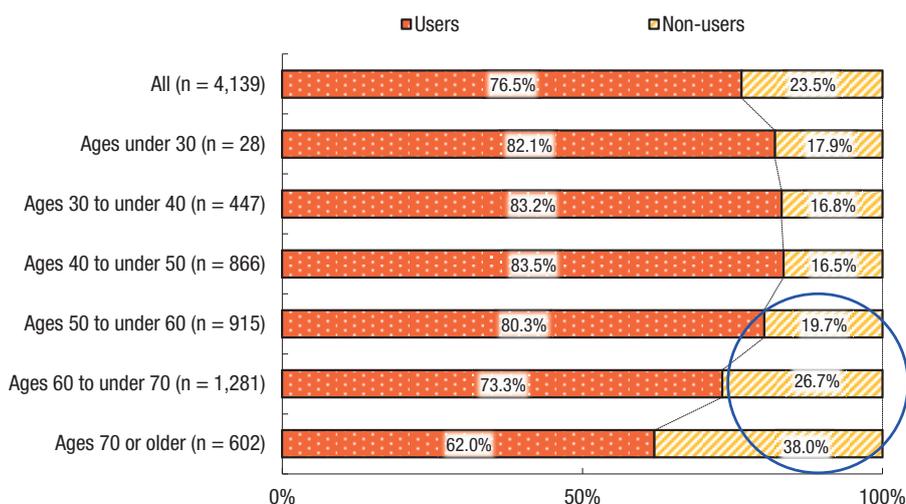
Fig. 2-1-7 shows the proportions of micro businesses that do and do not use IT for information management by age of owner. Note that in this figure, IT use is defined as use of accounting software, customer relationship management software, sales and purchasing software (e.g., for inventory control), and other business software, and excludes use of general-purpose business software such as word processing,

spreadsheet, and chart software.

It can be seen from this that the proportion using IT is generally high in all age groups, and is especially high (over 80%) in age groups up to 50-59.

However, use declines with age from the 50-59 age group, falling to 73.3% in the 60-69 age group and 62.0% in the 70 or older age group.

Fig. 2-1-7 Use of IT in information management (by age of owner) (excluding users of general-purpose business software only)



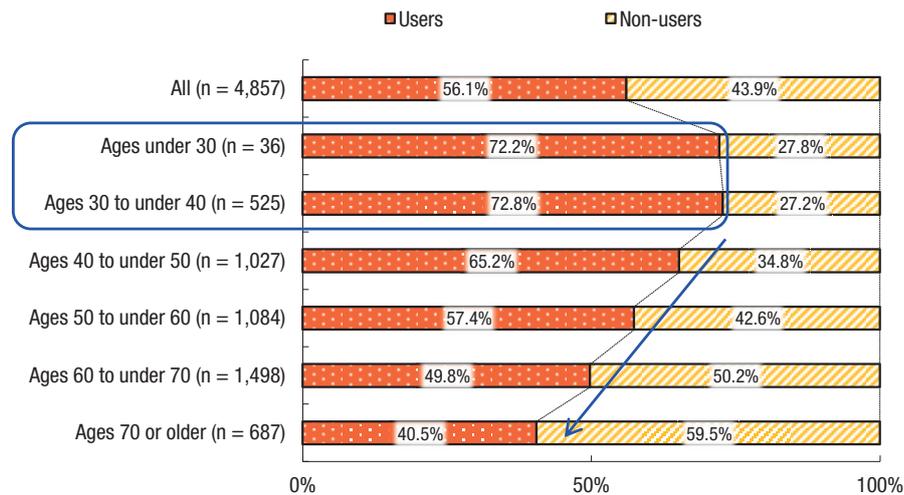
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 2-1-8 shows the proportions of micro businesses that do and do not use IT in advertising (for websites, blogging, SNS, email, digital newsletters, selling and taking orders and reservations over the Internet, and so on) by age of owner.

From this it can be seen that use exceeds 70% in

the up to 29 (72.2%) and 30-39 (72.8%) age groups, and thereafter falls sharply with age to 65.2% in the 40-49 age group, 57.4% in the 50-59 age group, 49.8% in the 60-69 age group, and 40.5% in the 70 or older age group.

Fig. 2-1-8 Use of IT in advertising (by age of owner)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The above analysis revealed comparatively little difference according to age in ownership of information appliances and use of IT for information management, and showed that use is comparatively widespread even in older age groups.

There is greater disparity between age groups in use of IT in advertising, on the other hand, with the figures showing that proportionately younger owners use IT for this purpose.

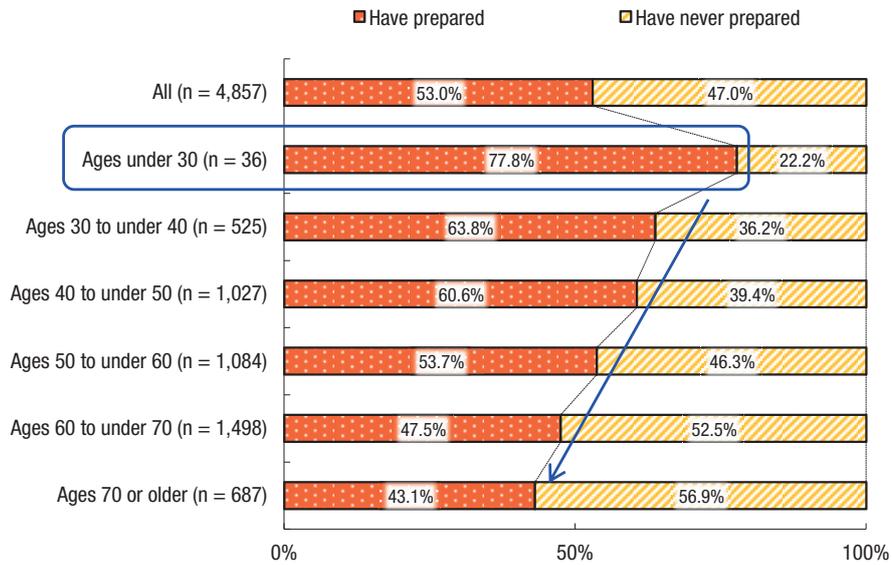
The proportions of business owners that have and have not prepared business plans in the past are looked at next by age of owner in Fig. 2-1-9.

From this it can be seen that the proportion that have

prepared business plans is highest in the up to 29 age group at 77.8%, followed by the 30-39 age group at 63.8%, the 40-49 age group at 60.6%, the 50-59 age group at 53.7%, the 60-69 age group at 47.5%, and the 70 or older age group at 43.1%. The proportion of micro businesses that have prepared business plans in the past thus declines as age of owner increases.

Given that, as Section 3 of Chapter 2 in Part I showed, businesses that have prepared business plans in the past tend to perform better, it will be necessary in future for SME support agencies and other sources of support to provide more active support to older business owners to help them prepare business plans.

Fig. 2-1-9 Preparation of business plans (such as project plans and income and expenditure plans) (by age of owner)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The extent of development of new products and services through collaboration with other organizations is next shown by age of owner in Fig. 2-1-10.

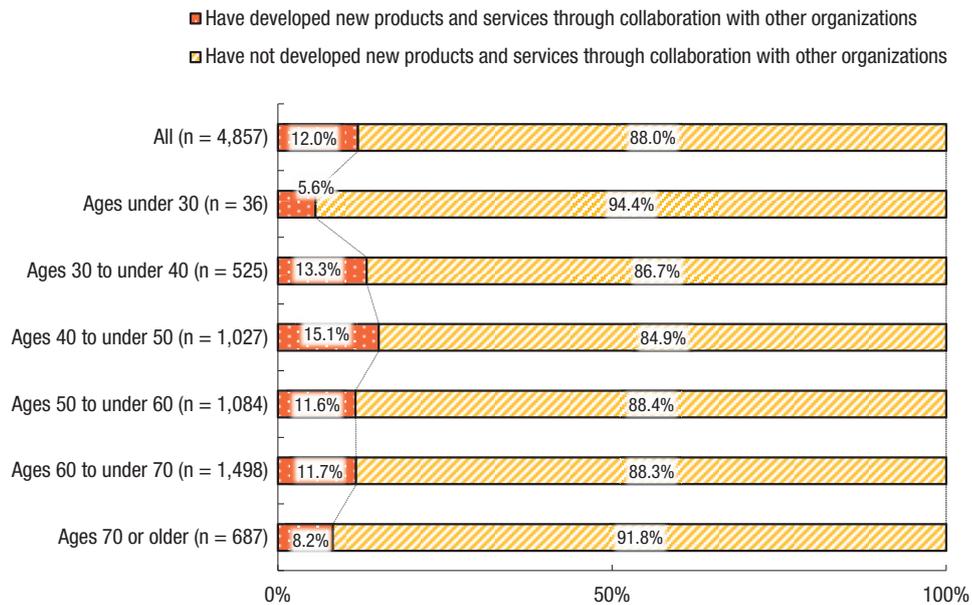
From this it can be seen that collaboration is least common in the 20-29 age group (5.6%) and commonest in the 40-49 age group (15.1%).

Collaboration with other organizations is highest around the 40-49 age group, which is the age by which owners have a few years of business experience under their belt and their personal connections have also

broadened, and a relatively large proportion of owners engage in collaboration at around this age.

While the proportion of micro businesses engaging in collaboration with other organizations is generally low and the provision of support, such as business matchmaking, by SME support agencies and other sources of support has an effective role to play, the results of this survey highlight the importance of creating more opportunities for younger business owners to collaborate with other organizations.

Fig. 2-1-10 Collaboration with other organizations (by age of owner)



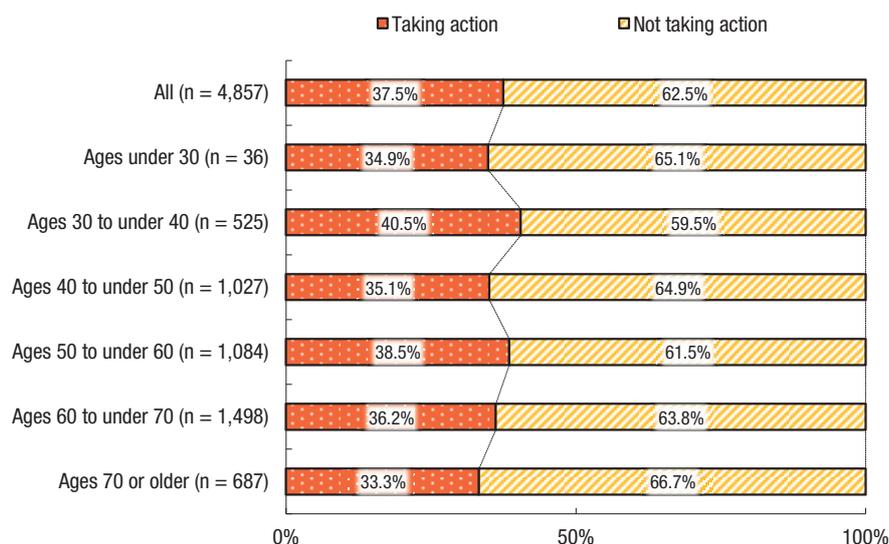
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 2-1-11 shows the extent of action to develop human resources by age of owner.

From this it can be seen that the proportion engaging

in action to develop human resources ranges between about 30% and 40% in all age groups. There is thus no major difference according to age.

Fig. 2-1-11 State of action to develop human resources over the last three years (by age of owner)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The above concludes the analysis of micro businesses' activities according to the ages of their owners.

Overall, it was found that younger owners tend to engage more actively in business activities and their businesses also tend to perform better. The implication of this is that SME support agencies and other sources

of support need to pursue initiatives that contribute to enhancing older owners' business management efficiency and sustainable development, while at the same time looking into ways of providing targeted support (such as assistance with collaboration with other organizations) to younger owners.

3 Characteristics of micro businesses according to generation of ownership

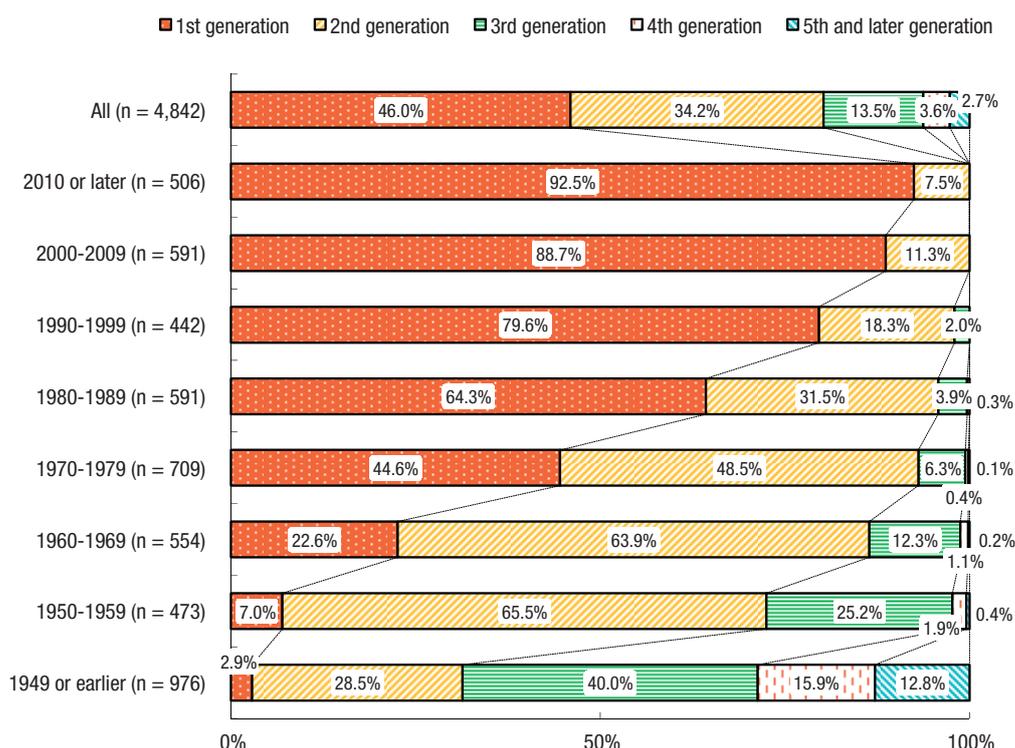
In this sub-section, the business activities of micro businesses are examined by breaking them down according to how many owners they have had to date, i.e., their generation of ownership.

Fig. 2-1-12 shows a breakdown by generation of ownership of the micro businesses polled in the questionnaire according to their business startup

period.

The commonest generation of ownership is the first generation among businesses started up in or after 1980, the second generation among businesses established between 1950 and 1979, and the third or a later generation among business established in 1949 or earlier.

Fig. 2-1-12 Business startup period (by generation of ownership)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: Sample size "n" excludes invalid responses.

Fig. 2-1-13 next shows trends in the sizes of micro businesses' sales areas (i.e., whether they grew or shrank) over the last three years by generation of ownership.

From this it can be seen that the proportion whose sales "grew considerably" or "grew somewhat" is comparatively higher (35.4%) in the first generation.

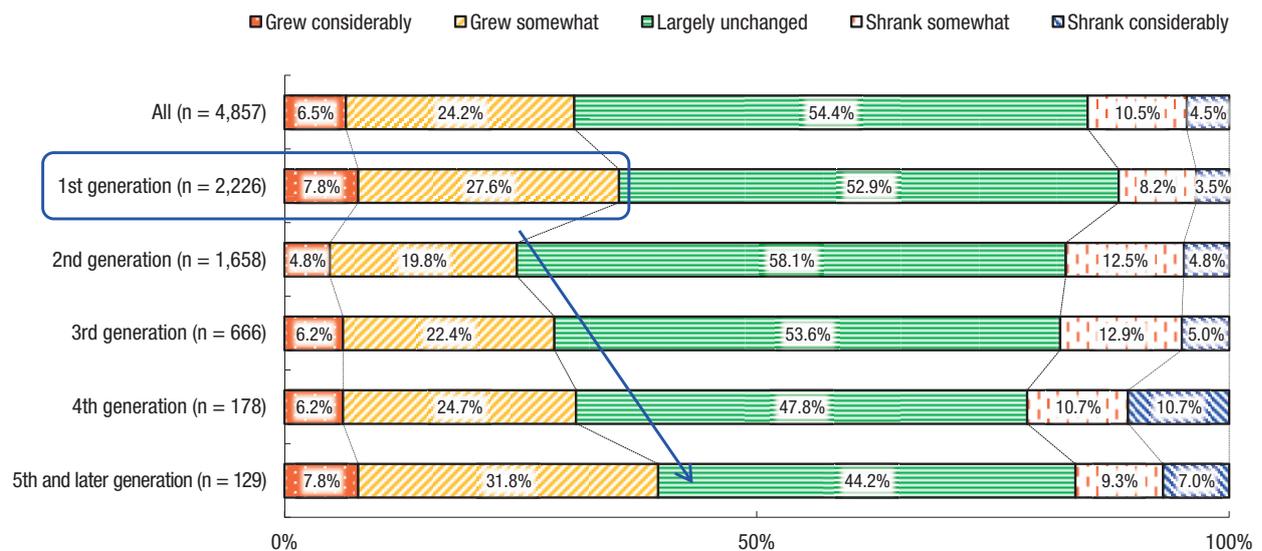
This is probably a reflection of the fact that, as Fig. 2-1-12 showed, many first-generation owners have only just started up in business.

While the proportion whose sales areas are growing dips (24.6%) in the second generation compared to the first generation, the upward trend grows more pronounced again in the third and fourth generation. In the fifth and later generations, this figure reaches

39.6%, giving this group the highest proportion of businesses with growing sales areas overall.

For a micro business to remain in business and survive from one generation to the next is no mean feat, and this is reflected in the fact that only 129 (2.7%) of the 4,857 businesses polled for the survey had a fifth generation or later owner at the helm. A micro business's long-term survival in business for multiple generations is evidence of its continued improvement and innovation in response to changes in social and economic conditions and consumer needs, and the greater tendency of businesses that have had more owners to report growth in their sales areas may be attributed to such action to improve and innovate.

Fig. 2-1-13 Trends in size of sales areas over the last three years (by generation of ownership)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

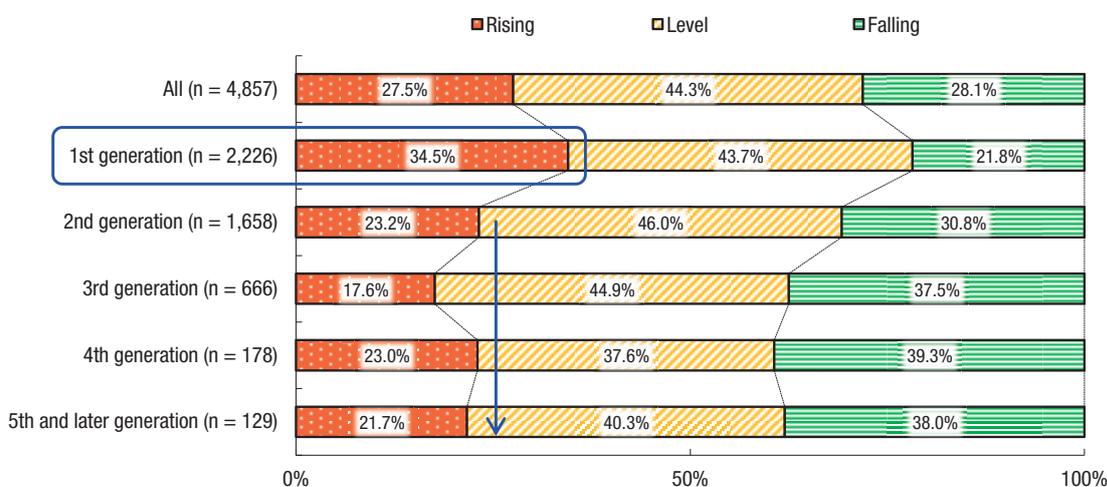
Sales trends are next analyzed by generation of ownership in Fig. 2-1-14, which shows trends over the last three years, and in Fig. 2-1-15, which shows expected trends over the next three years.

From these it can be seen that the proportion with rising sales over the past three years is highest in the first generation (34.5%). This is attributable to the considerable number of recently established businesses in this group. The other generations exhibit little

difference, however, and around 20% businesses in all but the first generation group report rising sales.

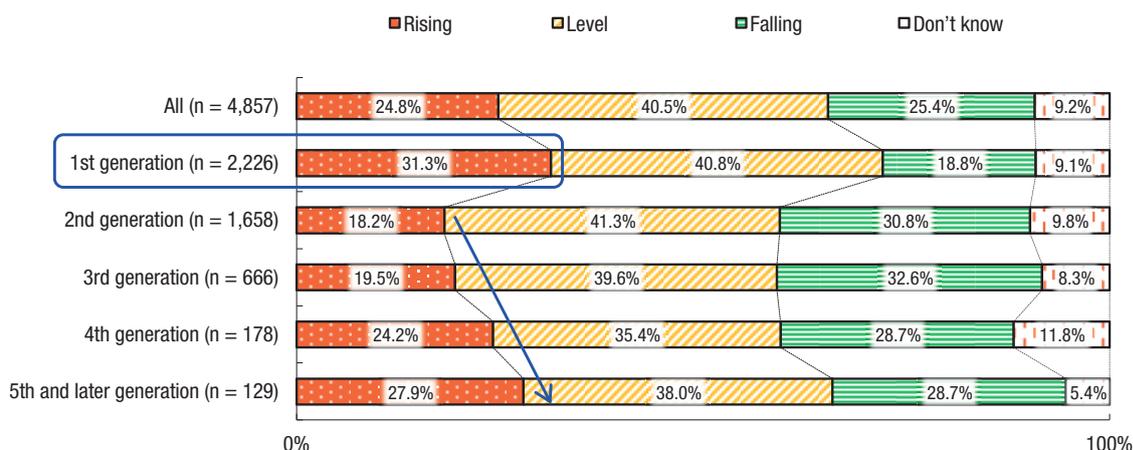
The proportion expecting sales to rise over the next three years is also highest (31.3%) in the first generation group. The proportion dips in the second generation (18.2%), but progressively rises in the third and fourth generations, and approaches almost three in 10 (27.9%) in fifth and later generations.

Fig. 2-1-14 Sales trends over the last three years (by generation of ownership)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 2-1-15 Expected sales trends over the next three years (by generation of ownership)



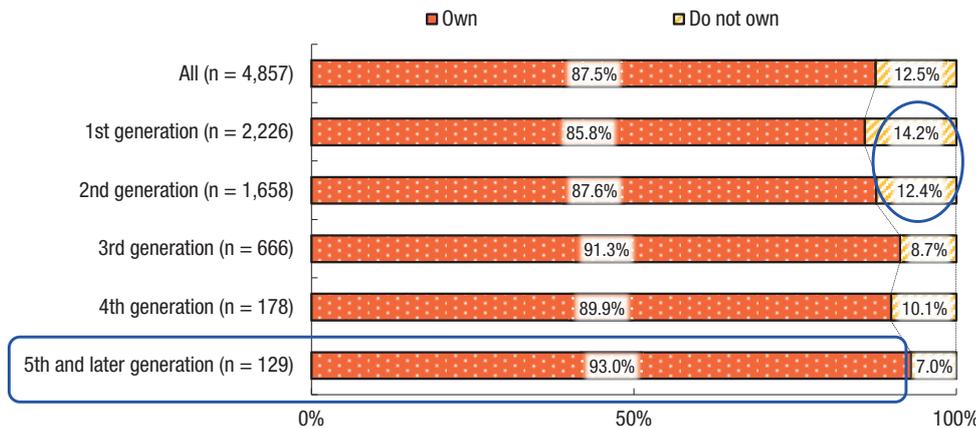
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Ownership of information appliances used in business is next examined by generation of ownership in Fig. 2-1-16.

From this it can be seen that ownership is generally

high across all generations. Unlike with age (see previous sub-section), ownership rises with generation of ownership, and is 93.0% in the fifth generation or later group.

Fig. 2-1-16 Ownership of information appliances (by generation of ownership)

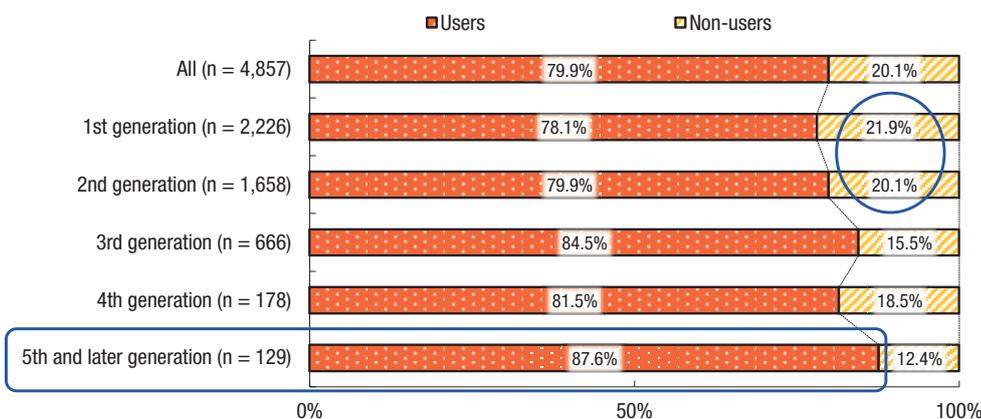


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 2-1-17 shows the proportions of micro businesses that do and not use IT (general-purpose business software such as word processing, spreadsheet, and chart software, accounting software, customer relationship management software, sales and purchasing software used for purposes such as inventory control, and other business software) for information management by generation of ownership.

From this it can be seen that rates of use are generally high across all generations. Unlike the relationship between age of owner and IT use for information management demonstrated in the preceding sub-section, however, ownership is higher the more owners a micro business has had, and is 87.6% among those that have had five or more owners.

Fig. 2-1-17 Use of IT in information management (by generation of ownership)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

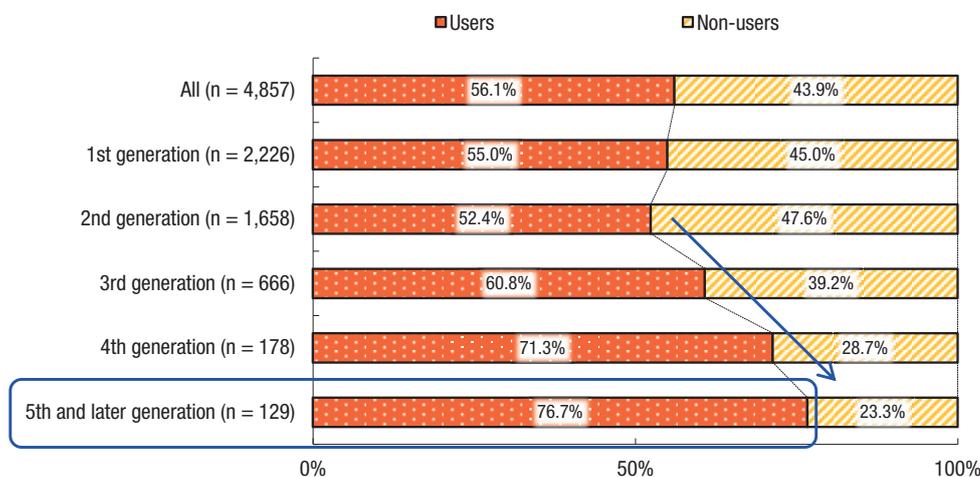
Fig. 2-1-18 shows the proportions of micro businesses that do and do not use IT in advertising (for websites, blogging, SNS, email, digital newsletters, selling and taking orders and reservations over the Internet, and so on) by generation of ownership.

From this it can be seen that the rate of use is lowest in the second generation (52.4%). The proportion then rises as the number of generations increases to 60.8% in the third generation, 71.3% in the fourth generation, and 76.7% in the fifth and later generations.

As with ownership of information appliances

and use of IT in information management, rate of use of IT in advertising increases as the number of generations rises, but the disparity between generations is particularly marked. It is interesting that micro businesses that have remained in business for several generations make more active use of IT in advertising, and this suggests that owners who have inherited their businesses from previous owners are not particularly wedded to conventional sales methods, and actively seek to expand their markets using IT.

Fig. 2-1-18 Use of IT in advertising (by generation of ownership)

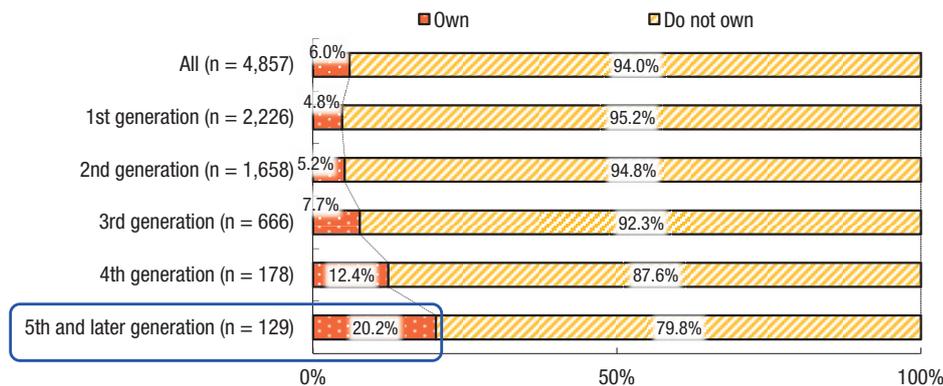


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Next, ownership of industrial property rights in each generation group is shown in Fig. 2-1-19, and the types of industrial property rights owned in each group are shown in Fig. 2-1-20.

From this it can be seen that ownership of industrial

property rights becomes more common as the number of generations rises. Additionally, trademark rights' share of all industrial property rights owned increases as generation increases.

Fig. 2-1-19 Ownership of industrial property rights (by generation of ownership)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

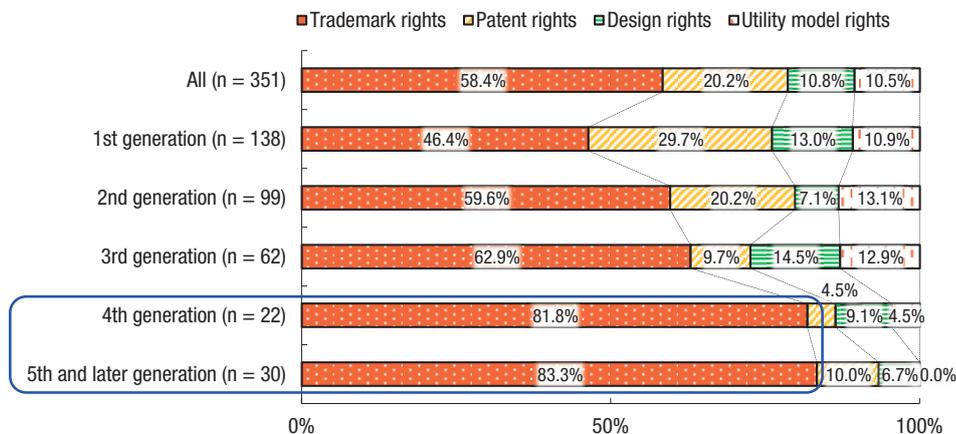
Notes: 1. "Industrial property rights consist of the following four types of intellectual property rights that fall under the jurisdiction of the Japan Patent Office: patent rights, utility model rights, design rights, and trademark rights.

2. "Patent rights" protect new inventions, and are granted for 20 years from the date of application.

3. "Utility model rights" protect inventions pertaining to the structure and shape of articles, and are granted for 20 years from the date of application.

4. "Design rights" protect the design of articles, and are granted for 20 years from the date of registration.

5. "Trademark rights" protect marks used for goods and services. They are granted for 10 years from the date of registration and are renewable.

Fig. 2-1-20 Breakdown of types of industrial property rights owned (by generation of ownership)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Notes: 1. "Industrial property rights consist of the following four types of intellectual property rights that fall under the jurisdiction of the Japan Patent Office: patent rights, utility model rights, design rights, and trademark rights.

2. "Patent rights" protect new inventions, and are granted for 20 years from the date of application.

3. "Utility model rights" protect inventions pertaining to the structure and shape of articles, and are granted for 20 years from the date of application.

4. "Design rights" protect the design of articles, and are granted for 20 years from the date of registration.

5. "Trademark rights" protect marks used for goods and services. They are granted for 10 years from the date of registration and are renewable.

6. As the 293 owners of industrial property rights polled were found to own 315 such rights, it should be borne in mind that some of the respondents owned multiple rights.

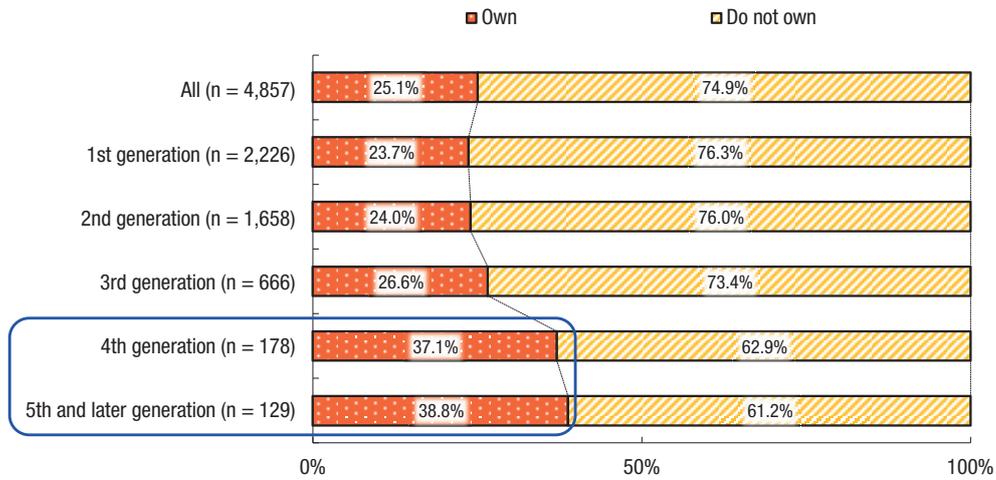
Next, ownership of intellectual assets is shown by generation of ownership in Fig. 2-1-21.

From this it can be seen that ownership of intellectual assets is commonest in the fifth and later generations (38.8%), followed by the fourth generation (37.1%), third generation (26.6%), second generation (24.0%),

and first generation (23.7%). Ownership thus increases as the number of generations rises.

It may be concluded from this that micro businesses that have remained in business for several generations are more likely to have realized the value of intangible intellectual assets.

Fig. 2-1-21 Ownership of intellectual assets (by generation of ownership)

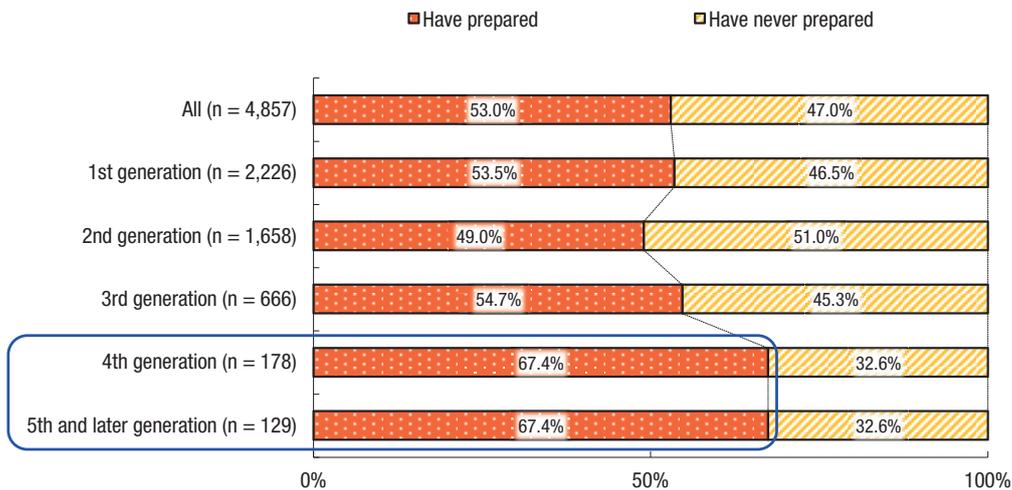


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.
 Note: "Intellectual assets" is the term for intangible assets such as human resources, technologies, customer networks, and brands. It extends beyond simply "intellectual property" that is formally protected by industrial property rights, and is the generic term for the various kinds of assets that give a business its edge.

Fig. 2-1-22 next shows the proportions of micro enterprises that have and have not prepared business plans in the past according to generation of ownership. From this it can be seen that while the proportion

that have prepared business plans is around 50% in the first through third generation groups, the proportion jumps to about 70% in the fourth generation and in the fifth and later generations.

Fig. 2-1-22 Preparation of business plans (by generation of ownership)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

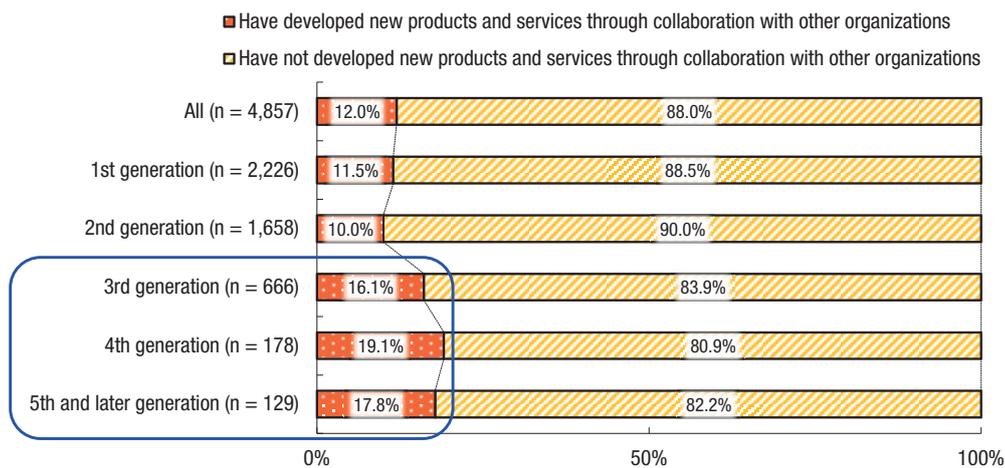
Fig. 2-1-23 shows the proportion of micro businesses that have and have not developed new products and services through collaboration with other organizations by generation of ownership.

From this it can be seen that whereas about 10% have collaborated with other organizations in the first and second generation groups, this figure jumps

to about 20% in the third, fourth, and fifth and later generation groups.

Third and later generation owners managing relatively older businesses are thus more likely than first and second generation owners to engage in development of new products and services in collaboration with other organizations.

Fig. 2-1-23 Collaboration with other organizations (by generation of ownership)

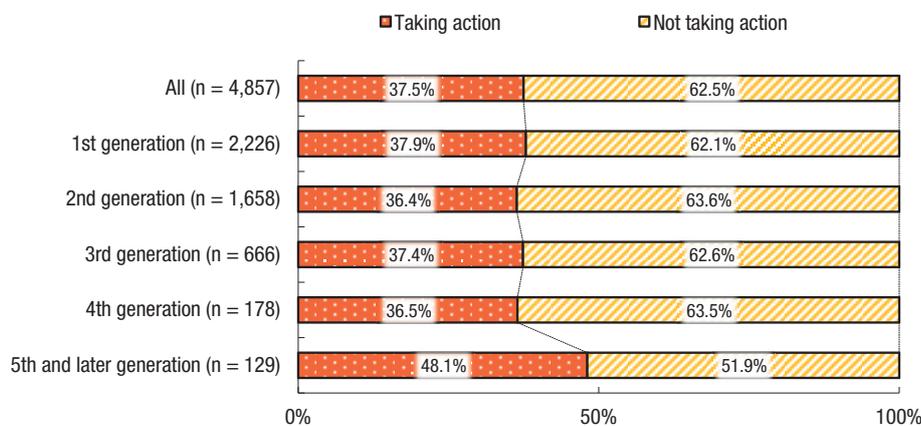


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

Fig. 2-1-24 shows the prevalence of action to develop human resources by generation of ownership. From this it can be seen that whereas there is little difference between the first through fourth generation

groups, in which a little under 40% of micro businesses take steps to develop their human resources, this figure climbs to around 50% in the fifth or later generation group.

Fig. 2-1-24 State of action to develop human resources over the last three years (by generation of ownership)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

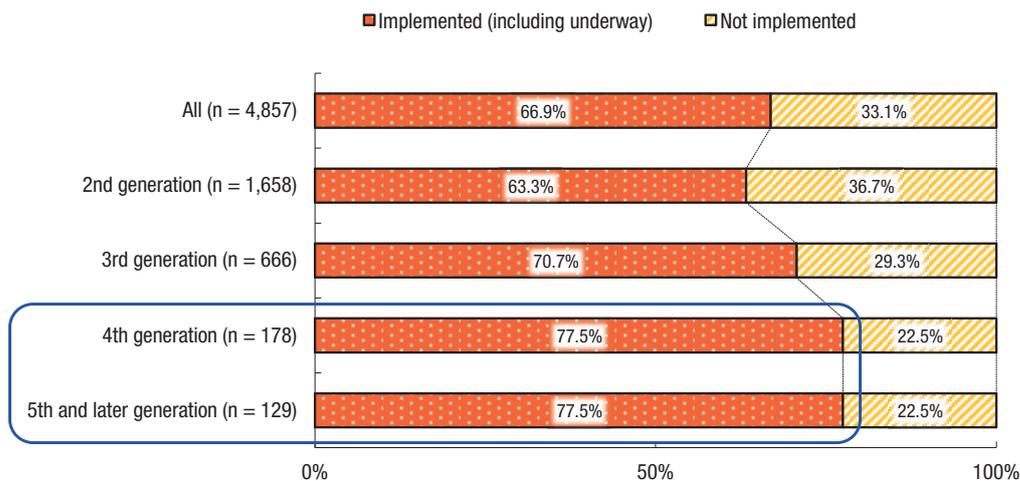
Implementation of new initiatives after a business succession is next considered by generation of ownership, as shown in Fig. 2-1-25.

From this it can be seen that the proportion implementing new initiatives ranges between about 60% and 80% across all generations, indicating that the

taking of such action is comparatively common.

At around 80%, implementation of new initiatives is even more widespread in the fourth and fifth or later generation groups than the second and third generation groups.

Fig. 2-1-25 Implementation of new initiatives after business succession (by generation of ownership)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

The above concludes this section’s analysis of the activities of micro businesses by generation of ownership.

Overall, it was found that micro businesses are most active, and their business results also tend to be better, in the first generation of ownership (when the founder is still at the helm) and after several generations of ownership.

Second-generation micro businesses, on the other hand, tend to be less active in their approach to business, making it necessary for SME support agencies and other sources of support to pursue initiatives that facilitate first to second generation business successions and enhance the business management efficiency and assist the sustainable development of second-generation businesses following successions.

Section 2 The working environment for women at micro businesses

This section analyzes micro businesses from the point of view of the working environment that they

provide for women.

1 Development of arrangements to assist female employment

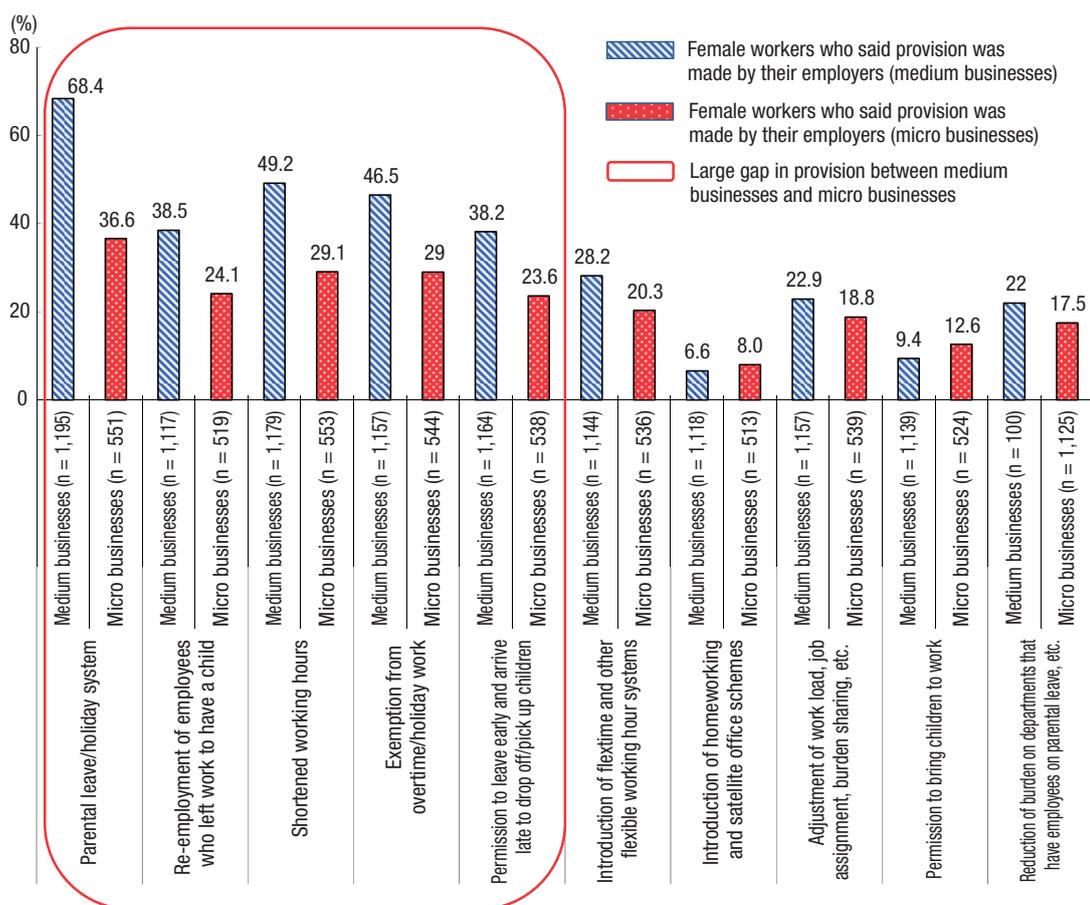
The analysis begins by comparing the provision of various kinds of arrangements to assist women's employment at medium businesses²⁾ and micro businesses, shown in Fig. 2-1-26.

From this it can be seen that in almost every category, provision is less common at micro businesses than at medium businesses, with the gap between the two being greatest in the case of "parental leave/holiday system,"

"re-employment of employees who left work to have a child," "shortened working hours," "exemption from overtime/holiday work," and "permission to leave early and arrive late to drop off/pick up children."

On the other hand, "introduction of homeworking and satellite office schemes" and "permission to bring children to work" are more likely to be found at micro businesses than at medium businesses.

Fig. 2-1-26 Provision of arrangements to assist women's employment



Source: Nomura Research Institute, *Survey of Human Resource Acquisition and Development at SMEs and Microbusinesses* (December 2014), commissioned by the SME Agency.

Notes: Sample size "n" equals the sum of women who said their employers "do provide" and those who said they "do not provide" arrangements to assist female workers.

²⁾ Defined as SMEs excluding micro businesses.

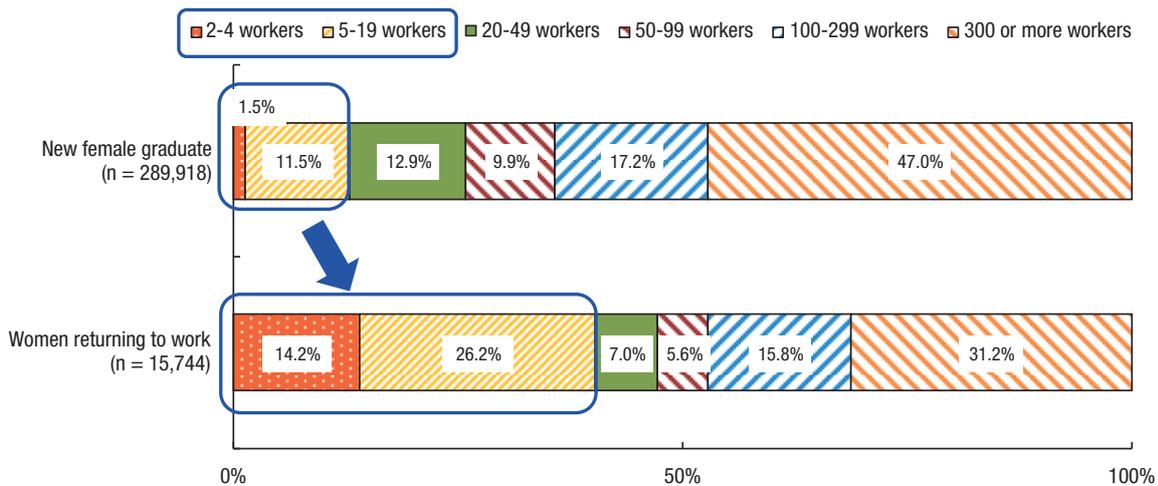
Fig. 2-1-27 next shows a breakdown by size of employers of new female graduates and women who return to the workforce after having or raising a child.

From this it can be seen that women who return to the workforce are more likely than new female graduates to be employed at SMEs and micro businesses, and the

proportion employed at micro businesses is especially high.

This suggests that micro businesses act as more flexible employers for women returning to the workforce after having or raising a child.

Fig. 2-1-27 Employers of new female graduates and women returning to the workforce after having or raising a child



Source: Recompiled from MIC, 2012 Basic Survey on Employment Structure.

- Notes:
1. Based on new female graduates currently working as regular employees who responded "going to school or college" when asked "What were you doing one year ago?"
 2. Based on women who were working as regular employees, had worked elsewhere previously, gave "to have/raise children" as their reason for leaving their prior job, and started their current job in or after October 2011.

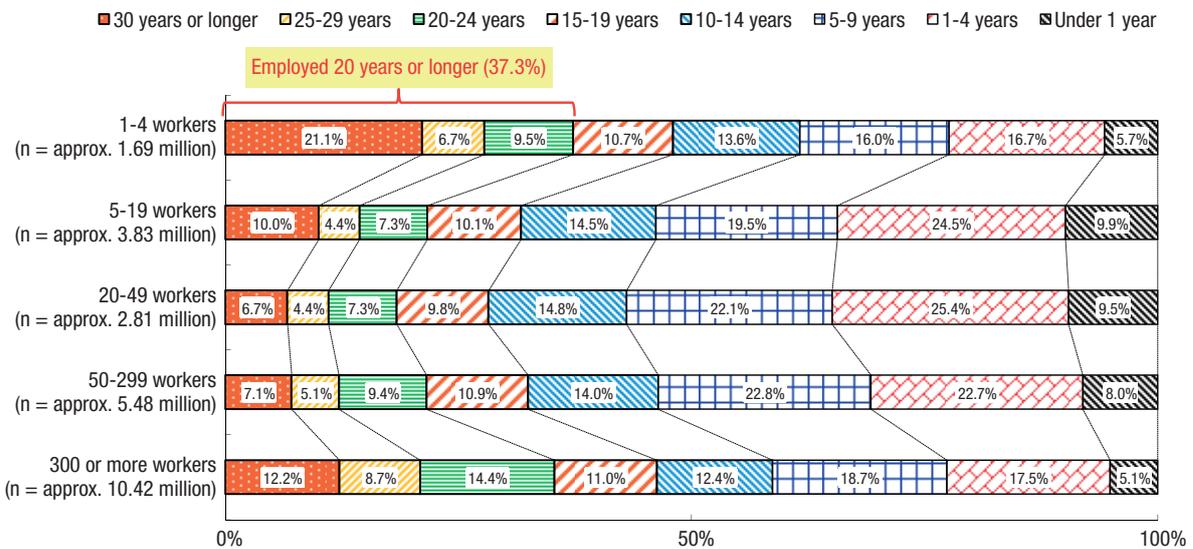
2 Length of female employment and micro businesses

Fig. 2-1-28 shows the length in employment (in years) of regular employees by number of workers.

From this it can be seen that, if businesses with 300 or more workers are excluded, length of employment is longer at small businesses with 1 to 4 workers than at larger businesses.

More specifically, workers who have been employed for 30 or more years make up 21.1% and workers who have been employed for 20 or more years make up 37.3% of all employees at businesses with 1 to 4 workers.

Fig. 2-1-28 Length of employment of employed persons (by number of workers) (all regular employees)



Source: MIC, 2012 Basic Survey on Employment Structure.

Note: Excludes persons employed at government agencies and "other organizations and corporations."

Fig. 2-1-29 shows the lengths of employment of female regular employees.

From this it can be seen that female regular employees tend to be employed for longest at smaller businesses with 1 to 4 workers.

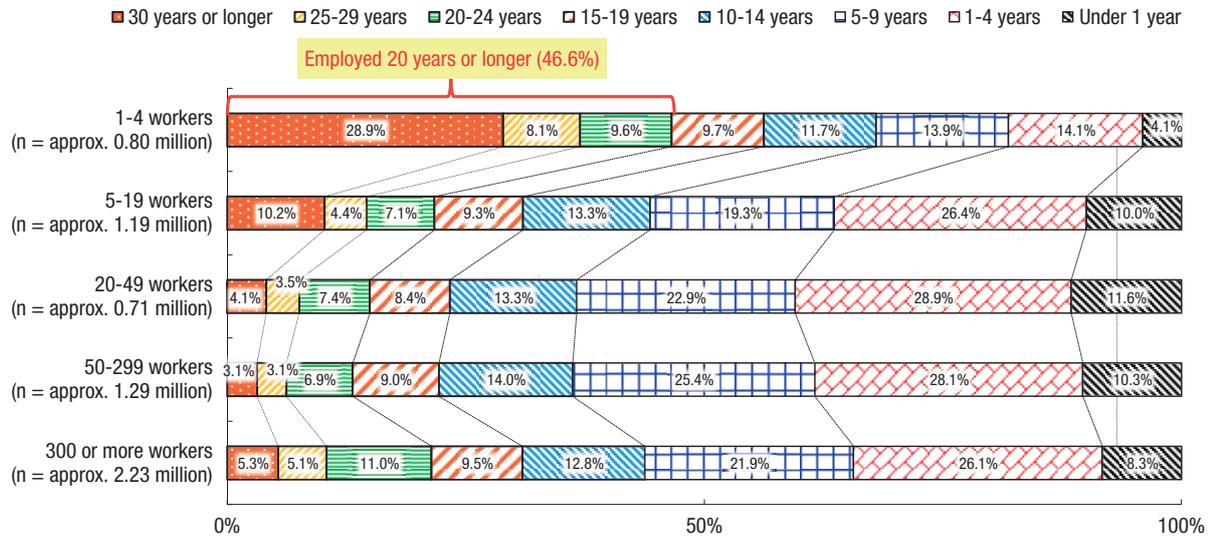
More specifically, women who have been employed for 30 or more years make up 28.9% and women who have been employed for 20 or more years make up 46.6% of female regular employees at businesses with 1 to 4 workers.

For comparison, Fig. 2-1-30 shows the lengths of

employment of male regular employees. At smaller businesses with 1 to 4 workers, men who have been employed for 30 or more years make up 14.2% and men who have been employed for 20 or more years make up 29.1% of male regular employees.

Female regular employees at micro businesses thus tend to have been employed for longer than female regular employees at medium businesses and male regular employees, indicating that micro businesses offer employment conditions that allow women to remain in the same job for longer.

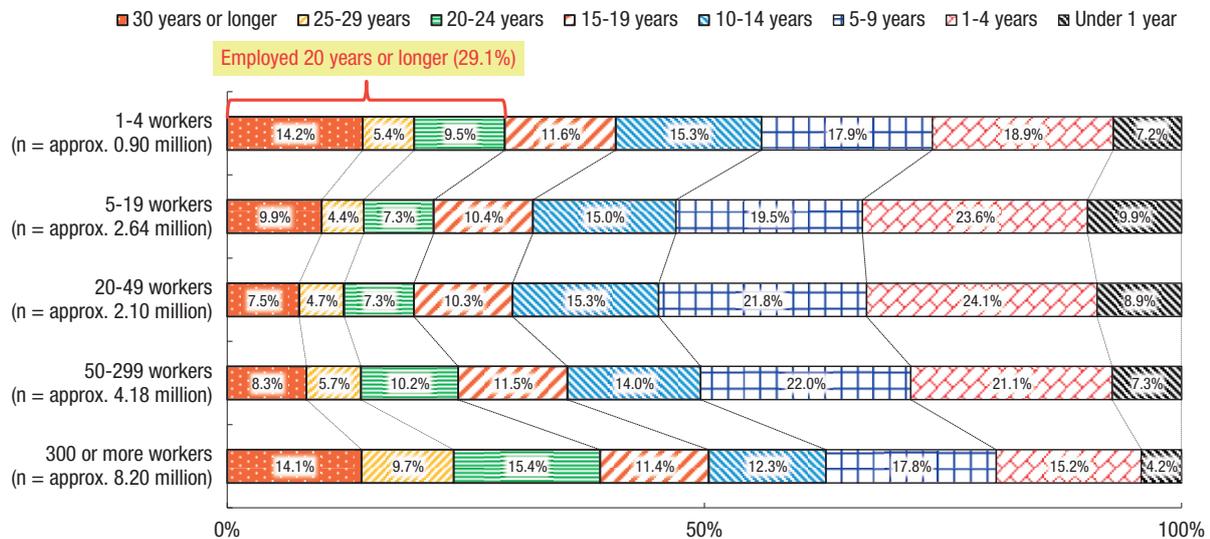
Fig. 2-1-29 Length of employment of employed persons (by number of workers) (female regular employees)



Source: MIC, 2012 Basic Survey on Employment Structure.

Note: Excludes persons employed at government agencies and "other organizations and corporations."

Fig. 2-1-30 Length of employment of employed persons (by number of workers) (male regular employees)



Source: MIC, 2012 Basic Survey on Employment Structure.

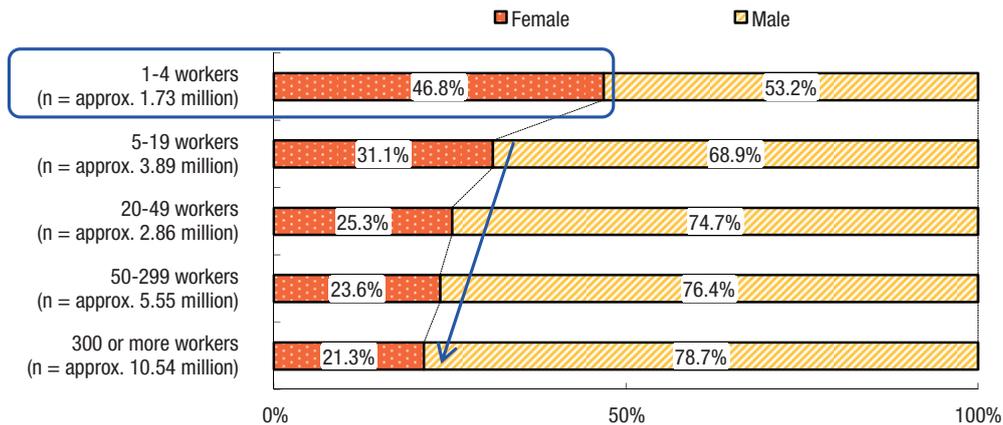
Note: Excludes persons employed at government agencies and "other organizations and corporations."

3 Other aspects of the working environment for women

Fig. 2-1-31 shows the gender distribution of regular employees at all businesses by number of workers. From this it can be seen that the proportion of female

employed persons increases as the number of workers decreases.

Fig. 2-1-31 Distribution of employed persons (regular employees) by gender (by number of workers)



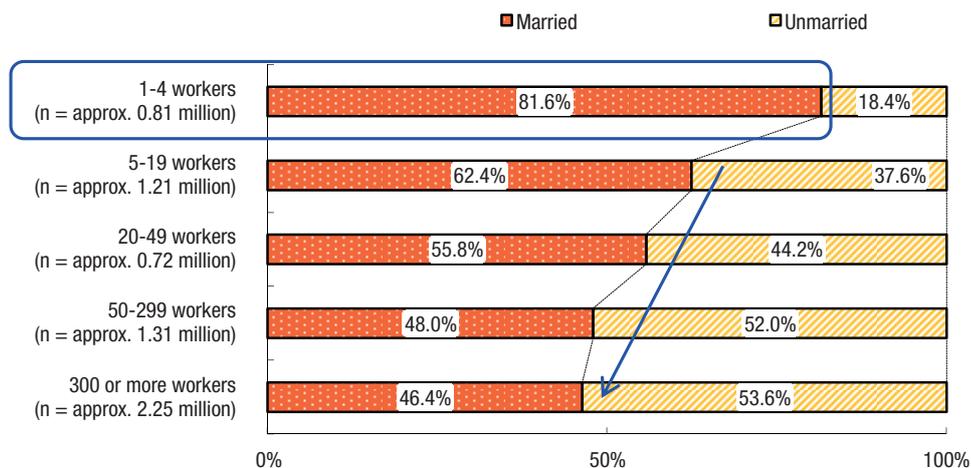
Source: MIC, 2012 Basic Survey on Employment Structure.

Note: Excludes persons employed at government agencies and other organizations and corporations.

Next, Fig. 2-1-32 shows the marriage rates of female regular employees by number of workers. From this it can be seen that the marriage rate among female regular employees tends to increase as the number of

workers decreases. This suggests that micro businesses provide hospitable working conditions for married women.

Fig. 2-1-32 Marriage rates of female regular employees (by number of workers)



Source: MIC, 2012 Basic Survey on Employment Structure.

Notes: 1 Excludes persons employed at government agencies and other organizations and corporations.

2. "Married" includes "widowed/divorced" and unknowns.

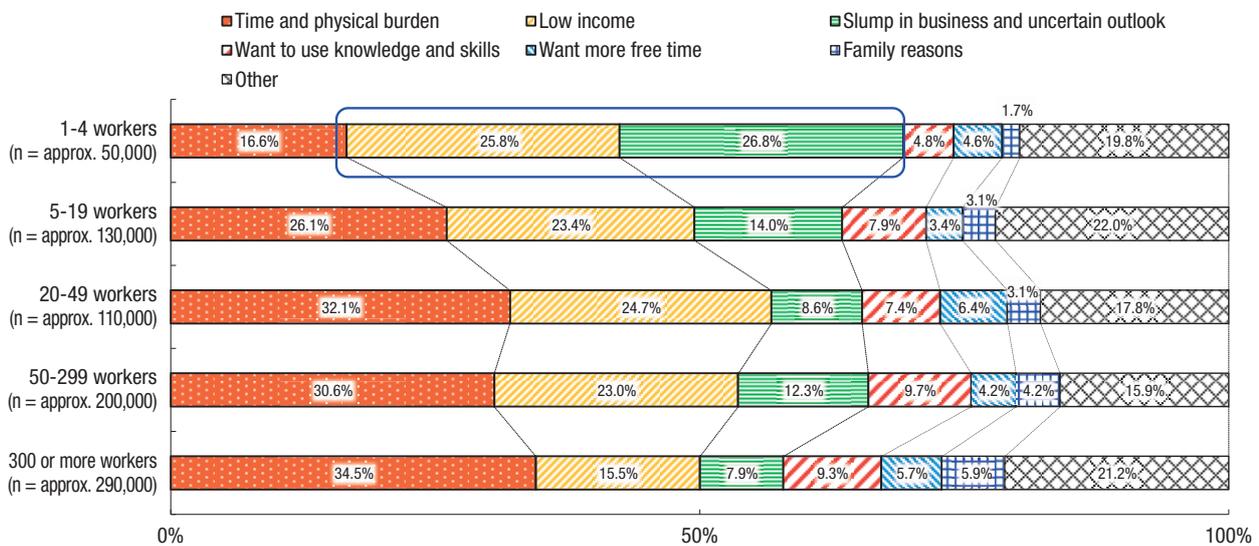
Fig. 2-1-33 takes the analysis a step further by showing female regular employees' reasons for wanting to change jobs by number of workers.

From this it can be seen that female regular employees' commonest reason for wanting to change jobs at businesses with 1 to 4 workers is "slump in business and uncertain outlook" (26.8%), followed by "low income" (approximately 25.8%), and together these two reasons make up over half (52.6%) of the

total.

On the other hand, a much lower proportion give "time and physical burden" (16.6%) as a reason than at businesses with more workers. These figures suggest that whereas women find that micro businesses offer a comparatively worker-friendly environment, they are also dissatisfied with their pay and concerned about future business prospects.

Fig. 2-1-33 Reasons for wanting to change jobs among female regular employees (by number of workers)



Source: MIC, 2012 Basic Survey on Employment Structure.

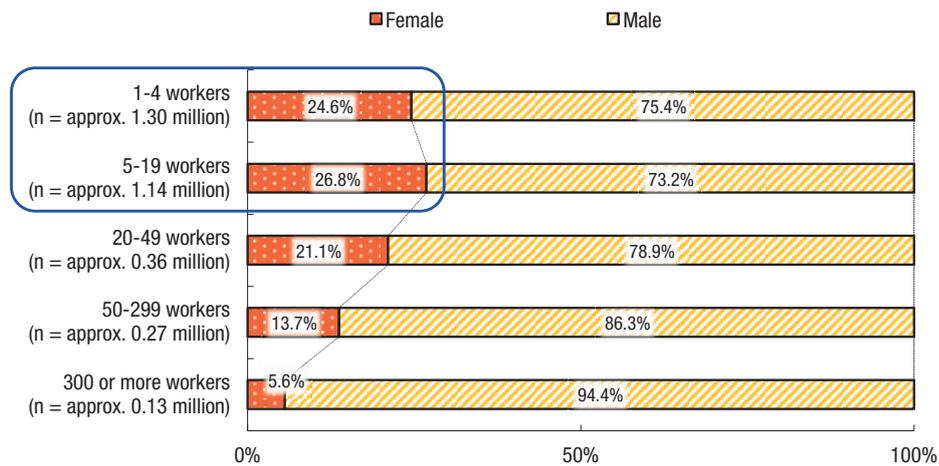
- Notes:
1. Excludes persons employed at government agencies and other organizations and corporations.
 2. "Other" consists of "because only employed temporarily," "want to change jobs before mandatory retirement age or end of employment contract," and "other."
 3. Respondents consisted of women who were in employment and wanted to change jobs. "Number of workers" thus represents the size of respondents' current employers.

Next, the gender distribution of directors at companies and similar entities is shown by number of workers in Fig. 2-1-34.

From this it can be seen that although the proportion of female directors is generally low in all size groups,

the proportion is relatively higher (around 25%) at businesses with 1 to 4 workers and 5 to 19 workers. The proportion of female directors thus tends to rise as the number of workers decreases.

Fig. 2-1-34 Gender distribution of directors at companies, etc. (by number of workers)



Source: MIC, 2012 Basic Survey on Employment Structure.

Note: Excludes persons employed at government agencies and "other organizations and corporations."

This section examined institutional provision to assist women in the workplace and actual conditions of employment from the perspective of the working conditions experienced by women at micro businesses.

The analysis showed that overall, despite making less institutional provision for female employees than medium businesses, micro businesses in many ways provide women with hospitable working conditions in

practice.

Given that there is growing concern about labor shortages among micro businesses, as corroborated by the movements in the employee overcapacity and insufficiency DI examined in Section 1 of Chapter 1 in Part I, these findings point to the need for micro businesses to make greater provision for women as part of their workforces.

Chapter 2 Diverse aspects of micro businesses

Entitled “Diverse aspects of micro businesses,” this chapter continues where the *2015 White Paper on Small Enterprises in Japan* left off by examining “freelancers,” who are individuals who market their skills and expertise in various fields, such as software design and engineering (SE), web design, and writing, without being attached to a specific organization.

Section 1 Attributes of freelancers

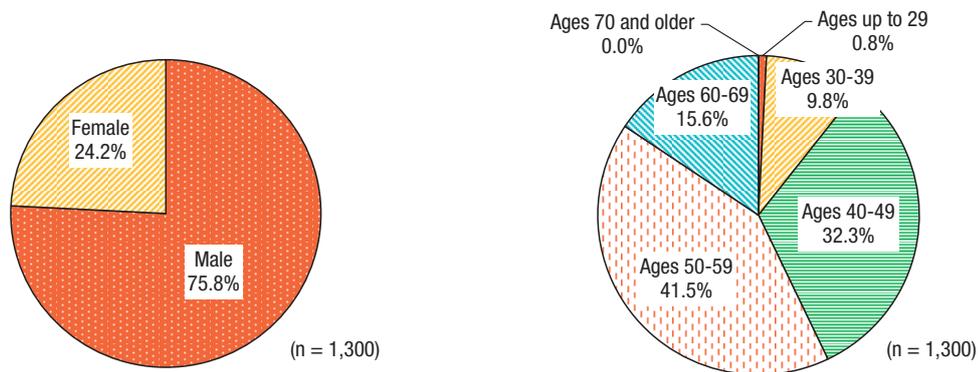
A questionnaire survey was conducted for last year’s white paper to investigate the emergence of freelancing as a new style of work among micro businesses, and an analysis was performed of the industries and occupations in which freelancers do business, the challenges that they face in business, and related topics. This year’s white paper analyzes the results of another questionnaire¹⁾ that investigated areas that were left unexplored by last year’s survey, namely the situation of freelancers in different income groups, freelancers’ approaches to business and the correlations of these approaches to their sales and sizes of their sales areas, and the business networks and other resources used by freelancers to obtain work.

The chapter begins by reviewing the attributes of the freelancers who took part in the survey. As the analysis in this section is based on the questionnaire results, it cannot provide a direct glimpse of the overall situation among freelancers. However, it is able to identify trends in the occupations engaged in by freelancers.

Fig. 2-2-1 shows the gender and age distributions of the freelancers who responded to the questionnaire. 75.8% were male and 24.2% were female. In terms of age, 50-59 year-old freelancers were most numerous (41.5%), followed by 40-49 year olds (32.3%) and 60-69 year olds (15.6%). Younger freelancers (aged under 40) made up only a small proportion of the total (10.6%).

1) Entitled the *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers*, this took the form of an online survey of individuals contained in Cross Marketing Inc.’s database of registered survey participants who had “SOHO” as one of their attributes (a parent population of approximately 16,000 individuals). It was commissioned by the SME Agency, conducted by Cross Marketing Inc. in January 2016, and received 1,300 valid responses. A sample of valid responses was obtained by defining as “freelancers” those respondents who met all of the following conditions: (1) individuals who described their occupation as “SOHO” (small office/home office) in a preliminary questionnaire prior to the main survey, or who answered “undertake some kind of business as sole proprietor” in the main survey; (2) individuals who answered “have no regular workforce” in the main survey; and (3) individuals who answered “run what I consider to be a freelance business.”

Fig. 2-2-1 Breakdown of freelancers by gender and age

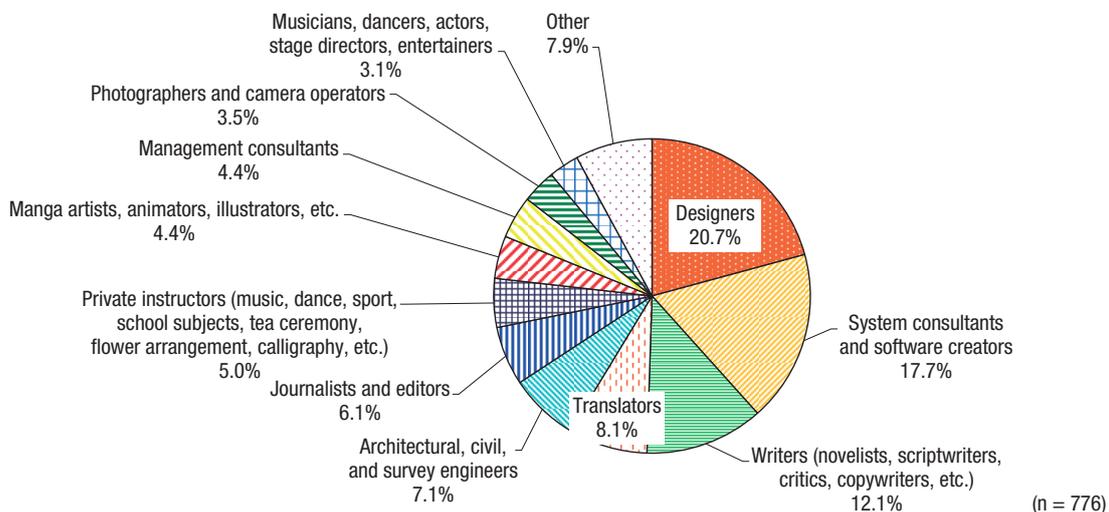


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Fig. 2-2-2 shows the results obtained by asking freelancers about the occupations in which they did business. The results include only respondents who gave a specific occupation, and exclude those who answered “other.” From this it can be seen that “designers” (20.7%), “system consultants and software

creators” (17.7%), “writers” (12.1%), “translators” (8.1%), and “architectural, civil, and survey engineers” (7.1%) were the commonest. These are lines of work in which results depend on the experience and expertise of the individual, and are well suited to non-standardized approaches to work.

Fig. 2-2-2 Occupations in which freelancers do business



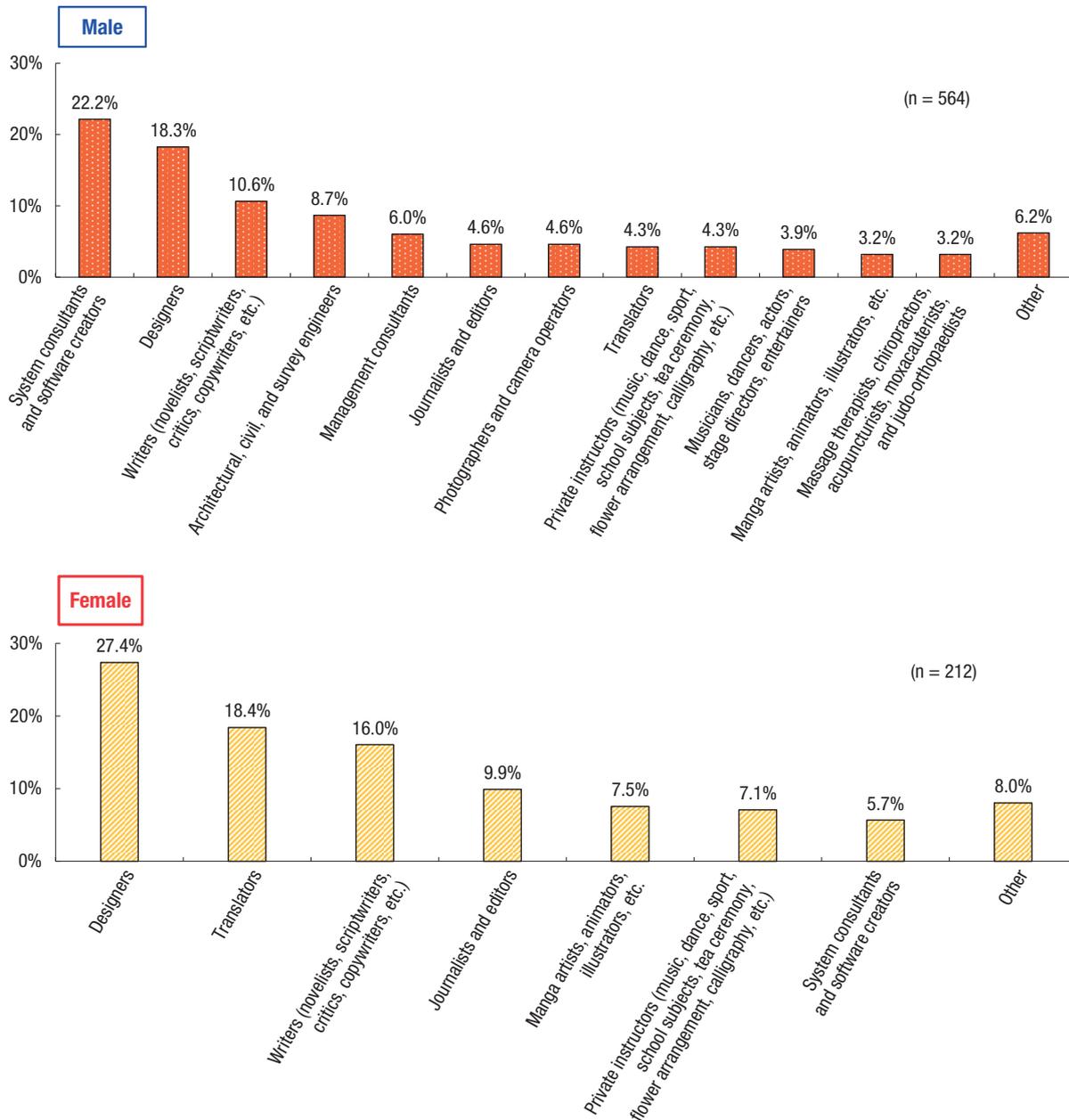
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: 1. The above results include only respondents who gave a specific occupation, and exclude 524 respondents who answered “other.”
 2. In the chart, “other” consists of those who gave a specific occupation that was chosen by fewer than 3% of the respondents. These occupations were as follows (number of responses shown in parentheses): massage therapists, chiropractors, acupuncturists, moxacauterists and judo-orthopaedists (22); beauty treatment workers (kimono dressers, estheticians, manicurists, etc.) (14); interpreters (6); house cleaners (6); house and sign painters (4); carpenters (4); gardeners and landscape gardeners (2); form work carpenters (1); scaffolding workers (1); tatami mat makers (1).

The distribution of questionnaire respondents by occupation shown in Fig. 2-2-2 is next broken down by gender in Fig. 2-2-3. From this it can be seen that the three commonest occupations overall among

men are “system consultants and software creators” (22.2%), “designers” (18.3%), and “writers” (10.6%). Among women, the top three are “designers” (27.4%), “translators” (18.4%), and “writers” (16.0%).

Fig. 2-2-3 Occupations in which freelancers do business (by gender)



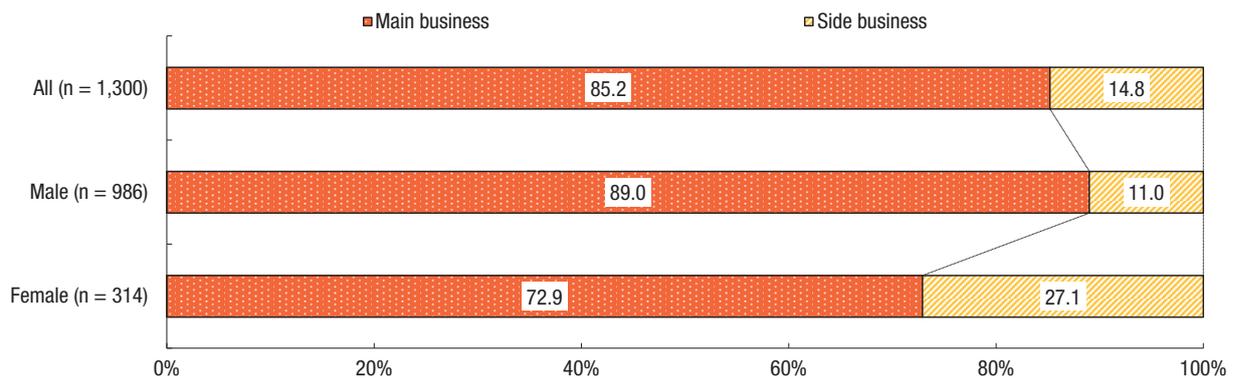
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: 1. The above results include only respondents who gave a specific occupation, and exclude 524 respondents who answered “other.”
 2. In the chart, “other” consists of those who gave a specific occupation that was chosen by fewer than 3% of the respondents. These occupations were as follows (number of responses shown in parentheses):
 Breakdown for men: beauty treatment workers (kimono dressers, estheticians, manicurists, etc.) (12); house cleaners (6); interpreters (4); house and sign painters (4); carpenters (4); gardeners and landscape gardeners (2); form work carpenters (1); scaffolding workers (1); *tatami* mat makers (1).
 Breakdown for women: architectural, civil, and survey engineers (6); massage therapists, chiropractors, acupuncturists, moxacauterists, and judo-orthopaedists (4); interpreters (2); musicians, dancers, actors, stage directors, and entertainers (2); beauty treatment workers (kimono dressers, estheticians, manicurists, etc.) (2); photographers and camera operators (1).

Regarding freelancing’s relative importance as an income source, Fig. 2-2-4 shows the results obtained by asking respondents whether freelancing was their main business (i.e., main source of household income) or a side business (i.e., a supplementary source of household income). Overall, 85.2% answered “main

business.” A breakdown by gender shows that although proportionately more men (89.0%) than women (72.9%) said that freelancing was their main business, indicating that many women see freelancing as their main line of work.

Fig. 2-2-4 Relative importance of income earned from freelancing (overall and by gender)

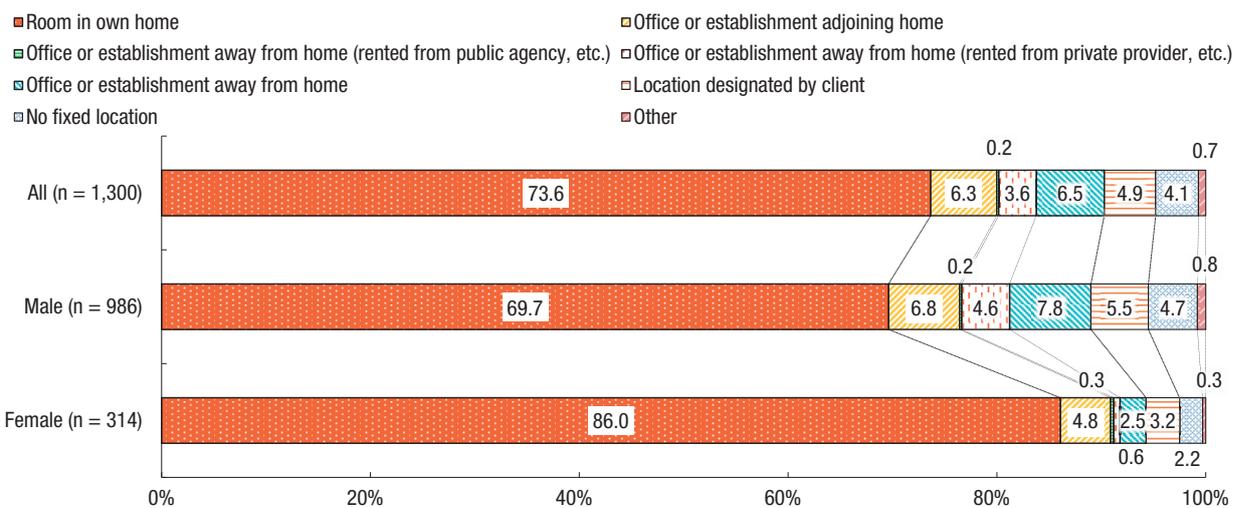


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Fig. 2-2-5 shows the results obtained by asking freelancers about where they mostly worked. The commonest response overall was “room in own home,” which was cited by 73.6%. Gender-wise, this was

chosen by proportionately more women (86.0%) than men (69.7%), indicating that women have a stronger tendency to use space in their own home for work.

Fig. 2-2-5 Main place of work as a freelancer (overall and by gender)

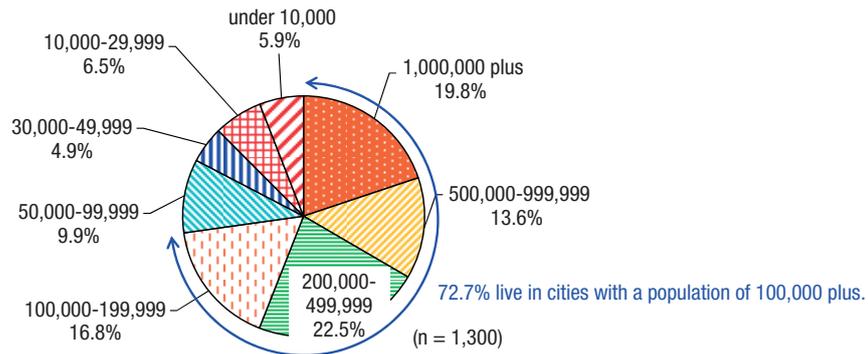


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Fig. 2-2-6 shows the results obtained by asking freelancers about the population size of the municipalities in which they live. Commonest is “200,000-499,999” (22.5%), followed by “1,000,000 or more” (19.8%), “100,000-199,999” (16.8%), and “500,000-999,999” (13.6%). Together, these categories

account for about 70% of the total. Most freelancers thus live and do business in municipalities with large populations. As can also be seen, however, 5.9% of freelancers live in municipalities with a population of “under 10,000.”

Fig. 2-2-6 Population size of areas in which freelancers live



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

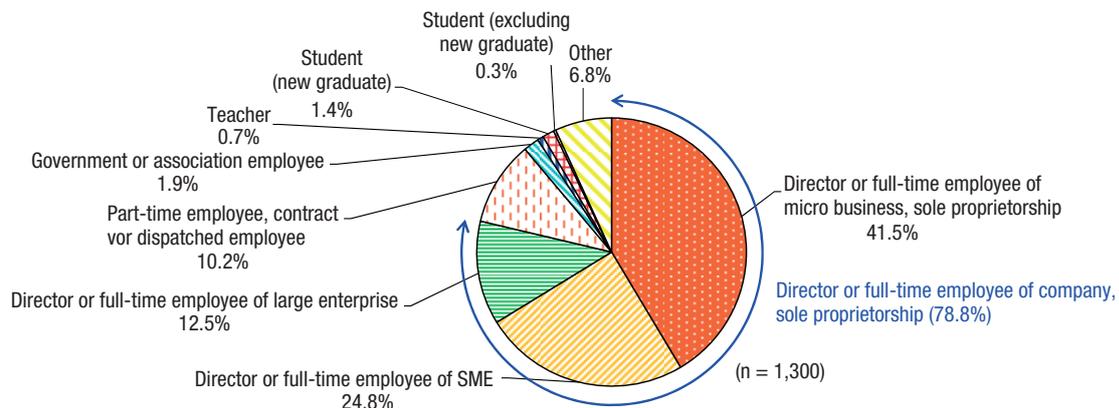
Note: The populations of areas of residence represent the population sizes of the municipalities in which freelancers said that they lived.

Section 2 Freelancers' approaches to business activities

Fig. 2-2-7 shows freelancers' previous occupations. The commonest responses were, in descending order, “director or full-time employee of micro business, sole proprietorship” (41.5%), “director or full-time employee of SME” (24.8%), and “director or full-time employee of large enterprise” (12.5%). These

figures suggest that the practical experience gained at enterprises serves as an asset that allows freelancers to establish themselves in their line of work. By contrast, very few freelancers used to be a “government or association employee,” “teacher,” or “student.”

Fig. 2-2-7 Previous jobs before becoming freelancers



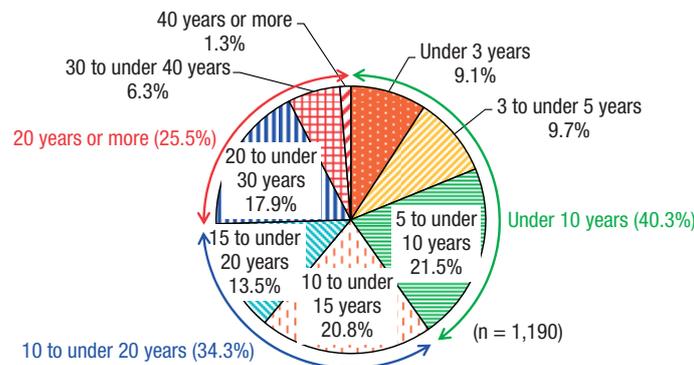
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: "Director or full-time employee of SME" excludes directors and full-time employees of micro businesses.

Freelancers' length of employment in their previous occupation is considered next. As Fig. 2-2-8 shows, 9.1% responded "under 3 years" and the remaining 90.9% responded "3 years or more," indicating that most freelancers acquire a certain amount of practical experience before going freelance. Dividing length of employment into 10-year increments reveals the

following distribution: (1) up to 10 years (aggregated) accounts for 40.3%, (2) from 10 to under 20 years (aggregated) for 34.3%, (3) from 20 to under 30 years for 17.9%, (4) from 30 to under 40 years for 6.3%, and (5) for 40 or more years for 1.3%. The tendency to go freelance thus appears to weaken as length of employment increases.

Fig. 2-2-8 Length of employment in previous job before going freelance



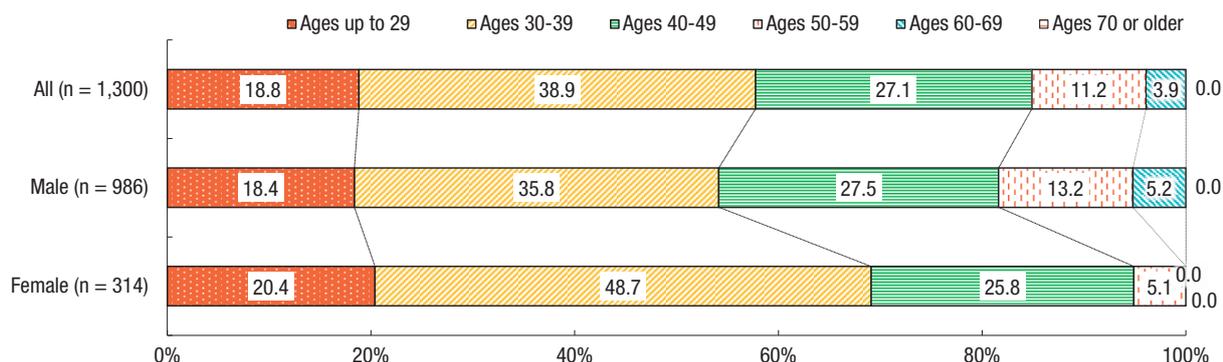
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

A breakdown of the ages at which people went freelance is shown in Fig. 2-2-9. Overall, the commonest age groups are, in descending order, 30-39 years (38.9%), 40-49 years (27.1%), 20-29 years (18.8%), and 50-59 years (11.2%). Altogether, 66.0% of freelancers went freelance between the ages of 30 and 49, which suggests that most people become

freelancers at an age at which they have acquired a certain amount of practical experience and personal contacts, but still have plenty of energy and stamina.

Looked at by gender, considerably more women (69.1%) than men (54.2%) go freelance before the age of 40.

Fig. 2-2-9 Age of going freelance (overall and by gender)

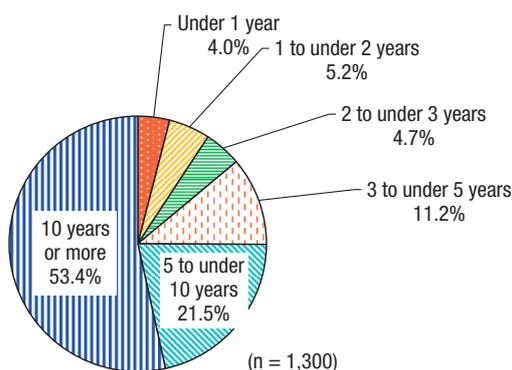


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The results obtained by asking respondents about how long they had been freelancing are shown next in Fig. 2-2-10. The commonest response, accounting for

53.4% of the total, was “10 years or more,” followed by “5 to under 10 years (21.5%) and “3 to under 5 years” (11.2%).

Fig. 2-2-10 Length of freelance experience

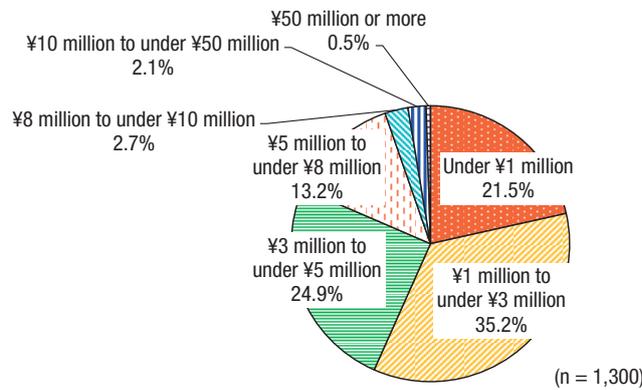


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Fig. 2-2-11 shows the results obtained by asking respondents how much they currently earned per year (after taxes). The largest proportion earned “¥1 million

to under ¥3 million” (35.2%), followed by “¥3 million to under ¥5 million” (24.9%), “under ¥1 million” (21.5%), and “¥5 million to under ¥8 million” (13.2%).

Fig. 2-2-11 Current annual income earned from freelancing



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

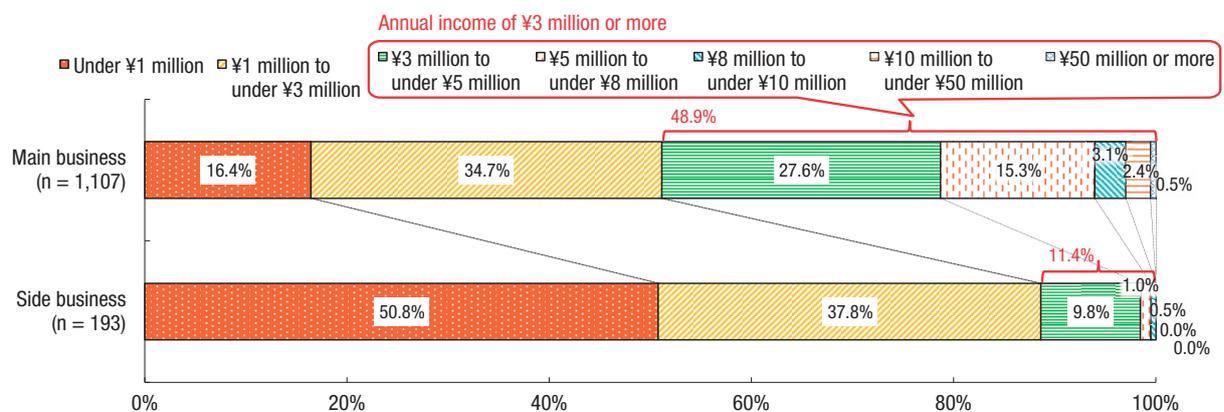
Note: Respondents were asked their annual income after taxes.

The analysis in Fig. 2-2-11 is taken a step further in Fig. 2-2-12, which shows the results for “main business” and “side business” separately. Among respondents for whom freelancing is their main business, the commonest annual income category is “¥1 million to under ¥3 million” (34.7%), while those who freelance as a side business most commonly earn

“under ¥1 million” (50.8%).

The gap between the “main business” and “side business” groups is especially large among those earning ¥3 million or more per year, who account for 48.9% of those who freelance as their main business but only 11.4% of those who freelance as a side business.

Fig. 2-2-12 Current annual income earned from freelancing (main versus side business)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Fig. 2-2-13 shows the results depicted in Fig. 2-2-12 broken down by gender. “¥1 million to under ¥3 million” accounts for the largest proportion of both men (31.5%) and women (46.7%) who freelance as their main business.

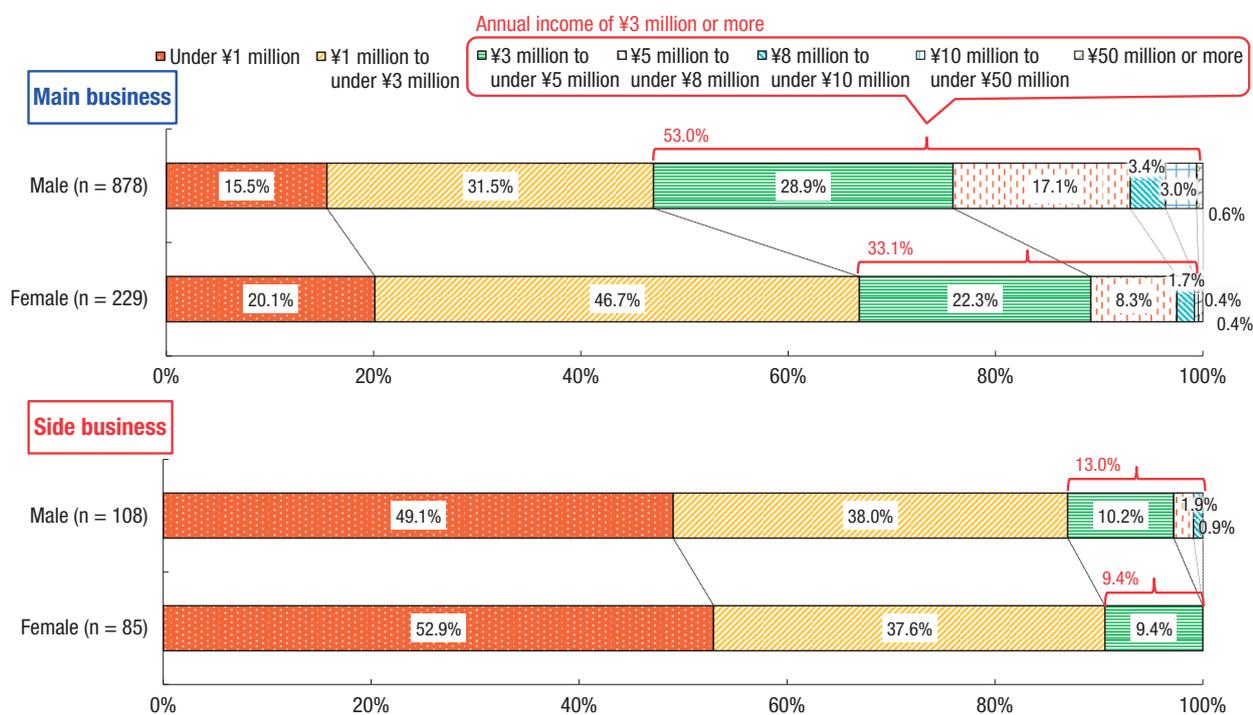
Amongst those who freelance as a side business, “under ¥1 million” accounts for the largest proportion of both men (49.1%) and women (52.9%).

The proportions of those earning at least ¥3 million

per year as freelancers are examined next. Amongst those who freelance as their main business, this income group accounts for 53.0% of men and 33.1% of women. Proportionately more men than women thus earn at least ¥3 million per year.

Amongst those who freelance as a side business, 13.0% of men and 9.4% of women fall into this income group. A slightly higher proportion of men than women thus earn at least ¥3 million or more per year

Fig. 2-2-13 Current annual income earned from freelancing (main versus side business by gender)



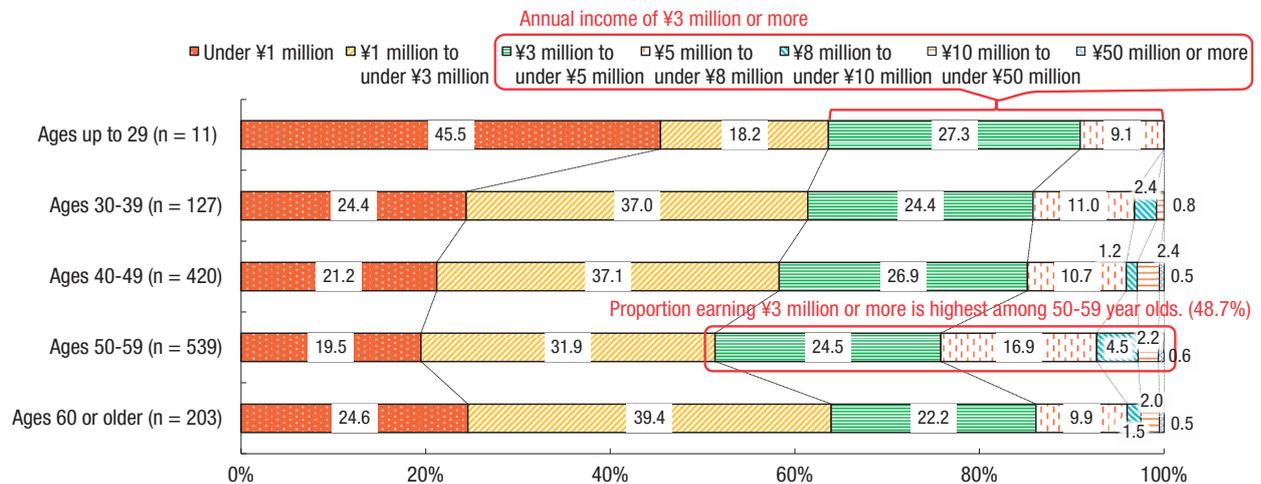
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: In the “side business” group, no men reported having an annual income of ¥10 million or more and no women had an annual income of ¥5 million or more.

Annual income currently earned from freelancing is next broken down by age (Fig. 2-2-14). The combined

proportion of those earning at least ¥3 million per year can be seen to rise with age up to the 50-59 age group.

Fig. 2-2-14 Current annual income earned from freelancing (by age)

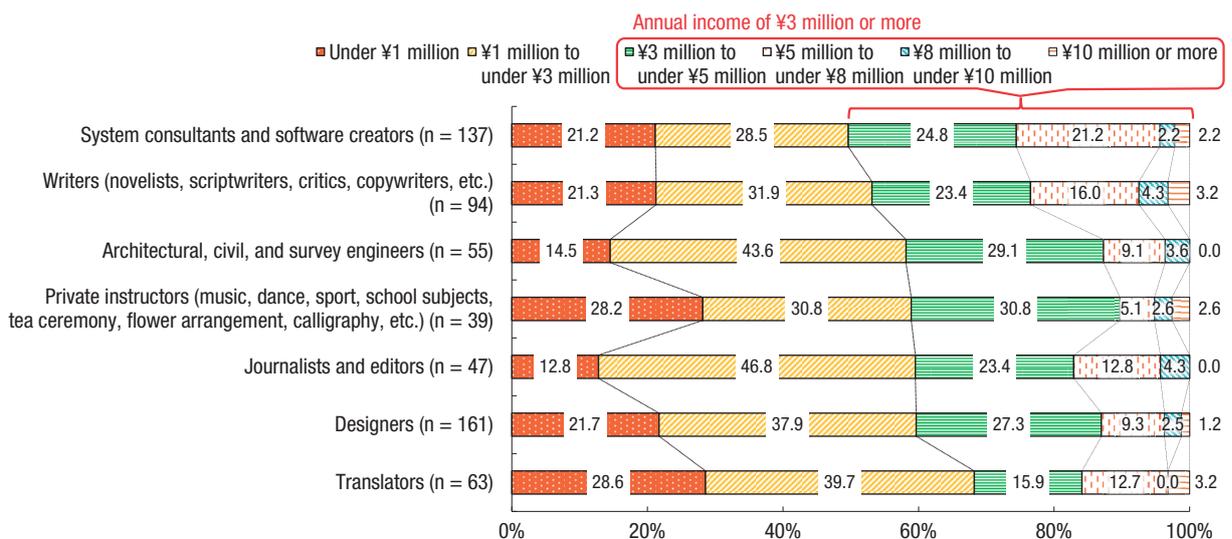


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

A breakdown of the annual incomes currently earned from freelancing is shown by occupation in Fig. 2-2-15. The three occupations with the highest proportions of freelancers earning at least ¥3 million

per year are “system consultants and software creators” (50.4%), “writers” (46.9%), and “architectural, civil, and survey engineers” (41.8%).

Fig. 2-2-15 Current annual income earned from freelancing (by occupation)



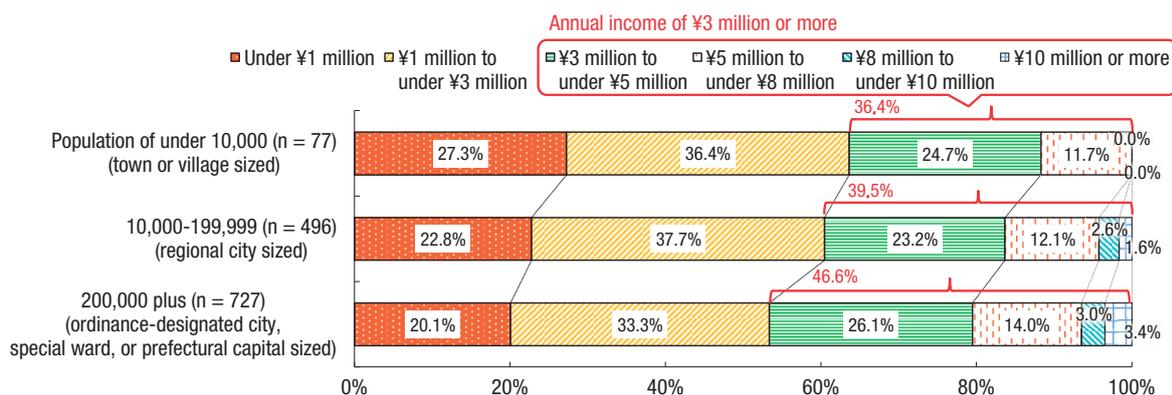
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: Partial results for occupations that received the most responses.

Annual income currently earned from freelancing is next examined by the population size of municipality in which a freelancer lives (Fig. 2-2-16). Looking at annual incomes of ¥3 million or more in aggregate, municipalities with a population of under 10,000 (approximately the size of a town or village) have the smallest proportion of freelancers in this income group

(36.4%) and municipalities with a population of more than 200,000 (approximately the size of a prefectural capital or larger city) have the largest proportion (46.6%). It can thus be seen that the annual income of freelancers tends to increase with the size of the municipality in which they live.

Fig. 2-2-16 Current annual income earned from freelancing (by population size of areas of residence)

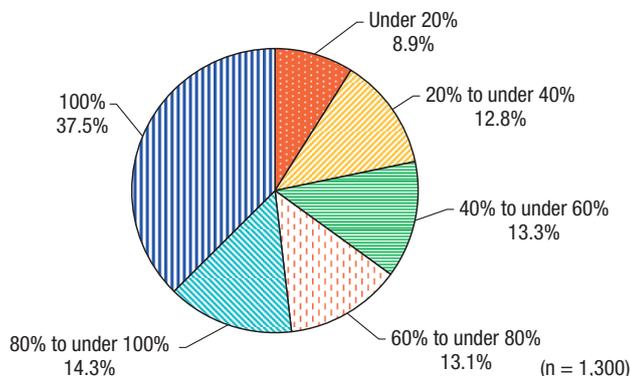


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The proportion of annual household income accounted for by income from freelancing is shown in Fig. 2-2-17. About two in five (37.5%) of the respondents said that income from freelancing was

their sole source of income, with the remaining three in five saying that, to a greater or lesser extent, they received some form of income from a source other than freelancing.

Fig. 2-2-17 Proportion of annual household income accounted for by freelancing

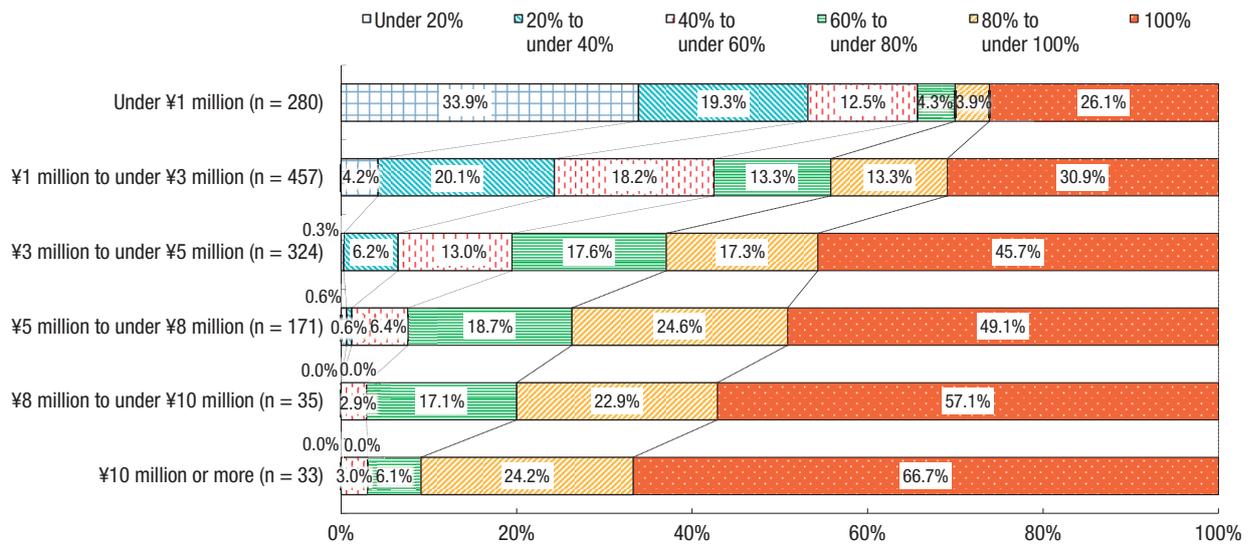


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The proportion of annual household income accounted for by income from freelancing is next examined by level of annual income (Fig. 2-2-18). Focusing on those who said that freelancing was their

sole source of income reveals that the proportion increases as annual income rises, and reaches 66.7% among those earning ¥10 million or more per year.

Fig. 2-2-18 Proportion of annual household income accounted for by freelancing (by annual income)

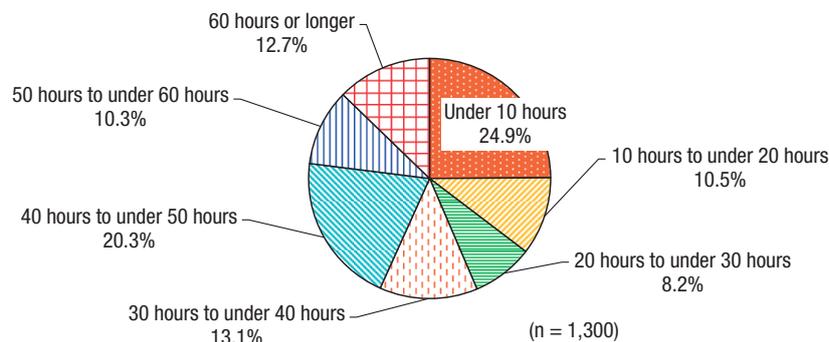


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The average working hours per week of freelancers is considered next (Fig. 2-2-19). The commonest

response was “under 10 hours” (24.9%), followed by “40 to under 50 hours” (20.3%).

Fig. 2-2-19 Average working hours per week of freelancers



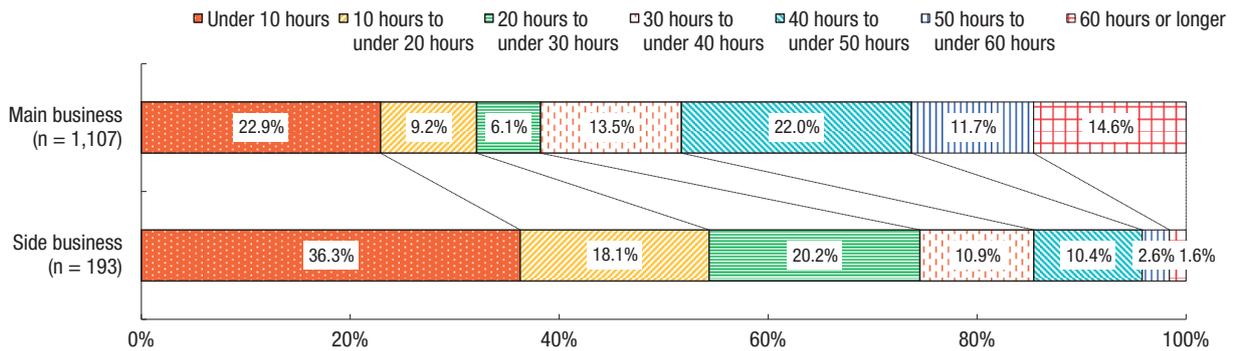
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: Average working hours per week are actual working hours excluding breaks.

The average working hours per week of freelancers are analyzed further by dividing the respondents into “main business” freelancers and “side business” freelancers, as shown in Fig. 2-2-20. While the commonest response in the “main business” group was “under 10 hours” (22.9%), considerable proportions

also work quite long hours, with 22.0% working “40 to under 50 hours” and 14.6% working “60 hours or more.” In the “side business” group, on the other hand, the commonest response was “under 10 hours” (36.3%), followed by “20 to under 30 hours” (20.2%) and “10 to under 20 hours” (18.1%).

Fig. 2-2-20 Average working hours per week of freelancers (main versus side business)



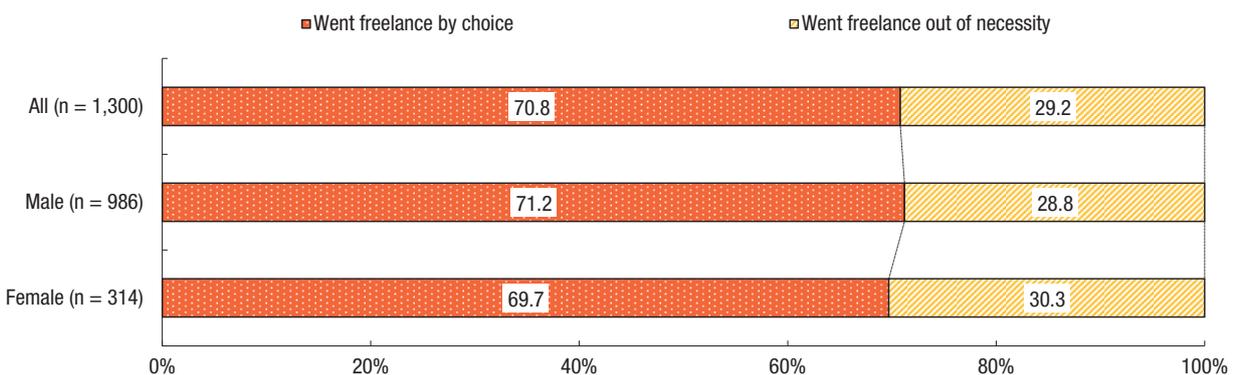
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: Average working hours per week are actual working hours excluding breaks.

Freelancers’ reasons for going freelance are considered next (Fig. 2-2-21). Overall, a far greater proportion “went freelance by choice” (70.8%) than

“went freelance out of necessity,” and the proportions are almost the same among both men and women.

Fig. 2-2-21 Reasons for going freelance (overall and by gender)



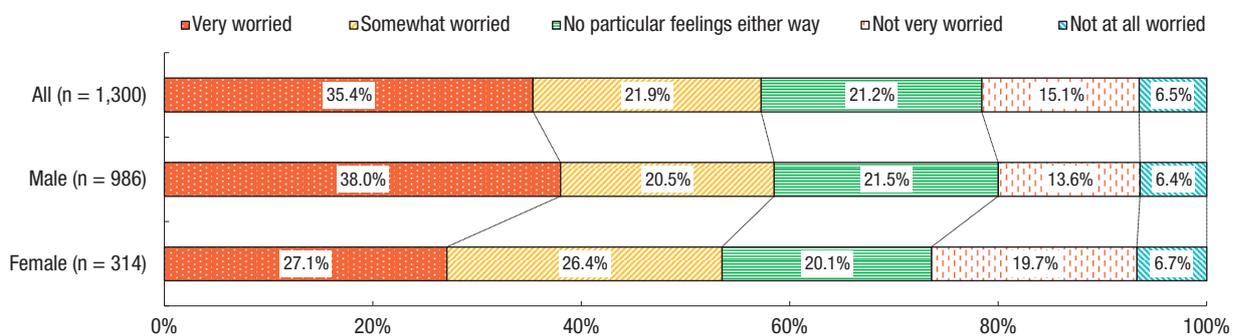
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Fig. 2-2-22 shows the results obtained by asking respondents whether they had experienced any worries about income when they first went freelance. The commonest response overall was “very worried” (35.4%), followed by “somewhat worried” (21.9%), and together these accounted for 57.3% of the total. On the other hand, 15.1% were “not very worried” and 6.5% were “not at all worried,” and together these accounted for 21.6% of the total.

This reveals that the proportion of freelancers who were “very worried” or “somewhat worried” was almost three times greater than the proportion who were “not very worried” or “not at all worried” (57.3% as opposed to 21.6%).

A breakdown by gender reveals that proportionately more men (38.0%) than women (27.1%) said that they had been “very worried.”

Fig. 2-2-22 Worries about income at age of going freelance (overall and by gender)

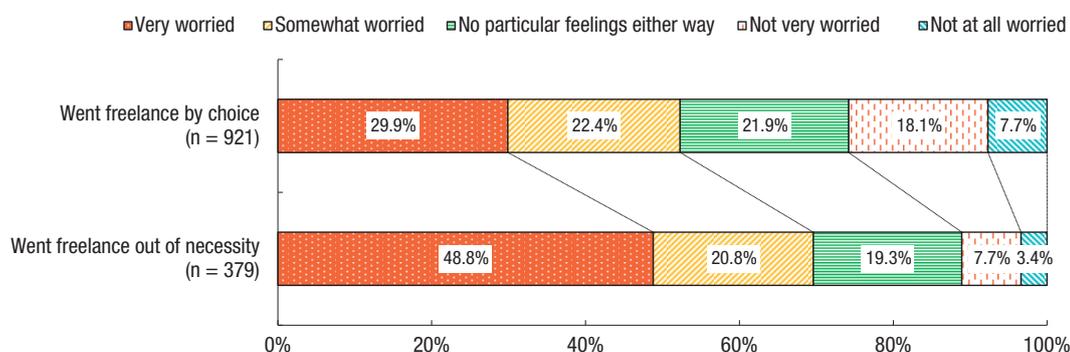


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Fig. 2-2-23 shows the degree of worry over income experienced when going freelance according to reason for going freelance. The proportion who said that they had been “very worried” was considerably greater among those who “went freelance out of necessity” (48.8%) than among those who “went freelance by

choice” (29.9%). This suggests that circumstances dictated that freelancers who “went freelance out of necessity” were less able than those who “went freelance by choice” to choose when they went freelance and so were less able to prepare sufficiently beforehand.

Fig. 2-2-23 Worries about income at age of going freelance (by reason for going freelance)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

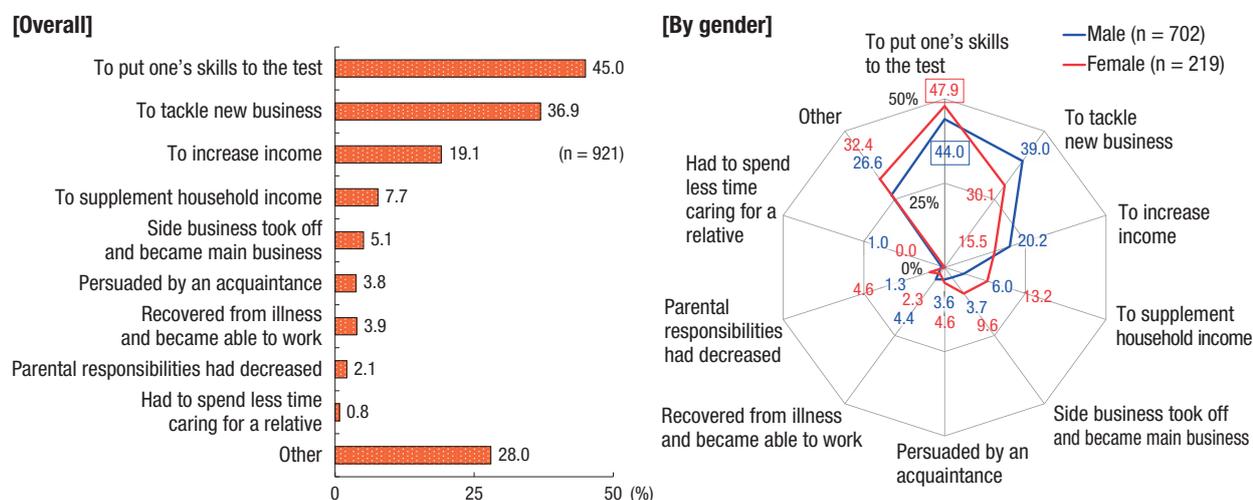
Having examined whether people go freelance by choice or out of necessity in Fig. 2-2-23, the specific reasons given by those who “went freelance by choice” and those who “went freelance out of necessity” are now analyzed.

The specific reasons given by freelancers who “went freelance by choice” are examined first in Fig. 2-2-24. The commonest reasons (excluding “other”) are “to put one’s skills to the test” (45.0%), “to tackle new business” (36.9%), and “to increase income” (19.1%).

(19.1%). The results of the survey thus show the main motivations for going freelance to be a desire to make use of one’s special skills and experience, and a desire to succeed in business.

Broken down by gender, “to put one’s skills to the test” accounts for the largest proportion of both male and female respondents. However, proportionately more women chose this response, suggesting that they may be more motivated to do business as freelancers.

Fig. 2-2-24 Specific reasons for going freelance by choice (overall and by gender)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: Respondents were allowed to choose more than one reason for having gone freelance by choice.

The specific reasons given by freelancers who “went freelance out of necessity” are examined next in Fig. 2-2-25. This shows the commonest reasons (excluding “other”) were “had doubts about working at a company or similar organization” (19.5%), “could not find a job” (19.0%), and “employer was eliminated by bankruptcy or takeover” (18.7%). The survey results thus suggest that individuals who went freelance out of necessity tended to do so because, having worked as part of an organization, they either wanted to find a more flexible style of work that would free them from organizational constraints or they could no longer work at their former organization for some reason.

A breakdown by gender shows that the commonest reasons among men (excluding “other”) were (1) “had doubts about working at a company or similar organization” (21.8%), (2) “employer was eliminated by bankruptcy or takeover” (19.4%), and (3) “could not

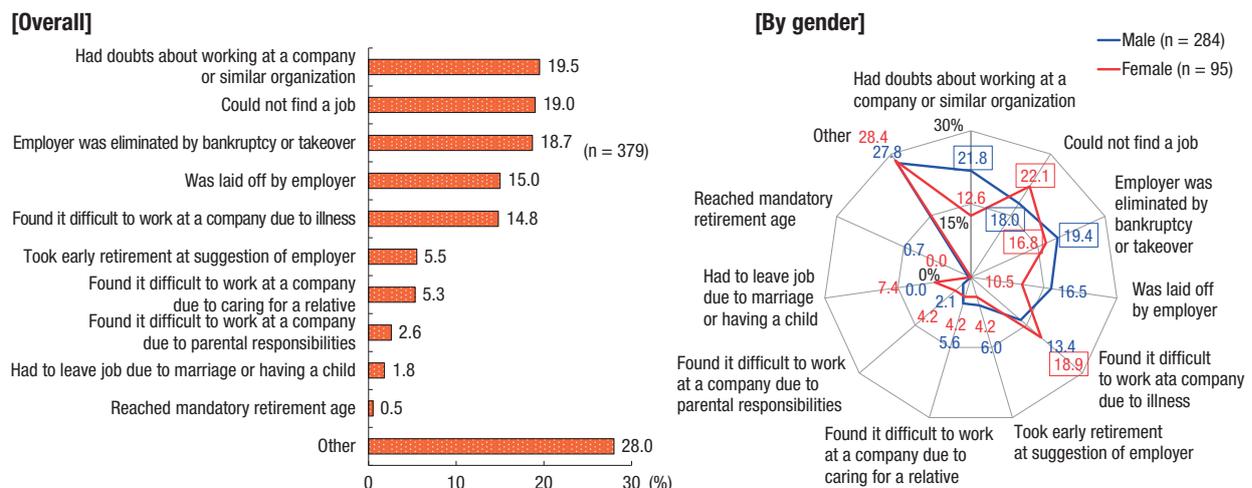
find a job” (18.0%).

Among women, the commonest reasons (excluding “other”) were (1) “could not find a job” (22.1%), (2) “found it difficult to work at a company due to illness” (18.9%), and (3) “employer was eliminated by bankruptcy or takeover” (16.8%).

There was a large gender gap in the reasons for going freelance out of necessity. The gaps were largest (in descending order) in the case of “had doubts about working at a company or similar organization,” “employer was eliminated by bankruptcy or takeover,” and “was laid off by employer” being chosen by proportionately more men.

On the other hand, the reasons such as “had to leave job due to marriage or having a child,” “found it difficult to work at a company due to illness,” and “could not find a job” were chosen by proportionately more women.

Fig. 2-2-25 Reasons for going freelance out of necessity (overall and by gender)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: Respondents were allowed to choose more than one reason for having gone freelance out of necessity.

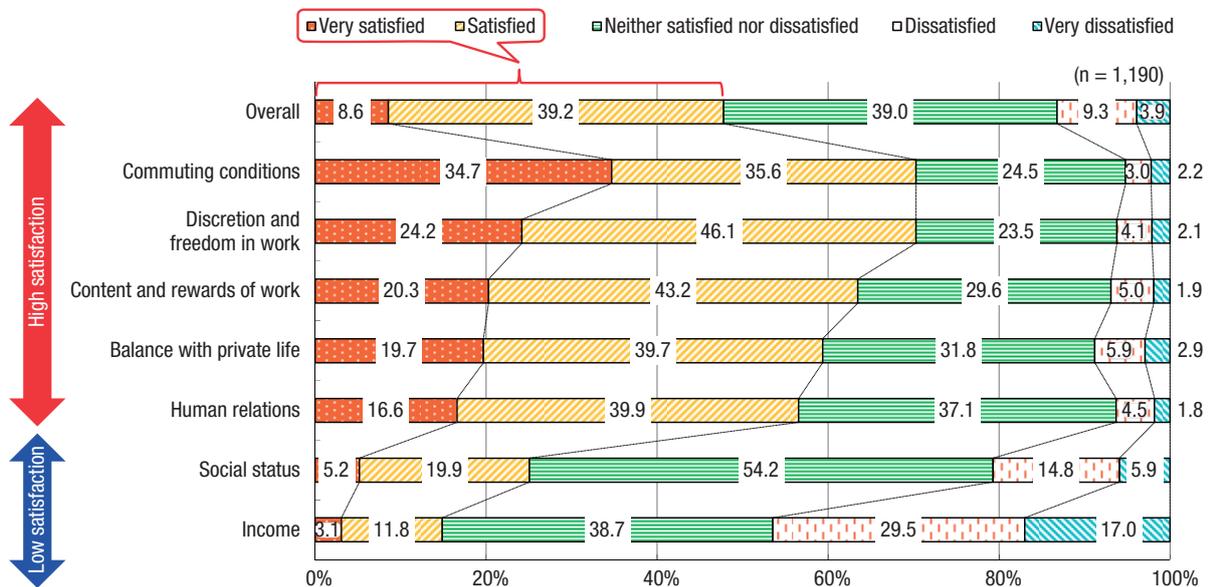
The analysis thus far has mainly concerned the attributes of freelancers. Below, the focus turns to levels of satisfaction with freelancing as a style of work.

Fig. 2-2-26 shows freelancers' satisfaction with their style of work in eight areas: "overall," "commuting conditions," "discretion and freedom in work," "content and rewards of work," "balance with private life," "human relations," "social status," and "income."

Starting with "overall" satisfaction, a total of 47.8% said that they were either "very satisfied" or "satisfied," and a total of 13.2% said that they were

"very dissatisfied" or "dissatisfied." Regarding the other categories of satisfaction, between about 60% and 70% said that they were either "very satisfied" or "satisfied" with "commuting conditions," "discretion and freedom in work," "content and rewards of work," "balance with private life," and "human relations." In contrast, only about 20% in total were "very satisfied" or "satisfied" with "social status" and "income." These figures suggest that while freelancers' satisfaction with their income and social status is low, they tend on the whole to take pride in their work.

Fig. 2-2-26 Satisfaction with the freelance work style

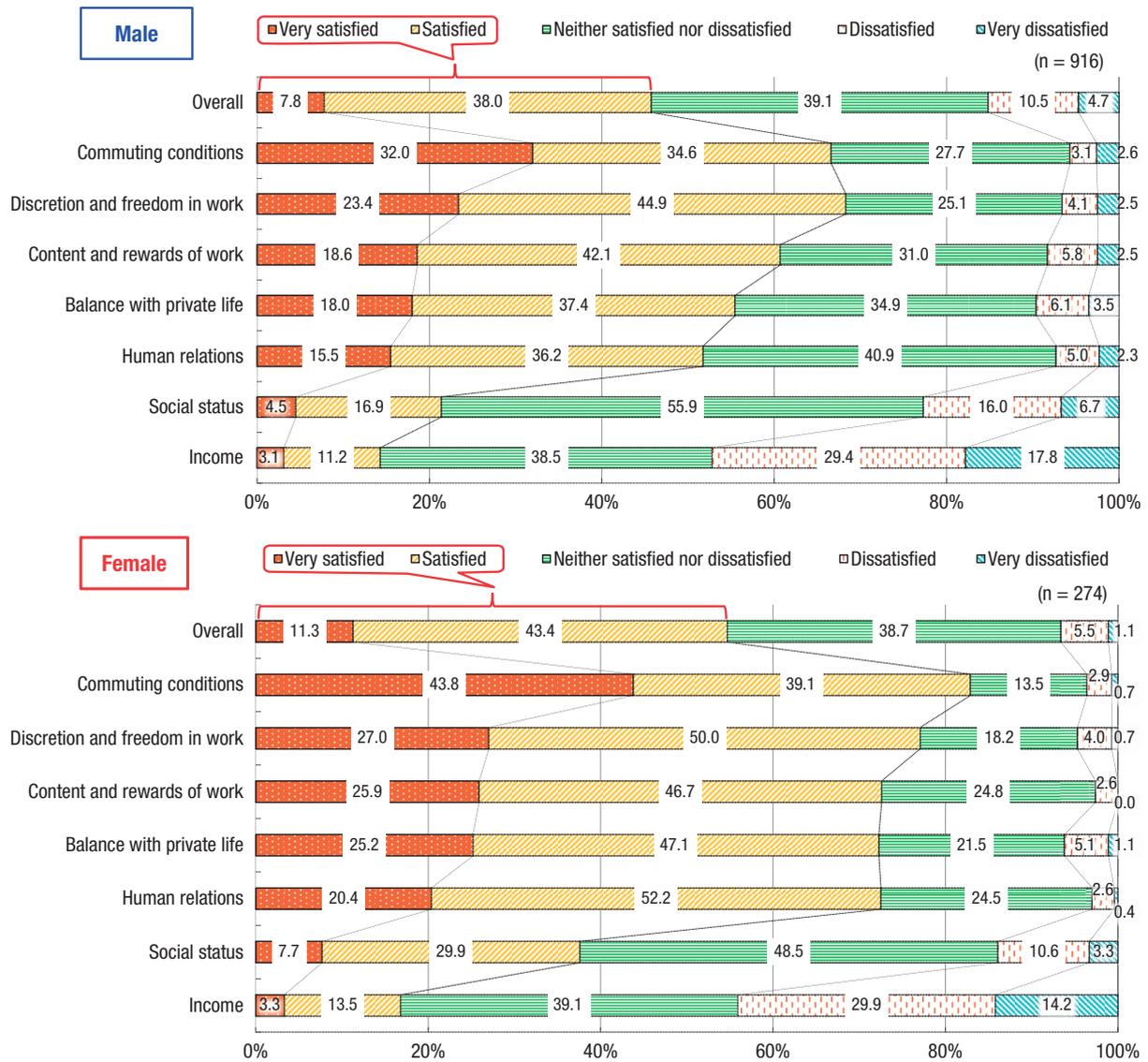


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Satisfaction with freelancing as a style of work is next analyzed by gender (Fig. 2-2-27). Beginning with “overall” satisfaction, high proportions of both men and women were either “very satisfied” or “satisfied,” but the proportion was higher among women. Regarding the individual categories of satisfaction,

high proportions of both men and women were either “very satisfied” or “satisfied” in five categories, namely “commuting conditions,” “discretion and freedom in work,” “content and rewards of work,” “balance with private life,” and “human relations.” Men were more satisfied in all five categories than women.

Fig. 2-2-27 Satisfaction with the freelance work style (by gender)

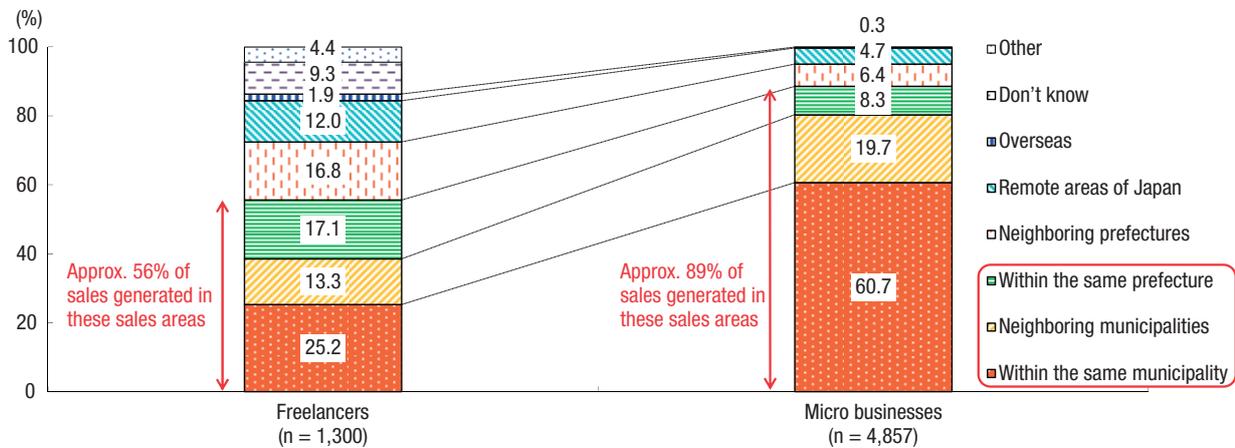


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The results obtained by asking freelancers about where they generated their sales in the preceding one-year period are shown on the left in Fig. 2-2-28. The largest proportion of sales (25.2%) were generated “within the same municipality,” and this figure rises to more than half (55.6%) when sales “within the same prefecture” are included. This indicates that, like micro businesses, freelancers mainly do business with nearby

businesses. At the other end geographically, a total of 13.9% of sales were generated in “remote areas of Japan” (12.0%) or “overseas” (1.9%). In comparison with micro businesses, which generate almost nine tenths (88.7%) of their sales in the same prefecture, as shown in the breakdown of sales by geographical sales areas in Fig. 1-2-1, freelancers can thus be seen to do business over a wider geographical area.

Fig. 2-2-28 Breakdown of sales by geographical sales area (freelancers versus micro businesses)



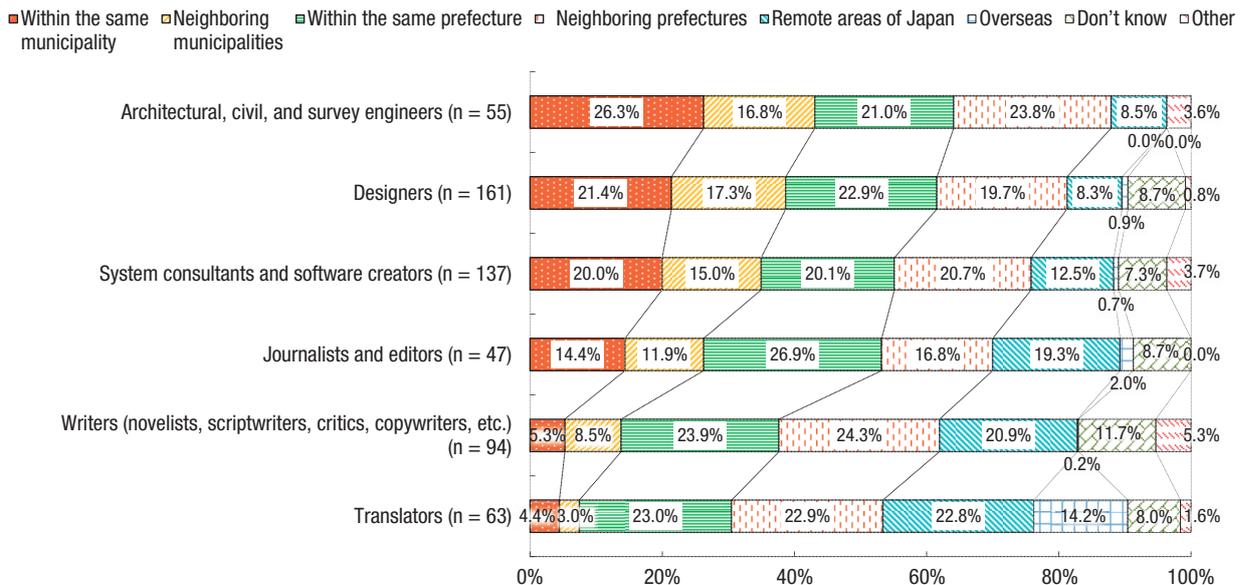
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers*; *Survey on the Conditions of Business Activities of Micro Businesses* (January 2016), commissioned by the SME Agency.

- Notes: 1. The graph for micro businesses is reproduced from Fig. 1-2-1 in Section 1 of Chapter 2 in Part I.
 2. The questionnaire did not give “don’t know” or “other” as options for micro businesses.

Fig. 2-2-29 shows the distributions of sales by sales area in each of a number of occupations.²⁾ The occupations with the highest proportion of sales generated in the smallest sales area (i.e., the same municipality) were, in descending order, “architectural, civil, and survey engineers” (26.3%), “designers”

(21.4%), and “system consultants and software creators” (20.0%). The occupations generating the highest proportion of sales in “remote areas of Japan” were, in descending order, “translators” (22.8%), “writers” (20.9%), and “journalists and editors” (19.3%).

Fig. 2-2-29 Breakdown of sales by geographical sales area (by occupation)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

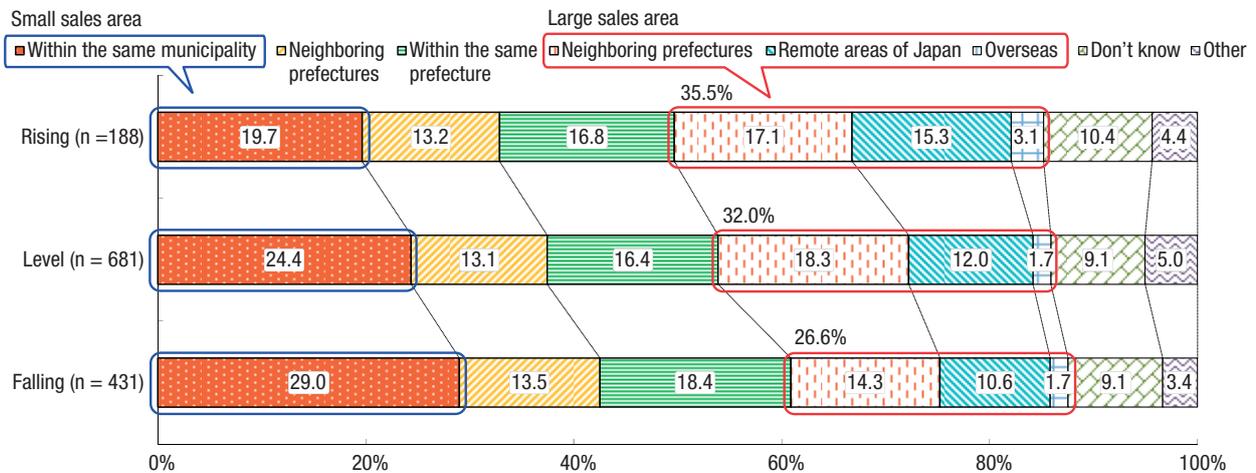
Note: Partial results for occupations that received the most responses.

²⁾ Partial results for occupations that received the most responses.

The relationship between the sales areas in which freelancers do business and sales trends is examined next. Fig. 2-2-30 shows a breakdown of sales by sales area according to whether sales rose, were unchanged, or fell during the preceding one-year period. Focusing on “neighboring prefectures,” “remote areas of Japan,” and “overseas,” freelancers whose sales were “rising” reported that they generated a higher proportion of

sales in these areas than freelancers whose sales were “falling” or “level.” In contrast, freelancers with “level” or “falling” sales tended to generate a higher proportion of sales “within the same prefecture” than freelancers with “rising” sales. It may be concluded from this that an interest in developing sales over a wider area is one contributor to sales growth among freelancers.

Fig. 2-2-30 Breakdown of sales by geographical sales area (by trend in sales in preceding one-year period)

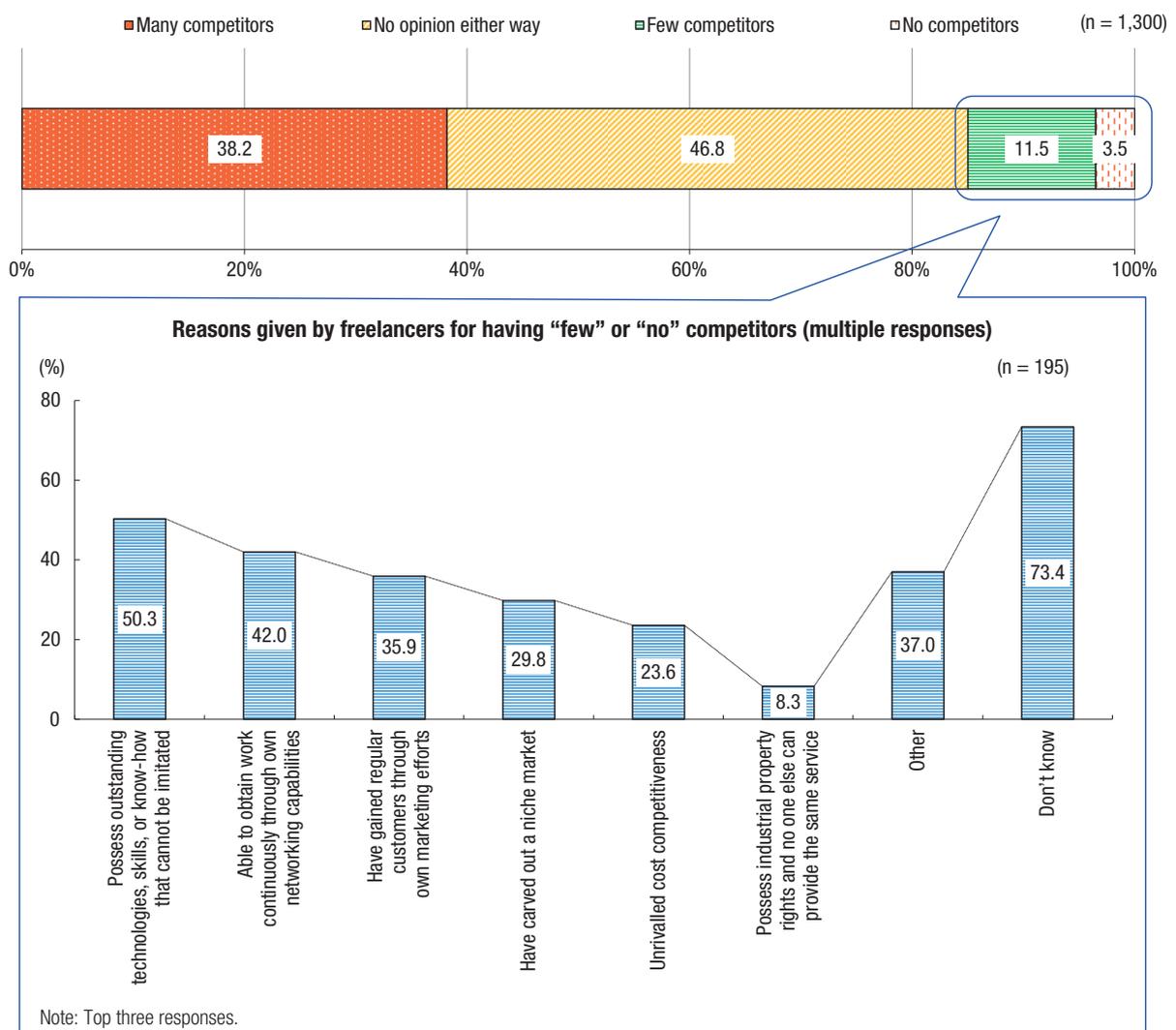


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The results obtained by asking freelancers about the level of competition that they faced in business are shown in Fig. 2-2-31. The commonest response was “no opinion either way” (46.8%), followed by “many competitors” (38.2%). “Few competitors” (11.5%) and “no competitors” (3.5%) together accounted for 15.0%. Asked why they had few or no competitors (multiple responses allowed), the commonest responses (excluding “other” and “don’t know”) were, in descending order, “possess outstanding technologies, skills, or know-how that cannot be imitated”,

“able to obtain work continuously through own networking capabilities” (42.0%), and “have gained regular customers through own marketing efforts” (35.9%). This suggests that the continued development of skills and other assets that cannot easily be copied by others and use of networking capabilities to win orders and regular customers are important ways in which freelancers can reduce the competition that they face and ensure their ongoing business stability.

Fig. 2-2-31 Level of competition faced by freelancers in business

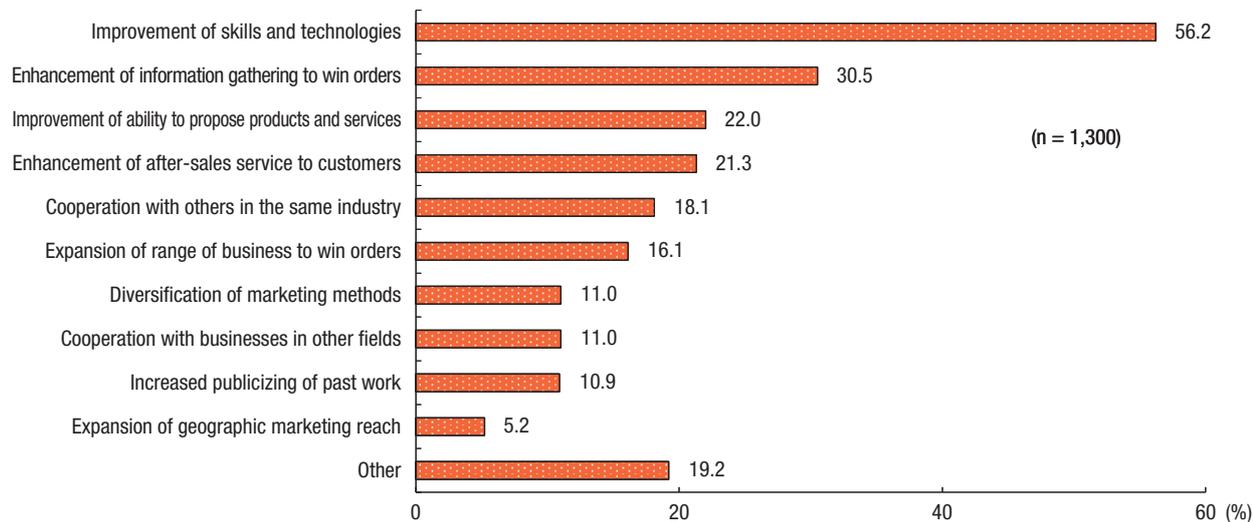


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The results obtained by asking freelancers what steps they were actually taking to obtain work are shown in Fig. 2-2-32 (multiple responses allowed). The most widespread form of action was found to be

“improvement of skills and technologies” (56.2%), followed by “enhancement of information gathering to win orders” (30.5%) and “improvement of ability to propose products and services” (22.0%).

Fig. 2-2-32 Forms of action taken to obtain work (multiple responses)

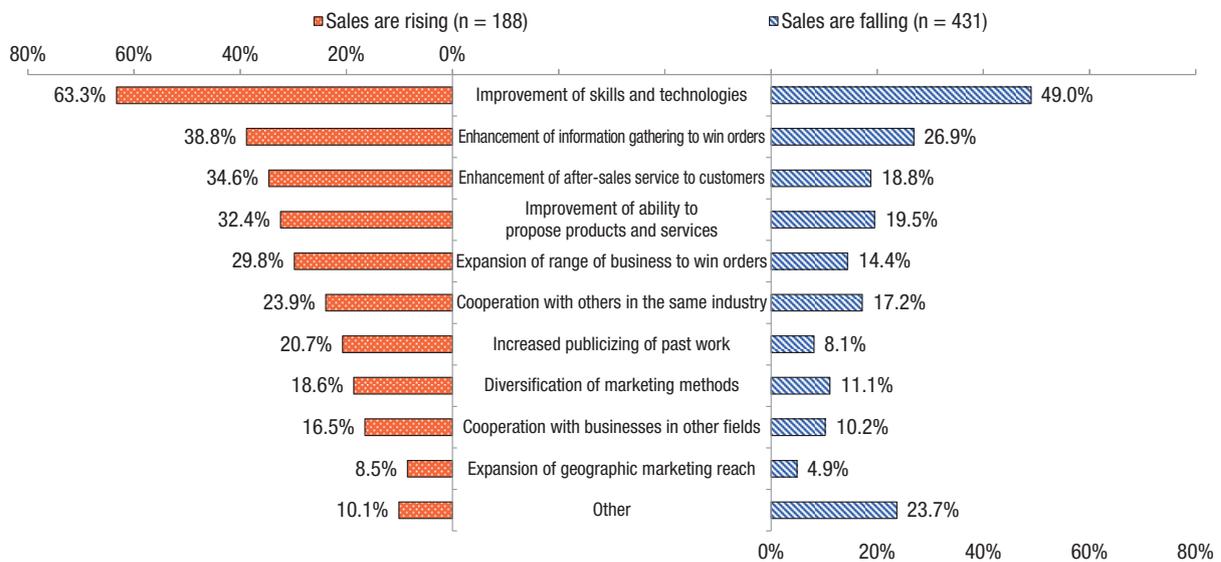


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

In order to analyze whether these actions actually translate into sales growth, their relation to sales trends over the preceding one-year period is examined in Fig. 2-2-33. This shows that freelancers who reported rising sales engage more actively in a variety of actions than freelancers who reported that sales were falling sales. The forms of action most commonly engaged in by freelancers with rising sales were, in descending order, “improvement of skills and technologies” (63.3%),

“enhancement of information gathering to win orders” (38.8%), “enhancement of after-sales service to customers” (34.6%), and “enhancement of ability to propose products and services” (32.4%). As freelancers employ no regular employees, however, they have less time to engage in actions that generate sales directly while they are engaging in such actions. It is therefore likely that some freelancers experience a temporary decline in sales despite engaging in such actions.

Fig. 2-2-33 Forms of action taken to obtain work (by trend in sales)

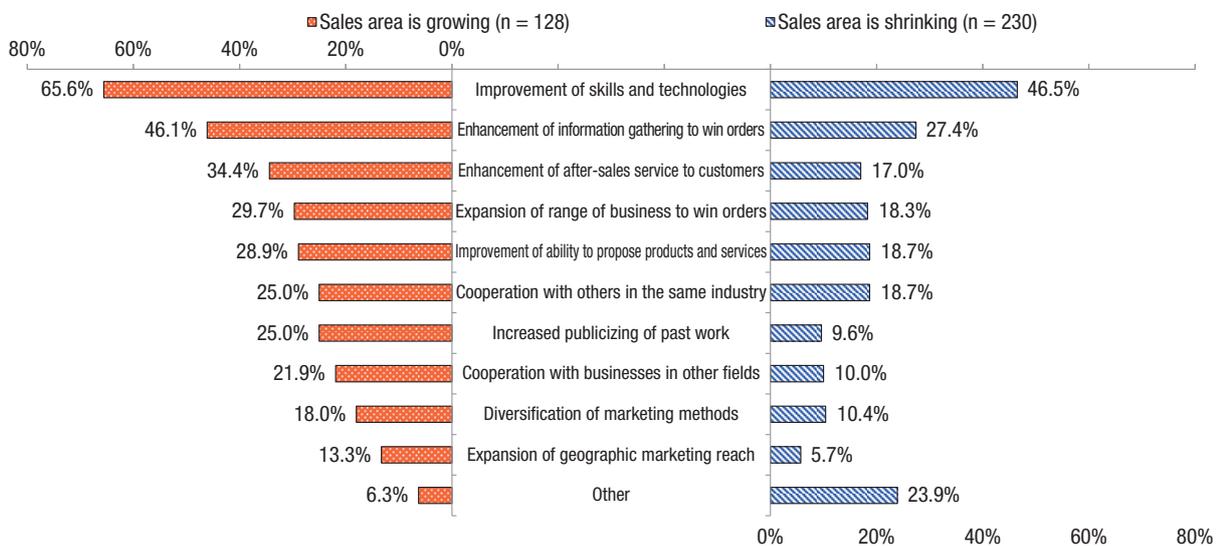


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities: Freelancers* (January 2016), commissioned by the SME Agency.
 Note: Respondents were allowed to choose more than one type of activity engaged in to obtain work.

The correlations between these forms of action and trends in the size of sales areas over the preceding one-year period are examined next in Fig. 2-2-34. This shows that, as in the analysis according to trend in sales (Fig. 2-2-33), freelancers who report that their sales areas are growing engage more actively in various forms of action than freelancers who report that their sales areas are shrinking. The forms of action most commonly engaged in by freelancers with growing sales areas were found to be “improvement of skills and

technologies” (65.6%), “enhancement of information gathering to win orders” (46.1%), and “enhancement of after-sales service to customers” (34.4%). As noted above, however, the fact that freelancers do not employ regular employees means that they have less time to spend on forms of action that contribute directly to growth in their sales areas when they are engaging in these actions. It is therefore likely that some freelancers experience a temporary decline in the size of their sales areas while they are engaging in such actions.

Fig. 2-2-34 Forms of action taken to obtain work (by trend in size of sales area)

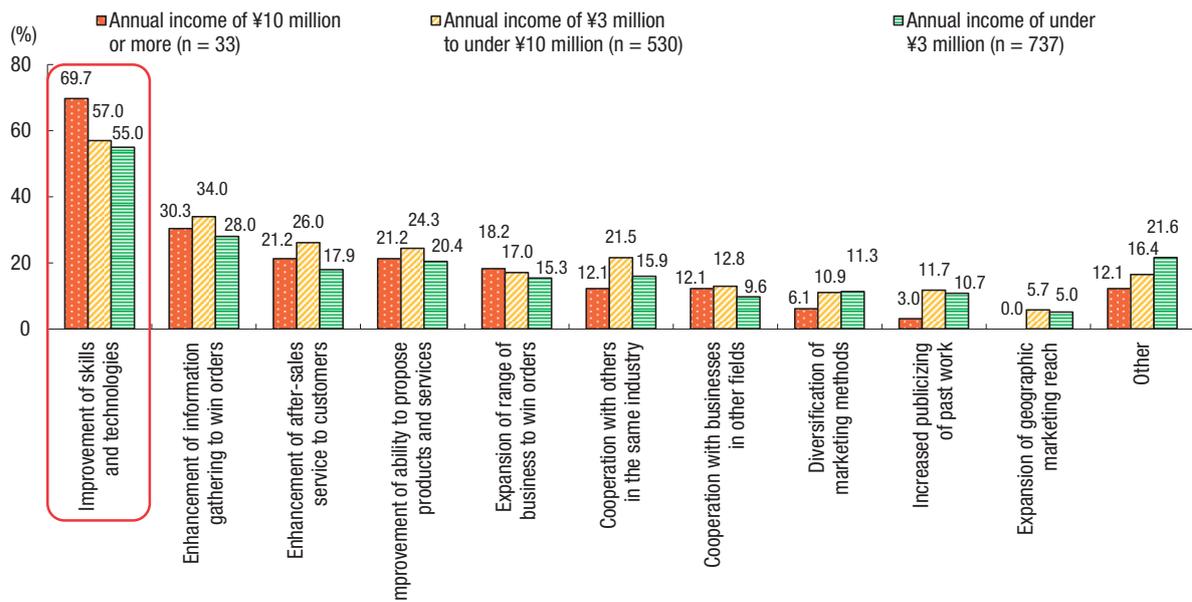


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities: Freelancers* (January 2016), commissioned by the SME Agency.
 Note: Respondents were allowed to choose more than one type of activity engaged in to obtain work.

The extent of engagement in these forms of action is further examined according to annual income. Fig. 2-2-35 shows the extent of engagement in each form of action in three broad current annual groups: (1) under ¥3 million, (2) from ¥3 million to under ¥10 million, and (3) ¥10 million or more. This

reveals that in all groups, “improvement of skills and technologies” is the commonest form of action. A further breakdown of engagement in “improvement of skills and technologies” shows that engagement is most widespread in the highest income group, i.e., (3) ¥10 million or more, at 69.7%.

Fig. 2-2-35 Forms of action taken to obtain work (by annual income)

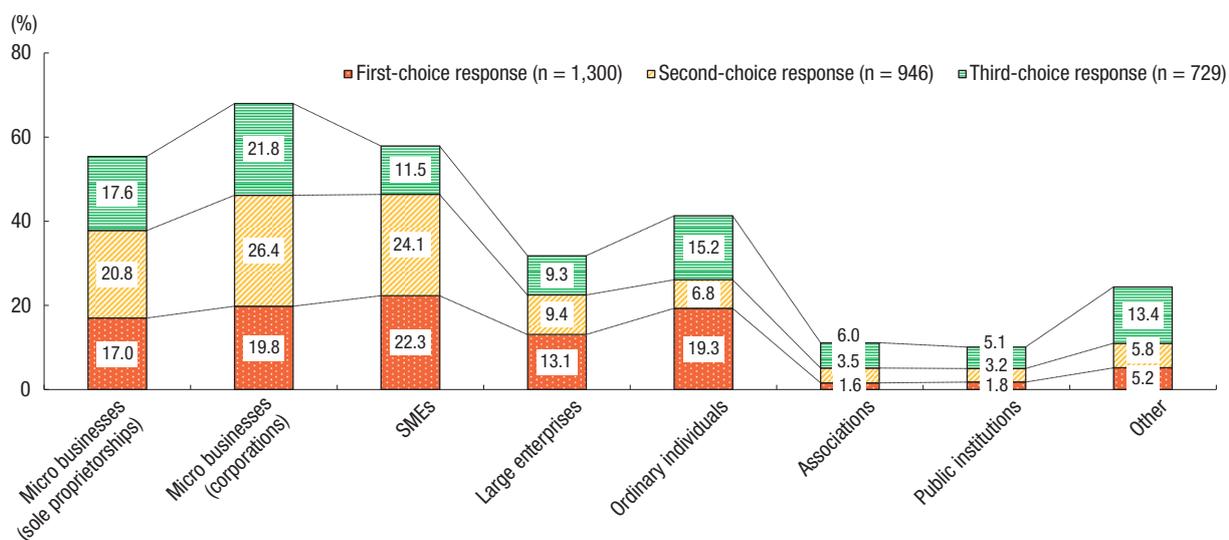


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The analysis now turns to exploring the sizes of the clients for whom freelancers work. Fig. 2-2-36 shows the results obtained by asking freelancers about the sizes of the clients from which they frequently received orders in the preceding one-year period (multiple responses allowed). Aggregating the top three choices, the commonest responses were, in descending order,

“micro businesses (corporations)” (68.0%), “SMEs (57.9%), “micro businesses (sole proprietorships)” (55.4%), “ordinary individuals” (41.3%), and “large enterprises” (31.8%). It can thus be seen that freelancers mainly have deep business ties with micro businesses and SMEs.

Fig. 2-2-36 Sizes of freelancers’ clients (frequent sources of orders in the preceding one-year period) (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The relationship between the sizes of freelancers’ frequent sources of orders and freelancers’ annual income is considered next. Of freelancers’ top three choices regarding the sizes of their most frequent clients shown in Fig. 2-2-36, Fig. 2-2-37 takes their first choices and breaks them down by annual income. This reveals differences in the sizes of frequent clients according to annual income.

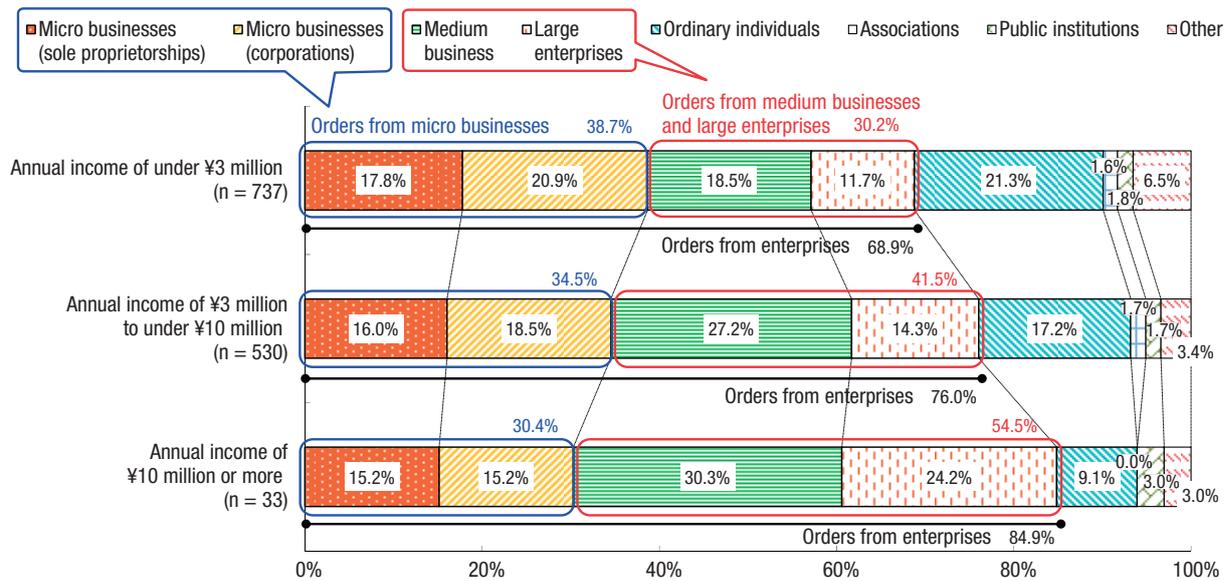
Firstly, a comparison between the annual income groups shows that the proportion of most frequent clients that are enterprises increases with income, and conversely that the proportion of “ordinary individuals,” “associations,” and “public institutions” (collectively referred to below as “associations, etc.”) falls. Thus in the “under ¥3 million” group, 68.9% of the most frequent clients are enterprises and 31.2% are associations, etc. In the “¥10 million or more” group, on the other hand, 84.9% are enterprises and 15.1% are associations, etc.

Secondly, the proportion of most frequent clients

that are medium businesses or large enterprises increases with income, and conversely the proportion that are micro businesses declines. Thus in the “under ¥3 million” group, 38.7% are micro businesses (sole proprietorships or corporations) and 30.2% are medium businesses or large enterprises, but in the “¥3 million to under ¥10 million” group, 34.5% are micro businesses (sole proprietorships or corporations) and 41.5% are medium businesses or large enterprises, and in the “¥10 million or more” group, 30.4% are micro businesses (sole proprietorships or corporations) and 54.5% are medium businesses or large enterprises.

These figures suggest that one way in which freelancers increase their annual income is by obtaining work from larger enterprises, and that in order to do so, they have to build up a track record and develop competitiveness and trustworthiness as businesses while taking steps to improve their skills, technologies, and other assets in order to obtain work (as shown in Fig. 2-2-32).

Fig. 2-2-37 Sizes of freelancers' clients (by annual income of freelancers)



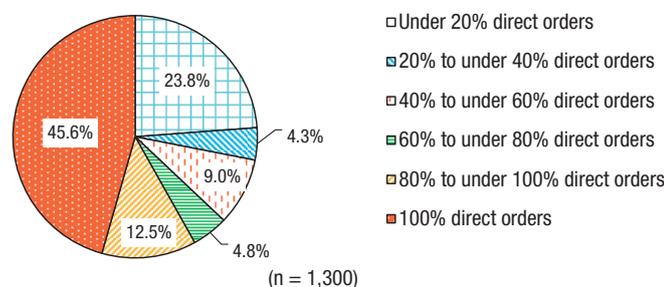
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: Freelancers were asked to state the sizes of their three most frequent sources of orders in the preceding one-year period, and the above figure shows a breakdown by freelancers' annual income of their first choices.

The routes (direct or indirect) by which freelancers obtain work are now examined. Fig. 2-2-38 shows the responses obtained by asking freelancers to state the proportion of sales generated in the preceding one-year period that were direct orders. "Direct orders" here means orders that were placed directly by end users with freelancers. For the sake of analysis, the figure divides direct orders into six groups according

to proportion of sales. The commonest response was "100% direct orders" (45.6%), followed by "under 20% direct orders" (23.8%), and "80% to under 100% direct orders" (12.5%). The fact that about three in five (58.1%) of the respondents said that direct orders made up at least 80% of their sales indicates that direct orders are the commonest route by which freelancers receive orders.

Fig. 2-2-38 Routes by which orders for work are received (direct orders as a percentage of total sales)



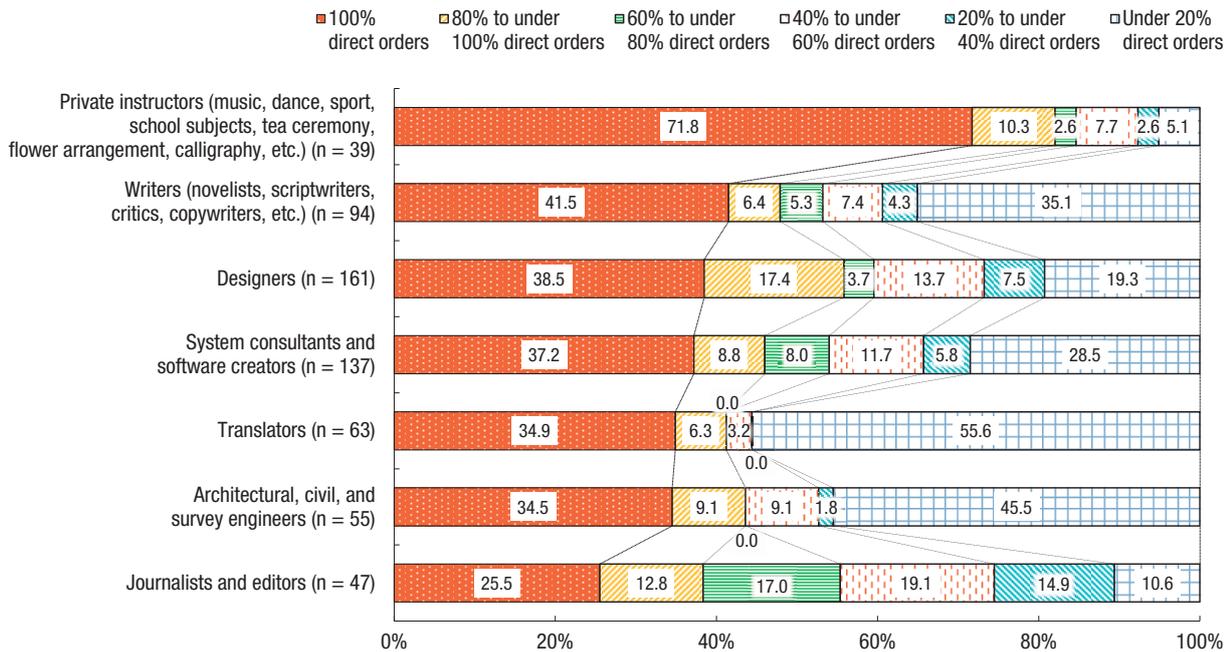
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: Respondents were asked about sales in the preceding one-year period.

The routes (direct or indirect) by which orders for work are received shown in Fig. 2-2-38 are broken down by occupation in Fig. 2-2-39. This reveals that routes vary according to occupation. Focusing on the “100% direct orders” group, the occupation with the highest proportion of direct orders is “private instructors” (71.8%). Focusing on the “under 20% direct orders,” it can be seen that the occupations with

lower proportion of direct orders (or, in other words, higher proportion of indirect orders) are translators (55.6%) and architectural, civil, and survey engineers (45.5%). Nevertheless, “100% direct orders” makes up the largest or second largest proportion of responses in all occupations, revealing the high relative importance of orders received directly from end users.

Fig. 2-2-39 Routes by which orders for work are received (by occupation)



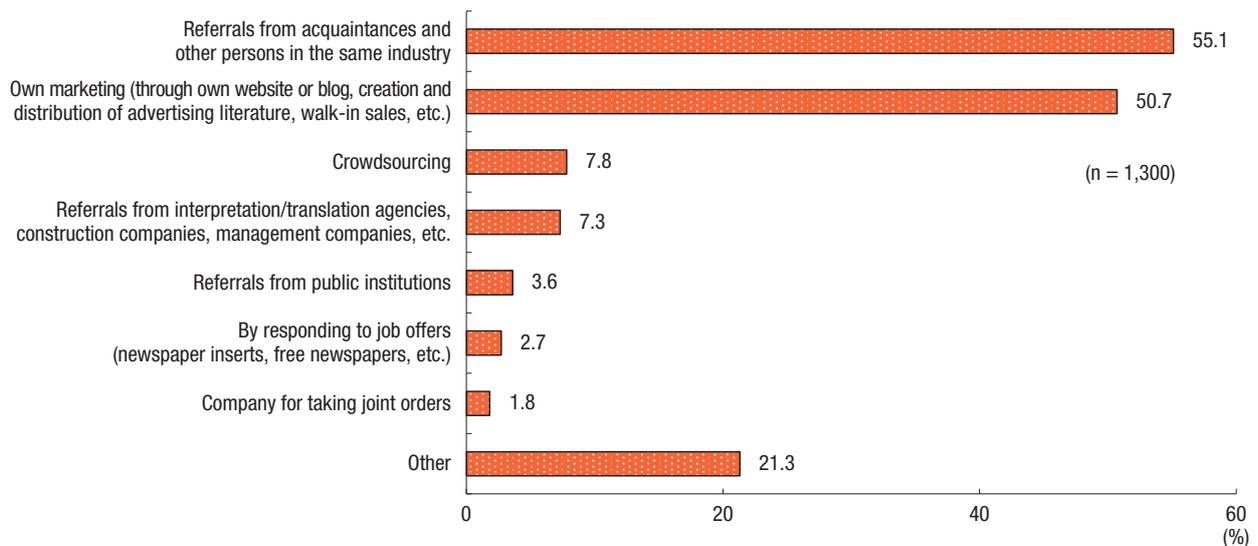
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Note: The percentage of direct orders represents the percentage of sales generated by freelancers during the preceding one-year period that were accounted for by orders received directly from end users.

Fig. 2-2-40 shows the results obtained by asking freelancers how they obtained work (multiple responses allowed). The most commonly used method was found to be “referrals from acquaintances and other persons in the same industry” (55.1%), followed by “own marketing” (50.7%) and “crowdsourcing” (7.8%). Freelancers can thus be seen to obtain work directly

mainly by means of face-to-face marketing and use of personal contacts with related parties. Crowdsourcing currently accounts for just 7.8% of sales, but Japan’s crowdsourcing market is expected to grow and this should expand the options available to freelancers for receiving orders.

Fig. 2-2-40 Methods of obtaining work (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

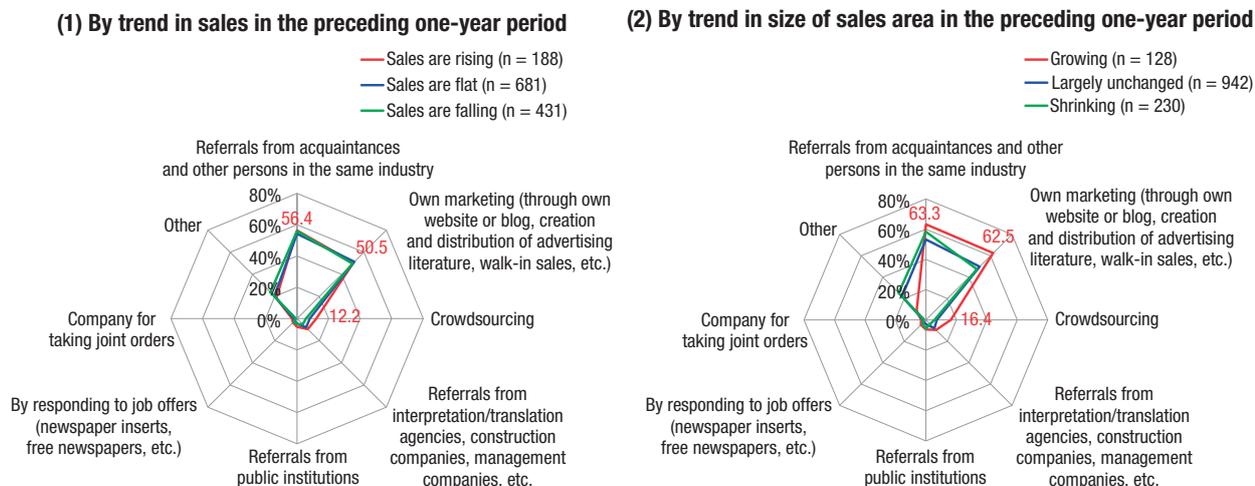
Having examined the methods by which freelancers obtain orders for work in Fig. 2-2-40, Fig. 2-2-41 takes these results and breaks them down according to (1) trends in sales and (2) trends in the sizes of sales areas in the preceding one-year period.

Starting with the breakdown by sales trend, it can be seen that freelancers all use largely the same methods to obtain work, regardless of sales trend. This suggests that, as already observed in Fig. 2-2-33, the key to growing sales for freelancers is not how they choose to obtain work, but rather the steps that they take to improve their skills and technologies and the marketing efforts that they make to win more orders.

Looking next at the breakdown by trend in size of sales area, the commonest methods used by freelancers that reported that their sales areas were “growing” were, in descending order, “referrals from acquaintances and other persons in the same industry” (63.3%), “own marketing” (62.5%), and “crowdsourcing” (16.4%). These percentages are all higher than among freelancers that said that their sales areas were “largely unchanged” or “shrinking.”

The above results suggest that the methods by which freelancers currently mainly obtain work do not have a major impact on sales growth, but that they do have some impact on growth in their sales areas.

Fig. 2-2-41 Methods of obtaining work (by (1) sales trend and (2) trend in size of sales area)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.
 Note: Respondents were allowed to choose more than one method of obtaining work.

Methods of obtaining work are also shown broken down by occupation and gender in Fig. 2-2-42. Occupation-wise, “referrals from acquaintances and other persons in the same industry” and “own marketing” are more commonly used than other methods in all occupations (except translating). Although “crowdsourcing” is still uncommon, it is

nevertheless used by around 10% to 20% of freelancers in certain occupations (designers, writers, translators, and manga artists, animators, and illustrators, etc.). Additionally, a breakdown of “crowdsourcing” use in these occupations (with the exception of designers) by gender shows that women are slightly more likely than men to use this method to obtain work.

Fig. 2-2-42 Methods of obtaining work (by occupation and gender) (multiple responses)

By occupation and gender	Method of obtaining work as freelancer (%)							
	Referrals from acquaintances and other persons in the same industry	Own marketing (through own website or blog, creation and distribution of advertising literature, walk-in sales, etc.)	Crowdsourcing	Referrals from interpretation/translation agencies, construction companies, management companies, etc.	Referrals from public institutions	By responding to job offers (newspaper inserts, free newspapers, etc.)	Company for taking joint orders	Other
Designers								
Male (n = 103)	73.8	52.4	15.5	3.9	4.9	1.9	2.9	14.6
Female (n = 58)	84.5	32.8	13.8	3.4	-	8.6	1.7	6.9
Writers								
Male (n = 60)	63.3	63.3	18.3	6.7	-	1.7	1.7	13.3
Female (n = 34)	55.9	29.4	23.5	5.9	-	8.8	2.9	20.6
Translators								
Male (n = 24)	20.8	29.2	4.2	58.3	-	12.5	-	20.8
Female (n = 39)	48.7	30.8	12.8	59.0	5.1	7.7	-	15.4
Manga artists, animators, illustrators, etc.								
Male (n = 18)	77.8	55.6	5.6	11.1	16.7	5.6	-	11.1
Female (n = 16)	43.8	68.8	18.8	6.3	-	6.3	-	12.5
Private instructors								
Male (n = 24)	54.2	70.8	4.2	4.2	4.2	4.2	-	12.5
Female (n = 15)	60.0	73.3	-	20.0	-	-	-	20.0

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Support Activities: Freelancers* (January 2016), commissioned by the SME Agency.

- Note:
1. Partial results for occupations that received the most responses.
 2. “Writers” consists of novelists, scriptwriters, critics, copywriters, etc.
 3. “Private instructors” consists of music, dance, sports, school subject, tea ceremony, flower arrangement, and calligraphy instructors, etc.

Below, the focus turns to support for freelancers. The results obtained by asking freelancers about the forms of support that they considered necessary are shown in Fig. 2-2-43. The commonest responses were “development of networks, etc. to bring freelancers together” (22.7%), “raising of awareness of freelancers

as outsourcing contractors” (21.1%), and “provision of space for freelancers to work together” (20.4%). These figures show that, although 42.2% answered “none in particular,” over half of all freelancers seek support to make the working environment more freelance friendly.

Fig. 2-2-43 Support considered necessary by freelancers (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

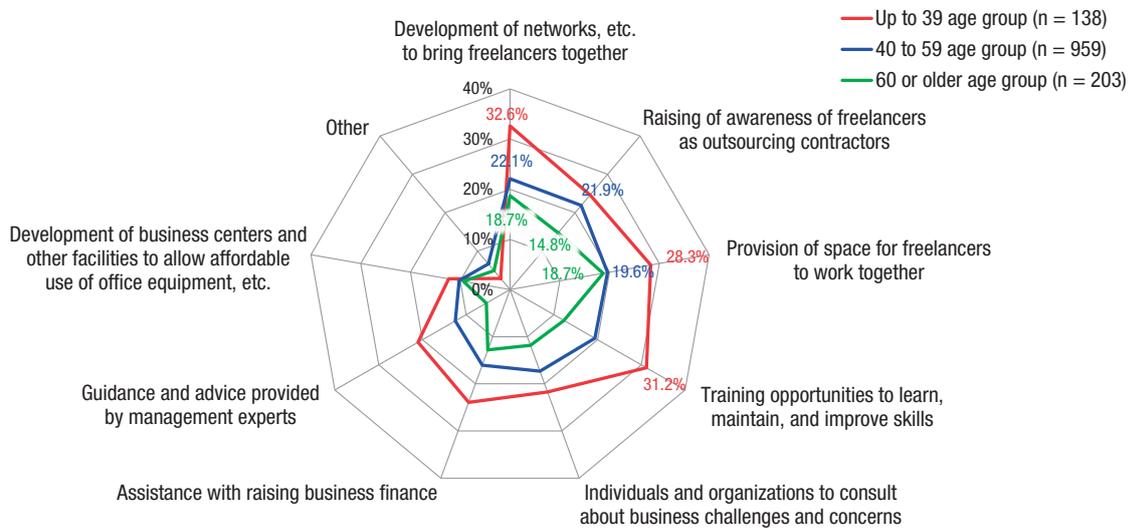
The forms of support considered necessary by freelancers are next shown by age in Fig. 2-2-44. To make trends more apparent, ages are grouped into three classes: (1) up to 39, (2) 40 to 59, and (3) 60 or older.

Considered by age, it can be seen that young freelancers in group (1) (up to 39) are more likely than freelancers in the middle-aged and older age groups to consider support necessary in all categories (excluding

“other”).

The three most commonly cited forms of support considered necessary by freelancers up to the age of 39 (i.e., the cohort with the most future potential) are “development of networks, etc. to bring freelancers together” (32.6%), “training opportunities to learn, maintain, and improve skills” (31.2%), and “provision of space for freelancers to work together” (28.3%).

Fig. 2-2-44 Support considered necessary by freelancers (by age group) (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

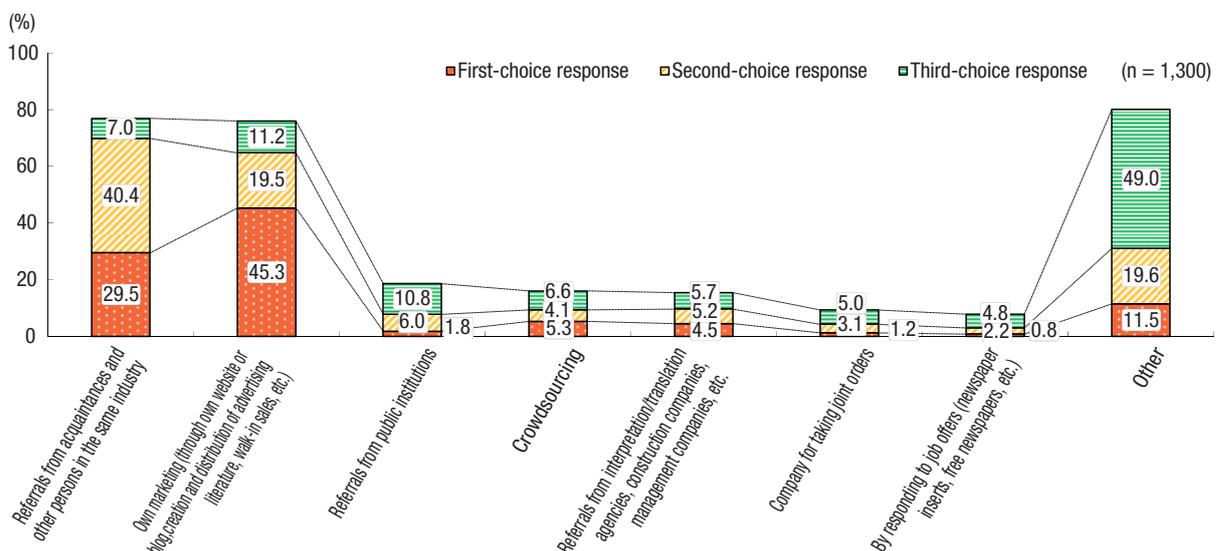
- Notes:
1. Respondents were allowed to choose more than one form of support that they considered necessary.
 2. Respondents who answered “none in particular” are excluded.
 3. Figures are for the top three responses in each age group.

Section 3 Freelance business in the future

Looking ahead, which methods do freelancers want to use (or use more) to obtain work? The results obtained by asking freelancers this question, with multiple answers allowed, are shown in Fig. 2-2-45. Aggregating the top three choices, by far the most popular methods (excluding “other”) were found to be “referrals from acquaintances and other persons

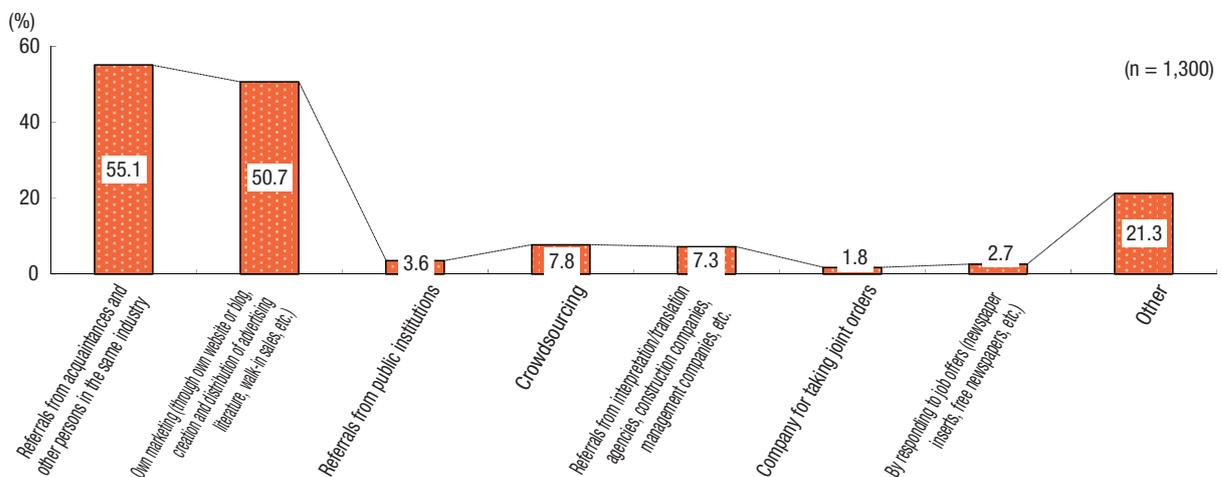
in the same industry” (76.9%) and “own marketing” (76.0%), which, as Fig. 2-2-40 showed, are basically the same methods as those being used at present. This indicates that most freelancers intend to pursue their business activities by obtaining work through two main channels: through introductions generated by their own networks, and through their own marketing activities.

Fig. 2-2-45 Methods of obtaining work that freelancers want to use or use more in the future (multiple responses)



Note: Percentages are based on respondents' top three choices.

Methods currently used to obtain work (multiple responses) [Reproduced]



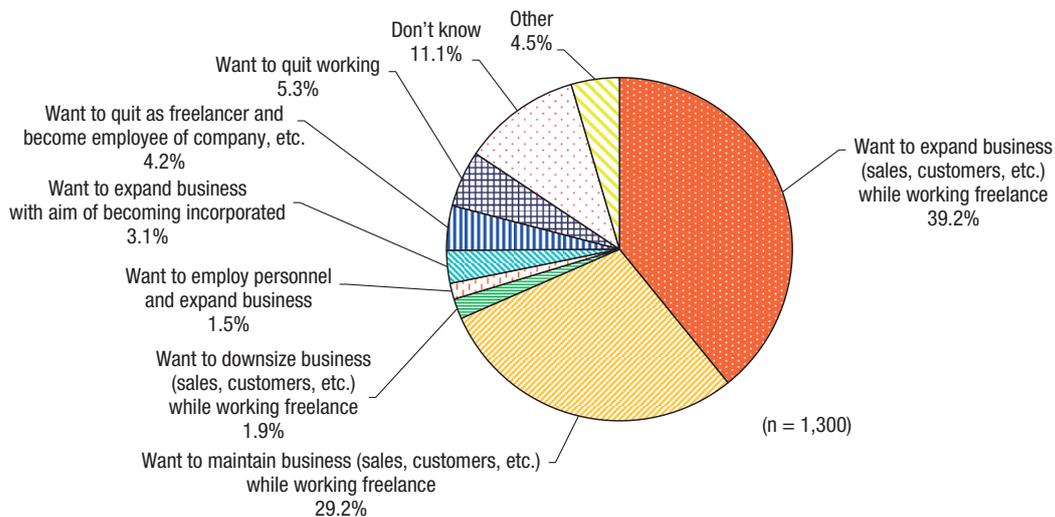
Note: Respondents were allowed to choose multiple responses.

Source: Applied Research Institute, Inc., Survey on the Conditions of Business Activities of Micro Businesses: Freelancers (January 2016), commissioned by the SME Agency.

Considered next are freelancers' own views of the future of freelancing as a style of work. Fig. 2-2-46 shows the results obtained by asking freelancers their perspectives on the future of their own work style. The commonest responses were "want to expand business (sales, customers, etc.) while working freelance" (39.2%) and "want to maintain business (sales, customers, etc.) while working freelance" (29.2%), and together these two responses accounted for approximately 70% of the total.

As the analysis of satisfaction with freelancing as a style of work showed (Fig. 2-2-26), freelancers themselves are highly satisfied with their "commuting conditions," "discretion and freedom in work," "content and rewards of work," and "balance with private life." These results suggest that freelancers want to be able to expand their businesses while taking advantage of the benefits offered by the freelance work style, and that they would prefer to remain as freelancers even at the cost of not being to expand their businesses.

Fig. 2-2-46 Freelancers' own perspectives on the future of their work styles

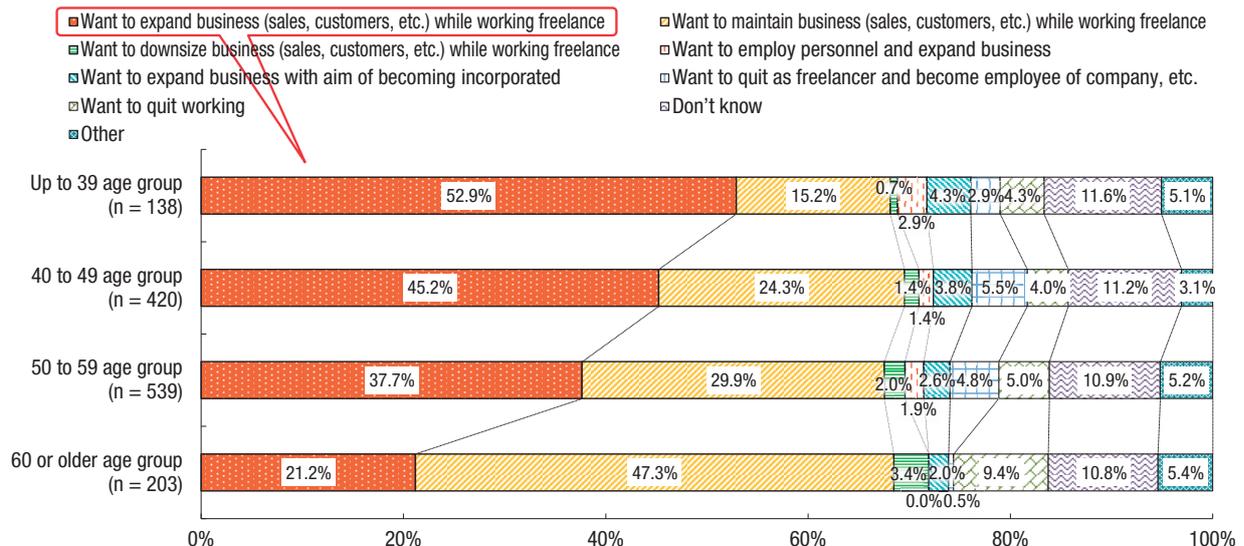


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

Perspectives on the future are next examined by age (Fig. 2-2-47). “Want to expand business (sales, customers, etc.) while working freelance” was the commonest response among younger freelancers aged up to 39, among whom it was chosen by over

one in two (52.9%). In contrast, this response was chosen by proportionately fewer middle and older aged freelancers aged 40 or older. This provides clear corroboration that younger freelancers are keener to expand their businesses.

Fig. 2-2-47 Freelancers’ own perspectives on the future of their work styles (by age)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (January 2016), commissioned by the SME Agency.

The above analysis of the business activities undertaken by freelancers may be summarized in the following points.

1. The attributes of individuals who do business as freelancers (occupation, age, gender, annual income, engagement in freelancing as a main business or side business, and so on) were identified.
2. The actual situation vis-à-vis freelancers’ business activities was analyzed from a number of angles, including correlations with trends in sales and the sizes of sales areas, annual income, gender, and the sizes of frequent sources of orders. The forms of support sought by freelancers were also analyzed.
3. Freelancers’ perspectives on the future of their work styles and differences in their perspectives according to age were analyzed.

The analysis demonstrated that freelancing is a

style of work that, despite some dissatisfaction with certain aspects such as income, offers all kinds of potential and imposes few constraints on when or where its practitioners work. Among freelancers, some who are expanding their sales are taking active steps to provide better products and services to customers by, for example, improving their own skills and technologies. In recent years, advances in IT resources and practices have also made it possible to obtain work through crowdsourcing. For freelancers who deliver high-quality products and services but have limited opportunities to receive orders, these advances have opened up more flexible ways of obtaining work.

Looking ahead, it is hoped that both clients and people in employment will become more aware of freelancers and what they and their work styles have to offer.

Part III

Vigorous efforts of micro businesses – Paving the way to the future –

The Basic Act for Promoting Small Enterprises, enacted on June 20, 2014, stipulates four basic policies for taking measures regarding the promotion of small enterprises based on basic principles for the sustainable development of micro businesses. In addition, four goals and ten prioritized measures are set in the Basic Plan for the Promotion of Small Enterprises in order to realize these policies (approved by the Cabinet on October 3, 2014).

Micro businesses and supporting organizations operating businesses closely tied to the demands of local communities have been making efforts to demonstrate their originality and ingenuity in response to the changing times. With a view to the four goals and ten prioritized measures, Part III introduces 44 examples of various efforts, including human stories, of micro businesses and supporting organizations.

Basic Act for Promoting Small Enterprises	Basic Plan for the Promotion of Small Enterprises	
	Four goals	Ten prioritized measures
Basic Plan for the Promotion of Small Enterprises (Article 13) Formulation of the Basic Plan to facilitate the promotion of measures in a comprehensive and systematic manner	1. Promoting business management that should be implemented for future demand Creating and discovering demand for micro businesses by more proactively taking advantage of their conventional face-to-face relationships with customers	(1) Encouraging small enterprises to manage their businesses according to a business plan (2) Providing support and encouraging small enterprises to cultivate demand (3) Supporting small enterprises in developing new businesses and adding high value to products
Basic policies (Article 6) 1. Selling products corresponding to demand, promoting the development of new businesses 2. Effectively utilizing management resources, developing and securing human resources 3. Promoting business activities contributing to the revitalization of regional economies 4. Developing appropriate support systems	2. Promoting business renovation Developing and creating business by providing diverse and new human resources with opportunities for success in the workplace	(4) Supporting business startups (5) Facilitating business succession and smooth business discontinuation (6) Securing and fostering human resources
	3. Facilitating business activities contributing to regional economies Increasing the public awareness of certain regions to create brands so as to invigorate regional economies	(7) Promoting businesses that have ripple effects throughout regional economies (8) Promoting businesses that will support regional communities
	4. Developing a system for supporting micro businesses through community-wide collective efforts Providing meticulous measures to address challenges that business operators are facing	(9) Improving support systems (10) Simplifying administrative procedures and providing information on support measures

Chapter 1 Promoting business management that should be implemented for future demand

In this chapter, 14 cases of micro businesses that “manage their businesses according to a clear business plan,” “make efforts to create demand and cultivate sales routes,” “add high value to existing products or develop new products” and “endeavor to enter new fields” are introduced from the viewpoint of promoting business management of small enterprises in light of future demand.

Section 1 Cases of management of businesses according to a clear business plan

In this section, the three cases below will be introduced. Having analyzed their markets and their competitors, these companies understand their own strengths and weaknesses, cultivate potential customers and manage their businesses based on clear business plans.

- Case 3-1-1 Bath Care Co., Ltd. (Nakanajo Town, Agatsuma District, Gunma Prefecture)
- Case 3-1-2 Soranoshita Co., Ltd. (Fujiyoshida City, Yamanashi Prefecture)
- Case 3-1-3 Kuska Co., Ltd. (Yosano Town, Yosa District, Kyoto Prefecture)

Case

Case 3-1-1: Bath Care Co., Ltd.
 (Nakanojo Town, Agatsuma District, Gunma Prefecture)
 (Development, manufacture and sale of business-use bath mats, etc.)
 <Employees: 2; capital: ¥3 million>



Mamoru Iio, President

Wanting to make Japanese bath culture more pleasant with bath mats both users and employees appreciate

◆ **Background of the business**
 Became a project leader at the age of 28. The experience served him when he started his own business

In starting up and continuing a business, a manager of a company has to deal with many things—from raising money and negotiating with banks, to personnel matters, relations with the media, and more. It is unusual for a salaryman in his 20s to have all that experience. Mr. Mamoru Iio, president of Bath Care Co., Ltd., was given that opportunity when he was only 28 years old—responsibility for planning and operating a spa that would include a hospital and resort condominiums. The path was far from easy.

Mr. Iio recalled: “One day the owner of the company said to me, ‘Go to Germany, the home of hot spas, and study a real Kurhaus for two months. I will prepare air tickets and reserve a hotel for you.’ Speaking neither German nor enough English, I had to produce a result. For the first two weeks I struggled with the food. In Frankfurt I found a Japanese restaurant and when I heard the welcome in Japanese, I burst into tears.”

Invigorated once more and bearing recommendation letters written by a professor at Gunma University, Mr. Iio visited hospitals and threw himself into his investigation.



Company office is actually a house in a rich natural environment

Returning home, he worked enthusiastically as the head of the project.

In time he left the company to work for another as a spa management consultant. As that company’s prospects became uncertain, he faced another turning point.

“I tried hard to convince the company that it could not survive unless it made changes, but they didn’t listen to me. That convinced me that I should go out on my own. Still, I wanted to leave the company amicably. After I quit, I rented a corner of the office for six months and remained to help them, even while I was preparing to start my business,” Mr. Iio said.

◆ **Turning point for the business**
 Creating a new bath mat from users’ and employees’ points of view, rather than industry logic

Mr. Iio established his company in 2003. His first products were chemicals to control Legionella pneumophila, sold in the company’s original containers. These were well received at resort facilities managed by third-sector corporations. But Mr. Iio had a concern. “It was the time,” he said, “when the so-called ‘great merger’—the Municipal Merger of the Heisei era would take place—the privatization of third-sector facilities and intensifying competition. I decided I had to change my business in the second year.”

He then thought of selling business-use bath mats. He bought some products and tried them himself. “I wasn’t satisfied with any of them and decided I could make better ones,” Mr. Iio said.

At that time business-use mats came from sellers working in combination with linen suppliers who collected, washed and re-delivered them. A built-in contradiction in that arrangement was that if the mats “performed” better, they had to be washed less frequently, meaning less income for the linen suppliers. Users’ comfort and convenience were subordinated. Bath Care’s products were intended to be something quite different.

“Quick-Drying Bath Mats,” the main Bath Care product, realized quick-drying with enhanced absorption through an integrated two-layer, separative structure. They



“Quick-Drying Bath Mat” wins overwhelming acceptance for its new quality

are clean, easy to use, and have an antibacterial function. Workers at facilities appreciated them because they were lightweight, easy to carry, and the frequency of replacement was about one-fifth that of conventional toweling mats. The antibacterial sauna mat “Professional Specification + α ” breaks down 80% of ammonia that causes odors in sauna rooms in less than 30 minutes. It dries quickly and is light. With it, the number of complaints of bad smells and unpleasantness to the touch dropped, meaning less frequent replacement, reducing the burden on employees.

◆ Leap forward for the business
Wanting to improve bath culture in Japan through full use of networking, beyond the simple prosperity of one company

With only two full-time employees, including Mr. Iio, Bath Care was a true micro business. But with high ambitions, it aimed to be Number 1 in the industry.

“We wanted a functional mat that would be judged on its performance more than on its appearance. Because this is a niche industry, I thought that if we made a good one, we could come out on top,” Mr. Iio recalled.

Today the company is steadily solidifying its position. There were five main manufacturers of business-use mats, including Bath Care. Among them, the one enjoying the top share recently withdrew from the market. In addition, two of the others, including the longest serving one, are no longer rivals of Bath Care, but partners.

“One of them is selling our products, and we are an OEM supplier to the other,” Mr. Iio said.

Bath Care is represented by about ten agents, and that number, too, is increasing. Bath Care is a small company and there is a limit to how much direct selling it can do itself. So it works hard to maintain good relationships with its agents. For example, if a potential customer calls Bath Care directly, the company always refers it to an agent. Bath Care also tests its products at the actual facilities of

real users. Its network is broad. But Bath Care’s goal is not simply its own prosperity.

“This may sound a bit idealistic, but I really want to deliver good products to a wide range of society and improve Japan’s bath culture,” Mr. Iio said.

◆ Future business development
Looking at the balance between function and cost, delivering products accepted by the market

Mr. Iio is also actively involved in improving his products. With grants from the national and prefectural governments, he engages in on-going studies with research institutions.

“I may try eight things and succeed at two of them. I have obtained various patents, but they do not control my thinking later. If an idea does not pan out, I give it up. I make only products that can be accepted by the market,” Mr. Iio said.

Bath Care wants to deliver the “ultimate” mat, to the extent that the company obtained a registered trademark for a home-use bath mat calling it the “Ultimate Absorptive Bath Mat.” In the past, the company worked together with a research institute and created a trial product with maximum performance. It has been shelved indefinitely.

“We calculated production costs, etc., and determined that the selling price would have to be ¥90,000 per mat. Such a thing could never be sold. In order for customers to be satisfied, function and cost must be balanced. While carrying out research from various angles, I make judgments on what to offer by looking at the market each time,” Mr. Iio said.

Bath Care seems definitely to be changing Japan’s bath culture.



Antibacterial sauna mat “Professional Specification + α ” is light and combats unpleasant odors

Case

Case 3-1-2: Soranoshita Co., Ltd.
(Fujiyoshida City, Yamanashi Prefecture)

(Outdoor goods rental and leasing)
<Employees: 4; capital: ¥9 million>



Takanori Murono,
President

If it doesn't exist, I will make it myself. Users increase sharply on boom in Mt. Fuji climbing

◆ **Background of the business**
People want to use expensive tents cheaply. This is why I started the rental business

Soranoshita was established in March 2012. Mr. Takanori Murono, president, was inspired to do so when he sought to buy a tent for climbing, his hobby. Discovering that a tent for 1–2 people was more than ¥50,000, he searched the Internet to find a cheaper way. At that time, however, there was no concept of renting tents or other equipment used in mountain climbing. He had no choice but to buy the expensive tent.

That being the case, Mr. Murono decided he could start a business himself to provide outdoor goods and climbing gear more reasonably. At that time, he was employed by a company as a machine engineer. On the side, he opened a rental shop on the Internet, offering outdoor items for rent, including delivery to users via home delivery services.

If he was to do this at all, however, he wanted to be successful. He narrowed his target to women. Because women have a firm sense of money, he was sure that if gear could be rented at a fifth or a tenth of the cost to purchase it, they would be interested and would use his service. In addition, from the beginning, he organized the items to be rented into full sets, so that novice climbers would have everything they'd need to enjoy the outdoors safely.

“The only contact point with customers was the website—electronic commerce—so I was most particular about the design and layout. I focused on making it pretty to draw the attention of women climbers, popularly referred to as ‘yama girls’ at that time,” Mr. Murono said.

◆ **Turning point for the business**
With Mt. Fuji registered as World Heritage site, lineup bolstered to focus on climbing it

In opening a rental site for outdoor goods with a focus on climbing gear, Mr. Murono had the most difficulty obtaining understanding from outdoor gear manufacturers. It seemed to him that the manufacturers were concerned about lost sales if their products were available also, and more cheaply, for rent. Mr. Murono argued that if women users increased, the market for the full range of outdoor

goods would itself grow, and he was gradually able to convince manufacturers to cooperate with him.

“Initially, we had to buy our stock at ordinary retail prices. Eventually, the manufacturers came to understand the value to them of our business model and we were able to buy in volume at reduced prices,” Mr. Murono explained.

In those circumstances, a major turning point came in 2013, when Mt. Fuji was registered as a World Heritage site and the number of foreign visitors to Mt. Fuji began to increase. Mr. Murono moved his operation from Osaka to Fujiyoshida City, to focus on that mountain, and increased his lineup of offerings, including “Rental Gear for Beginners Climbing Mt. Fuji.” This timely decision paid off and the number of users rose sharply. Mr. Murono opened directly managed and cooperative shops around and near Mt. Fuji. In that way, users who placed rental orders via the website could pick up and return their items more easily.

◆ **Leap forward for the business**
Acquiring master cleaner qualification, differentiating from others thorough quality management

Launched as a sideline, outdoor goods rental grew into a full-time business for Mr. Murono. Since its first year, sales have doubled or tripled annually. Current annual sales are about ¥90 million. Subsidies to assist manufacturing from the Small and Medium Enterprise Agency have helped in the expansion.

Competition, meanwhile—rival companies getting into the online outdoor rental field—has been increasing. How to differentiate himself from them was a key challenge for Mr. Murono.

His solution was to concentrate on the cleanliness and maintenance of his rental products. He personally acquired a professional qualification as a cleaning master and has procured various cleaning equipment for his company.

“It is important that rental goods be perfectly clean. I am fully confident not only that ours are free of dirt and odors, but of their overall quality and maintenance,” Mr. Murono said.

Indeed, such is the reputation of Mr. Murono's rental products that he and his company receive many thank-you



The main office in Fujiyoshida has a full array of cleaning equipment

e-mails and letters from users—which, of course, become valuable marketing assets of the company!

The company has also developed a smart phone app, “Help in Climbing Mt. Fuji,” for those who rent climbing gear. It can be downloaded free of charge. Users can then determine the distance to the peak based on their precise location. Weather advisories are also distributed automatically. Providing this level of meticulous service has worked to differentiate the company from others and to increase the number of repeat customers.

◆ Future business development and tasks Increasing numbers of foreign climbers bring changes. New businesses promote employment in region

The number of foreigners climbing Mt. Fuji continues to grow year after year. Already, some 10 to 20 percent of all climbers are foreigners. Expecting the figure to eventually reach 40%, Mr. Murono is expanding his website to include English and Chinese (traditional and simplified), and increasing the number of staff members who can speak foreign languages. These are immediate issues.

The peak climbing season for Mt. Fuji is from July through September. Business was similarly concentrated in summer. But the lineup of rental offerings for activities in other seasons has been expanded, and the company operates at a profit throughout the year. Expanding its base of other-season customers even further is the next goal.

And that’s not all. In October 2015, the company launched a maintenance service for outdoor gear. Making use of the equipment it uses to clean its own rental products, it now cleans and repairs items for individuals and companies. In many ways this is the company’s strongest area. The potential for growth into another major business is clear.

“Today everything is centered in Tokyo, but I find no disadvantages in living in a smaller community and using the Internet. I want to contribute to society also from the viewpoint of creating employment opportunities in local regions,” Mr. Murono said.



Customers try on rental items. There are many children, too.



Users at the top of Mt. Fuji

Case

Case 3-1-3: Kuska Co., Ltd.
 (Yosano Town, Yosa District, Kyoto Prefecture)
 (Manufacture of textile products and apparel)
 <Employees: 9; capital ¥20 million>



Yasuhiko Kusunoki,
President

Launching a company brand, cultivating direct sales routes, expanding uses and sales channel for Tango *chirimen*

◆ Background of the business
 Reestablishing the significance of Tango *chirimen* in the leading silk fabric production site in Japan

The Tango region in the northern part of Kyoto has been famous as the leading silk fabric production site in Japan for 300 years. Undyed, Tango *chirimen* is delivered to wholesalers in Muromachi, Kyoto City, made into kimono and sold across the nation. Producers of undyed fabric are mostly subcontractors. For three generations, more than 70 years, Kuska Co., Ltd., was, too.

Tango *chirimen* is made by weaving together untwisted warp silk and weft silk twisted some 3,000 times per meter, into silk fabric. When that fabric is degummed, the yarn shrinks and the twists of the weft yarn relax. This creates an uneven, fine crepe on the fabric surface. The fabric resists wrinkling and has an excellent soft texture. It is a high-class silk fabric able to be dyed in rich, deep colors.

The kimono industry prospered during Japan's period of high economic growth and Tango *chirimen* was highly popular. Demand for kimono declined after the collapse of the bubble economy and then the Lehman Shock. In 1971, at its peak, annual production of Tango *chirimen* was 10 million *tan* (unit of length, approx. 10 meters). Today, it is less than 500,000 *tan*, down 95 percent.

"There was no future in being a subcontractor," said Mr. Kusunoki. "When I succeeded to the family business in 2008, I knew we had to start our own brand in order to

escape the dependence of being a subcontractor."

◆ Turning point for the business
 To bring out the best in Tango *chirimen*, fully converted from machine to handloom weaving

Having devoted himself to baseball in junior high and high school, Mr. Yasuhiko Kusunoki, Kuska's third and current president, found a job at a construction company in Tokyo, doing housing interiors and exteriors. When he was 29, he returned home and was inspired by the weavers at his father's company, working so diligently on Tango *chirimen*. He thought their culture was something Japanese should preserve. When he turned 30, he left the company in Tokyo and took over the family business, becoming its third president.

"I never intended to follow my father," Mr. Kusunoki recalled. "But when I came back to visit my parents, I found the sea nearby in Tango to be good for surfing. I thought surfing and producing Tango *chirimen* would be an interesting life. I wanted more people to appreciate Tango *chirimen*, but it was not a totally selfless motivation."

With kimono selling poorly and no clear prospects for the future of Tango *chirimen*, Mr. Kusunoki took over the business because he enjoyed surfing. Of course anything can serve as a motive and help preserve a tradition, but operation of the business he succeeded to did not go well.

Mr. Kusunoki: "The company was operating in the red because production had decreased, and we were a subcontractor, but we had no debts. Because I knew nothing about textiles, I undertook two years of training. That was when I realized we could not survive if we continued conventional machine weaving intended for mass production. I decided to shift from machine looms to handlooms."

Silk is made from protein fiber similar to human skin. In machine weaving, the fiber is pulled with great force and undergoes stress. Accordingly, best use of the natural texture and luster of the silk cannot be made. Hand weaving realizes the full potential of the silk. At the time, preparations were underway for the 2008 Beijing Olympics and the prices of scrap iron were rising. This was fortunate because the cost of removing the old machine looms was



70-year-old office building of Kuska



Hand weaving brings out the full character of Tango *chirimen*

offset by their sale as scrap.

◆ Leap forward for the business

Creating a brand, cultivating direct sales routes, and escaping the trap of being a subcontractor

By borrowing from banks and with support from Kyoto Prefecture, the company “re-started” in 2009 under a new system with three handlooms and two newly employed specialists. Because hand weaving is costly, the company could not simply sell to wholesalers, cheaply as it had before. It had to create its own brand and sell directly on the retail market. Because it was a new business, some trial and error was expected. They began with development of men’s merchandise.

“We also wanted to be competitive in major cities. In 2010 we launched the brand ‘Kuska,’ offering primarily neckties, focusing on their texture and luster. The name Kuska comes from Kusunoki Kaichiro (family name first), the first generation founder,” Mr. Kusunoki explained.

This was the first step out of the dependency that comes with being a subcontractor, and the first company in the history of this industry to take it. Although Mr. Kusunoki did not care at all about the unconcealed disparagement from people around him, the first necktie, which he designed himself, did not sell. He attributed this partly to low brand recognition, and also to a lower quality than now. There was also the major issue of sales routes.

“I now think I did not have enough enthusiasm for *monozukuri* manufacturing,” said Mr. Kusunoki. “Also, I searched for potential customers via websites and made sales calls. At the beginning I was repeatedly turned down because I was not recognized.”

Because of that, they refocused on the best designs for their silk materials. In 2011, the first transaction with a major select shop took place. Their efforts through the website and social media to convey to buyers for retailers the reality of weaving and what was different from other

products, were successful. The customer base gradually expanded and sales increased.

Mr. Kusunoki: “The company was in red for the first two years and stayed afloat with additional loans. Then, only three years after establishment of the brand, it went into the black. Now we are better known among retailers. Sales routes have increased, including select shops and department stores, major airlines and luxury brand stores.”

◆ Future business and tasks

Looking anew every five years, taking the brand to the world

“We will cultivate new usages, for example, men’s scarves and clothing, chairs, sofas and sneakers using the company’s textiles, and provide what the new market wants,” Mr. Kusunoki said.

As part of that effort, the company opened the Kuska Show Room & Concept Shop, a directly-managed outlet, on Karasuma Sanjo-dori, Kyoto City, in December 2015. The shop is focused on promoting silk fabric culture fostered in the full natural environment of Tango, with the sea, mountains and rivers. As a new business, looking to a wider, even world, market, the company collaborates with a global brand based in Shanghai, which sells furniture incorporating Kuska textiles.

“Our long-term business plan is to increase sales by 20% in five years. Over 20 years, we want to advance meaning and the value of the brand,” Mr. Kusunoki said.

Mr. Kusunoki’s awareness of the global market should encourage the managers of any small or medium enterprise thinking of moving beyond the role of subcontractor.



Kuska brand neckties

Section 2 Cases of making efforts to create demand and cultivate sales routes

In this section, the three cases below will be introduced. These companies are striving to create demand in and outside the country and cultivate sales routes through actively making use of IT for online sales, etc.

- Case 3-1-4 Nouen Planning Co., Ltd. (Sodegaura City, Chiba Prefecture)
- Case 3-1-5 Sato Shoten Limited (Yokosuka City, Kanagawa Prefecture)
- Case 3-1-6 Japan Sogo Farm Co., Ltd. (Tondabayashi City, Osaka Prefecture)

Case

Case 3-1-4: Nouen Planning Co., Ltd.
(Sodegaura City, Chiba Prefecture)

(Food services)
<Employees: 5; capital: ¥1 million>



Makoto Uchiyama,
President

Management from a housewife’s perspective, a total store makeover, customers lining up every day

◆ **Background of the business**
Taking over her mother’s declining store after collapse of the bubble economy

“Nouen Café” is located in Sodegaura City on Tokyo Bay, almost at the center of Chiba Prefecture. Access from Haneda Airport has been an advantage since the opening of the Tokyo Bay Aqua-Line Expressway and Higashi-Kanto Expressway Tateyama Line. An express bus takes only 22 minutes. There are many golf courses in the area. It was some 25 years ago when Ms. Teru Saito opened a restaurant serving drinks and light meals to golfers. She is the mother of Ms. Makoto Uchiyama, president of Nouen Planning Co., Ltd. This was in the middle of the bubble economy. Ms. Saito created ground golf and eight-hole short courses next to the café. It was a prosperous time.

“After the bubble burst, business gradually declined. By the time I took over, we were doing virtually no business at all,” said Ms. Uchiyama, who succeeded to the restaurant in 2010.

“I knew nothing about business or marketing. I had quit my job when I married and been a full-time housewife since then. All I could do, I thought, was manage it from my housewife’s perspective—try to make it a restaurant where I would be comfortable,” Ms. Uchiyama said.

She set to work creating a space where housewives would want to drop in casually.

◆ **Turning point for the business**
The target was a place where I myself would feel comfortable, focusing on the sensibilities of a housewife

“I determined to renovate the store. I asked myself: ‘What kind of place would be comfortable for me?’ My answer was a restaurant serving safe, delicious food at reasonable prices; a place where I could easily linger with friends or family. I wanted to stick to healthful, homemade dishes—no frozen food, food additives or the like—and a menu focusing on locally produced vegetables. To let people know they were welcome to remain, relax and talk, I arranged the tables with ample space between them, and placed high partitions to block lines of sight between

customers. Business hours are from 11:30 a.m. to 6:00 p.m.—lunchtime and daytime, convenient for housewives,” Ms. Uchiyama said.

“Nevertheless, I didn’t have much money to invest in the café at that point. What I had went into those partitions, into changing from carpeting to natural flooring, and changing fluorescent lighting to warm incandescent lights. I also converted a storage room of about 33 m² at the rear of the restaurant into a Japanese-style tatami room. This doubled capacity and gave us total seating for 60 people at 12 tables,” explained Ms. Uchiyama.

Because the location means most customers come by car, adequate room for parking was provided. In this, too, consideration was given to women who might not drive enough to be skilled at parking. There are no lines marking spaces. Customers are urged to “park freely, however it’s easiest.”

Naturally, health-conscious dining—homemade dishes created for women and children—tends to be costly.

“We stick to homemade dishes. Although the restaurant opens at 11:30, the staff starts preparations at 6 o’clock in the morning. We also select materials carefully and can serve as many as 150 meals a day. The cost to us is about 50% of the menu price.”

Restaurant management texts urge that costs be held to 30% or less of selling prices—higher profit margins—and, further, that customer turnover be encouraged. “Nouen Café,” in other words, resumed operations at direct odds with two of the “business basics.”



Nouen Café

◆ Leap forward for the business

With management driven by a “housewife’s perspective,” in half a year the café was so popular that customers were waiting in line to get in

Ms. Uchiyama’s management policies, firmly anchored in the “perspective of a housewife” worked effectively. The number of customers began to increase soon after the reopening.

“The ‘power of housewives’ spread by word of mouth. Repeat customers brought their friends. Others heard one way or another and came. Although nothing more in particular was done, within six months people were waiting in line for seats. I realized that when one starts with a belief, it is important to diligently adhere to it. That was the lesson for me,” recalled Ms. Uchiyama.

Customers “being comfortable” meant they stayed longer, which produced longer lines. Waiting times become a problem. At the same time, a line of people tells others that a place is popular, and soon more customers are attracted.

Ms. Uchiyama: “We attend to the customers outside, assuring them they, too, could stay as long as they liked when their turn came. We were glad to hear some of them tell us afterward that they had enjoyed themselves so much more than they’d expected, it didn’t bother them that they’d had to wait.”

Staff members clearing dishes and serving water are taught to wait if necessary so as not to interfere with conversations or moods.

The café’s reputation grew in neighboring areas, and TV, radio, newspapers and magazines began arriving one after another to report on it. The effects of TV, in particular, were great. People came from other prefectures after watching a televised story, including some who drove to Chiba from Hiroshima.

“Immediately after a broadcast it would be especially crowded. But then regular local customers would refrain

from coming, waiting for a return to normalcy,” Ms. Uchiyama said.

On weekdays, women account for 90 percent or more of customers at Nouen Café. It is supported by women who fully agree with its focus on the housewife’s perspective.

The menu of homemade lunches has been narrowed to five choices as an accommodation to service times and efficiency. Two are popular dishes, always offered—rolled-cabbage gratin and chicken cutlet marinated in a spicy sauce. The other three change every day based on available materials and seasonal themes. Volumes are deemed substantial, yet women seem to eat them easily.

◆ Future business development and tasks Committed to selling products, wanting to contribute to regional revitalization

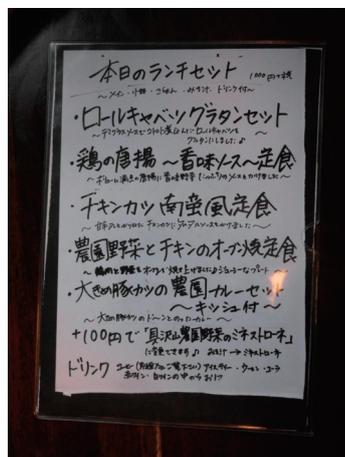
Additionally, in response to requests from housewives who had enjoyed their lunches and wanted their husbands and children to experience them, too, the restaurant includes takeout delicatessen items. It also sells homemade scones and puddings and other sweets, and, in cooperation with local farmers, agricultural products, such as honey, peanuts and vegetables in season.

“I would like to increase recognition of local products—help, for example, the ‘Sodegaura brand’ to become nationally known. Hereafter, I am thinking about employing women of the same generation who can develop new products together and create processed products under the label ‘Nouen Café,’” Ms. Uchiyama said.

In fact, imperfect, out-of-standard vegetables as well as vegetables “thinned out” to make room for others, can be turned into tasty dishes and snacks, depending on how they are cooked. Local farmers know a lot about this.

“Seeking the wisdom of farmers, we will be a bridge between producers and consumers and contribute to the revitalization of Sodegaura,” said Ms. Uchiyama.

Her dream is destined to grow.



Lunch menu



Most popular “Rolled-Cabbage Gratin Set”
(includes side dishes and drink)

Case

Case 3-1-5: Sato Shoten Limited
(Yokosuka City, Kanagawa Prefecture)

(Agricultural and aquatic products processing and sales, food service activities)
<Employees: 1; capital ¥3 million>



Kunihisa Sato, President

Establishing a café, charging to taste Japanese tea. Helping revitalize the region by selling Japanese tea and local dried goods online

◆ Background of the business

Dreamed of having a coffee shop. Entered the world of tea by succeeding to the family business

Uraga is famous for a visit by the Black Ships of Commodore Perry. A once popular *kyōka* (comic *haiku*) went: “Peaceful sleep was disturbed by *Jokisen*, just four cups brought sleepless nights.” *Jokisen* is high-quality green tea from Uji. (In Japanese, the word for “steamship” is also pronounced *jokisen*, although it and the name of the tea are written differently.) Uraga must have had an initial connection with tea. It is in this Uraga that we find the Japanese tea store and teahouse “Chai,” operated by Kunihisa Sato, president and tea instructor.

The story of “Chai” began in 1924. Mr. Sato’s grandfather opened a store selling dried goods and tea in Uraga. By his father’s generation, the post-war period, it had grown into a mini-supermarket selling perishable foods and daily groceries, driven by increasing demand. At the end of the Showa era, with the arrival of convenience stores, another shift in the business was called for, but Mr. Sato’s father’s health was poor and Mr. Sato had declared he did not want to succeed to the business. The store remained as it was.

What Mr. Sato loved—had since junior high school—was coffee. In college, he met a senior student who blended his own. After graduation he was employed by a major coffee chain. At the age of 30, he left that company to pursue his long-standing dream of having his own café. The economy was, however, in post-bubble turmoil, and he was unable to make appropriate arrangements, etc. He could not remain unemployed, so he returned to help in the family business. Leaving the world of coffee, he entered the world of Japanese tea.

◆ Turning point for the business

Acquired a qualification as a Japanese tea instructor. Opened tea café “Chai,” specialized in Japanese tea

Even just “helping out” in the store, Mr. Sato had to be knowledgeable about the goods in order to explain and sell them. He researched and studied, primarily dried food. The



Shop on the first floor of the Sato Shoten building

Internet was coming into widespread use and he was able to learn the production histories of various dried goods. He could find nothing, however, on the production history of tea. Wholesalers wouldn’t tell him much either. Committed to selling tea, became determined to buy it in bulk from producers, and started seriously to study it himself. From people he happened to meet at food shows and others in tea producing areas he visited diligently, he came to appreciate the depth of the subject. “I want to share this with people. I want to create a Japanese tea café where people can enjoy tea and learn the methods of making it well,” he said. He renewed his determination.

In 2003, Mr. Sato acquired a qualification as a Japanese tea instructor. He also demolished the old store, built his own building, and reopened the store on the first floor specializing in tea and local dried items. At the same time, a Japanese café specialized in Japanese tea was attached to the store. At his wife’s suggestion, the name of the store became “Chai.”

Dried goods included quality products directly purchased from local fishermen with whom Mr. Sato had long associations, including *wakame* seaweed, *kombu* tangle seaweed, *hijiki* and dried laver (*nori*). As for tea, Mr. Sato personally visited production sites around the country and made the selections, which were sold at the store.

The interior of the café was designed to Mr. Sato’s taste, including lighting. Labels on green tea crates shipped to

the U.S. during the Meiji era were framed and hung on the wall. There was seating for 13, including a counter, and a gallery of Japanese earthenware pieces. Many Japanese tea stores in Japan offer free sampling at the storefront. Mr. Sato made the bold decision to charge to sample the tea because he wanted people to see it as something of value—not “no value”—and to appreciate its depth and learn more about it. Against this backdrop, “Chai” opened in April 2003.

◆ **Leap forward for the business**
Established an Internet outlet. Sales of dried products dramatically increased

The reaction of customers to the new “Chai” was negative. Mr. Sato thought further, made adjustments, for example, carefully selecting sweets to serve with the sampled tea, and sales of tea itself increased. Four years ago, coffee was added to the café menu, and the number of customers doubled.

“My experience once working for a coffee company turned out to have been a great help,” Mr. Sato said.

Sales of dried products at the store remained stagnant, however. Using a subsidy from the Small and Medium Enterprise Agency, Mr. Sato established an online shopping site, radically altering Chai’s advertising environment. Mr. Sato made key moves one after another. He opened online shopping on his website. He placed ads in English in “*Yokosuka Ichiban*,” an information service for foreigners. He participated on the online shopping site “*Omotenashi Gift*” and on other major sites. Simultaneously, contents and packaging of products were completely renewed to be more appealing to consumers.

The market reacted immediately. Orders for dried products, in particular, poured in. Items such as *kombu* tangle seaweed are seen as “auspicious goods” for gift-giving and there were large volume orders for, for example, weddings. “I was very happy to see the store grow. I was

playing a role in building regional prosperity,” Mr. Sato said.

◆ **Future business development and tasks**
Strengthening sales of tea via online shopping.
Dream is to revitalize Uraga

Development of the Internet shop had a great impact on Chai, much more than Mr. Sato had expected. But he still had concerns for the future. One involved the vulnerability of marine product deliveries, local specialties, to the weather, and that customers would eventually leave if there were insufficient supplies. In fact, last year there was a poor harvest of the popular “*haba nori*,” a kind of dried laver, which seems already to be in short supply this year, too. Another concern is that sales of tea online have not increased as much as sales of dried products. The “Chai” café has been successful with its concepts and thoughtful service. Translating those effectively to the Internet shop is the next task.

Uraga is extremely significant historically. But use of the site where the shipyard used to be and development of tourism have not been clearly realized. Hereafter, if revitalization of the town occurs, Uraga, too, will certainly become a more prosperous place. How will “Chai” fare then against competition? Now is the time to ask. Mr. Sato, smiling, said, “I am confident that I will never lose to any major competitor. I will strive every day to be ready for the future.”



Lineup of local dried products and quality tea at Sato Shoten



Inside “Chai,” where you can both make and enjoy great tea

Case

Case 3-1-6: Japan Sogo Farm Co., Ltd.
(Tondabayashi City, Osaka Prefecture)

(Agricultural product processing and sales)
<Employees: 2; capital ¥2 million>



Yumi Nakasuji, President

Developing and selling food without additives, that children and people around the world can eat safely

◆ Background of the business
Wanted to continue making her great grandmother's pickles, using fresh vegetables grown at the foot of Mt. Kongo

Located about an hour away from Umeda, at the foot of Mt. Kongo, the highest mountain (1,125 meters) in Osaka, Tondabayashi is one of the leading vegetable production areas in Japan. Nakasuji Farm grows vegetables in greenhouses using water from the Ishikawa River. Started over 100 years ago, the farm is one of the largest producers of eggplants (250 tons annually) and cucumbers (250 tons).

Vegetables cultured in the rich soil—soil in which vegetables have been grown for more than 100 years—have a unique mellow taste. Japan Sogo Farm Co., Ltd., develops, processes and sells food using such vegetables, as explained by Ms. Yumi Nakasuji, president.

Ms. Nakasuji: “The pickled vegetables I made using my great grandmother’s pickling paste and fresh vegetables from my husband’s Nakasuji Farm were tasty. The only problem was that they were very salty. I wanted less salty pickles for children and young people. But less salty pickles were not tasty enough to enjoy every day. I began to wonder how to make pickles that were tasty but not salty.”

Using the same vegetables, she experimented with light pickling and found the results not tasty—i.e., not aged enough. Her great grandmother had pickled vegetables on the same day they were harvested and then aged them—up to several months for preservation.

◆ Turning point for the business
While pursuing the safety of pickles, studied management in a leadership training program

Earnestly wanting to continue production of her great grandmother’s pickles, Ms. Nakasuji commenced a deeper study of food processing. While working as a nurse, she saw patients with O-157, which only increased her concern for safety.

“When making processed food, hypochlorous acid is usually added to prevent food poisoning and other additives are used to enhance taste. I was aiming at safe, tasty pickles without additives so that children and sick

people could eat them safely. Pickles that are made by my great grandmother’s method are aged for one month. In that process, bacteria causing food poisoning are killed. Then the salt is removed,” Ms. Nakasuji explained.

After a series of trials and errors, in March 2014, safe, tasty eggplant and cucumber pickles were completed with no additives, coloring, flavoring or chemical seasoning. Having concentrated on the development, Ms. Nakasuji had not thought about sales. In addition, she not only knew nothing about management or marketing; she had no funds or sales routes. The pickles sat unsold.

On the recommendation of the Osaka Chamber of Agriculture, Ms. Nakasuji applied to attend a program “to train next-generation leaders among women farmers”—a project subsidized by the Ministry of Agriculture, Forestry and Fisheries. She was one of 20 selected out of 100 applicants. For eight months she studied marketing and management at the Japan Management Association in Tokyo. At this same time, in the summer of 2014, she obtained a loan from the regional rehabilitation fund of the Tondabayashi City Society of Commerce and Industry, and began work planning how to develop her products and sell them.

◆ Leap forward for the business
After three years, produced safe, tasty pickles, which could be recommended with confidence



Additive-free pickles made from eggplants, cucumbers, etc., produced in Tondabayashi, Osaka, using white wine



**Sign pointing to the Nakasuji Farm,
supplying fresh vegetables to the company**

There were various issues to be resolved. First, domestic vegetables are generally not competitive against low-cost foreign vegetables. But eggplants and cucumbers grown in greenhouses at Ms. Nakasuji's parents' are resistant to insects, require minimum amounts of pesticides and offer clear traceability. Grown with abundant organic fertilizer and minimum pesticides, eggplants and cucumbers are the most satisfactory materials for making safe, delicious pickles.

To realize this most important target of safety-plus-taste required repeated attempts and adjustments. It took two years to succeed in maintaining the flavor of seasonal vegetables while fermenting them long enough to prevent spoilage without additives, and another year to render them into commercial products without chemical seasoning. At the end of those three years, however, Ms. Nakasuji had products she could recommend with confidence.

Although materials are cheap, production is costly due to the longer times for fermentation (aging) to achieve safe, tasty products. Customers won't buy them unless they are convinced there is a good reason for the higher prices.

"In the leadership training program, I realized it is not sufficient to make quality products. I have to accommodate the trends of the times—compromise—and understand the positions of my customers. There are not many products that are truly safe for everyone. I am sure that if customers understand our efforts and commitment on this point, they will accept higher prices in exchange for extra confidence," said Ms. Nakasuji.

In March 2015, in a series of business meetings at the Foodex Japan fair, Ms. Nakasuji endeavored to cultivate outlets for her products. The first parties to accept and agree to handle them were a major department store and a natural-foods market.

Ms. Nakasuji: "They said the products were good and they wanted us to work together on a long-term basis. As I had always thought, when we get the chance to explain

what is better about our products, customers buy them, and come back repeatedly."

◆ Future business and tasks

Dream is big toward the world, wanting to deliver Japanese traditional food

Pickles put on the market with confidence have gradually become known and highly evaluated for their unique quality. They received Osaka's "2015 Five-Star Award for Food Produced in Osaka," which recognizes activities to contribute to the promotion of Osaka brand products and increase the brand image. "With an eye toward the global market, we included 'Japan' in the company name," said Ms. Nakasuji—clearly aiming to sell Japanese traditional food to the world.

In preparation for that, she asked nine Vietnamese employees at Nakasuji Farm to evaluate the pickles. Adding home-made garlic and spices, she developed new pickles preferred by foreigners.

"From the beginning, our labels have been in kanji, katakana and English. We plan to sell pickles and other vegetable sets through the Internet. We will also approach foreign buyers and attempt to sell them overseas, too," Ms. Nakasuji said.

The Japan Sogo Farm Co., Ltd.'s presence is small, but its dream to promote Japanese traditional processed food is big. Ms. Nakasuji has only just begun.



Putting safe, delicious pickles into jars

Section 3 Cases of adding high value to existing products or development of new products

In this section, the four cases below will be introduced. With their small-business advantage of quick decision-making when looking at changes in the market and diversifying demand, these companies endeavor to add high value to current products or to develop new products.

- Case 3-1-7 Iwaki-Takahashi Co., Ltd. (Iwaki City, Fukushima Prefecture)
- Case 3-1-8 Kasamori Co., Ltd. (Kiryu City, Gunma Prefecture)
- Case 3-1-9 Ism Co., Ltd. (Matsudo City, Chiba Prefecture)
- Case 3-1-10 Ikoma Seika Honpo Co., Ltd. (Ikoma City, Nara Prefecture)

Case

Case 3-1-7: Iwaki-Takahashi Co., Ltd.
 (Iwaki City, Fukushima Prefecture)
 (Manufacture and sale of high-grade *waribashi* (disposable chopsticks))
 <Employees: 6; capital: ¥9.9 million>



Masayuki Takahashi,
President

Hoping to be of help toward forestry restoration, developing high-grade *waribashi* as part of activities to support affected areas

◆ Background of the business
 Hoping to serve and lead to restoration of forestry, moved to Iwaki City for *waribashi* manufacturing

Depopulation is occurring rapidly in areas intermediary between the plains and the mountains, the low uplands around the country that are rich in forestry resources. From the mid-1950s to mid-1960's afforestation of *sugi* (Japanese cedar) and *hinoki* (Japanese cypress) was done under a government program. From the mid-1960s, however, cheap foreign timber was increasingly imported and domestic timber prices were stagnant, greatly damaging the forestry industry. Born and brought up in Yokosuka City in Kanagawa Prefecture, Mr. Masayuki Takahashi often visited Iwaki City because his grandfather was a director of a forestation company there. He wanted to be engaged in forestry and be of some help in revitalizing the industry.

"After I had spent a few months removing undergrowth in a forest, I thought I should try to find buyers for *sugi*. When I was back in Yokosuka temporarily and dropped in at a bookstore, I happened to find a book titled 'Is *Waribashi* Waste?' (Atsuo Tanaka, Chikuma Shinsho)," Mr. Takahashi said.

According to the book, *hinoki* is better than *sugi* as a construction material, while *sugi* is best for making *waribashi*. *Waribashi* were created in Yoshino, Nara Prefecture, but now 95% of them are imported from China. Japan-made *waribashi* account for less than 5%. The *waribashi* industry is virtually dead.

But *waribashi* were created in Japan. *Sugi* is an endemic Japanese species; its botanical name is *Cryptomeria japonica*, meaning "Japan's hidden assets." Mr. Takahashi thought manufacturing *waribashi* might serve as a lead to the restoration of forestry. After consulting with Mr. Tanaka, the author of the book, he visited *waribashi* plants around the country. In August 2010, he moved to Iwaki City to start his business.

◆ Turning point for the business
 Developed products together with a volunteer group who supported me after the great earthquake

Mr. Takahashi started test producing *waribashi* with an advisor, Mr. Minoru Toriizuka. Mr. Toriizuka had worked for more than 50 years for the forestation company where



Some of the chopsticks manufactured and sold

Mr. Takahashi's grandfather had been a director. Knowing Mr. Takahashi was the grandson, Mr. Toriizuka was willingly to help. They had been satisfied with the results of the test operation and were ready to begin shipments when the Great East Japan Earthquake occurred on March 11, 2011. In the wake of the nuclear accident, all shipment agreements with wholesalers were canceled. Mr. Takahashi himself evacuated to his parents' home for ten days.

Before the month had ended, Mr. Takahashi returned to Iwaki City. On April 5, he had his products inspected for surface dose at the Fukushima Technology Centre. With no problems found, he prepared to resume production. Subsequent earthquakes, however, on April 11 and 12, centered in the southern part of Iwaki, destroyed the manufacturing facility. At the end of April, two weeks after the quakes, a group of volunteers contacted him and offered help. They arrived the following week.

"It was a group of ten designers, called 'Eat East!' They bought 3,000 pairs of unwrapped *waribashi* at their own expense. They designed individual packages and sold the packaged *waribashi* at charity events. The group donated all proceedings to the Japan Red Cross Society. They had no obligation to do this. I was deeply impressed. I also came to realize that designing is important in adding value to *waribashi*. I decided to develop products with the group," Mr. Takahashi said.

After Mr. Takahashi talked to the group about making *waribashi* from thinned (removed) wood from three affected

prefectures, they discovered a notice on a 2011 national competition using thinned wood. Mr. Takahashi asked them to design a new package quickly and managed to submit an entry application before the deadline at the end of July.

◆ Leap forward for the business

Manufacturing *waribashi* from *sugi* thinned wood from three affected prefectures. Received three awards and became a focus of attention

The product entered in the competition was a set of three pairs of *waribashi*, named the “Three Prefectures in Restoration—Bridge of Hope.” (In Japanese, the word for “bridge” and the word for “chopsticks” are both pronounced *hashi* or *bashi*, although they are written differently.) Three types of *sugi* were used: Kesen *sugi* from Rikuzentakata City, Iwate Prefecture, severely damaged by tsunami, Kurikoma *sugi* from Kurihara City, Miyagi Prefecture, where the main quake had been recorded as a maximum 7 on the Japanese seismic intensity scale, and Iwaki *sugi* from Iwaki City, Fukushima Prefecture, hard hit by the two subsequent quakes. In this way, people were encouraged to think about how extensive areas were affected by the disaster. It won the third prize and drew considerable attention. Together with the fact that Mr. Takahashi was manufacturing the *waribashi* virtually alone, the mass media took up the story.

“Bridge of Hope” received the Japan Good Design Award in 2013, the Social Products Award in 2014 and the Japan Wood Design Award in 2015. Among the reasons for recognition were that they were high-grade despite made-in-Japan *waribashi* accounting for only 5%; that production was partially outsourced to facilities for persons with disabilities; and that a wood-burning boiler—not petroleum-burning—was used to dry the wood for the manufacturing process.

“It was the first time a *waribashi* manufacturer had received a Good Design Award. I personally enjoy this

business. It is enough for me. ‘Bridge of Hope’ brought recognition to the company. I want to continue selling it focusing on orders for ‘promotional’ items for companies, local municipalities, universities and more,” Mr. Takahashi said.

◆ Future business and tasks

Continuing the business and contributing to forestry revitalization, and recovering the pride of residents in mountainous areas

Iwaki-Takahashi buys thinned *sugi* directly from a forestry company in Iwaki, manufactures its high-value-added *waribashi*, and sells them. It is often heard nevertheless: “They’re just *waribashi*.”

“Japanese were the creators of *waribashi*. The same Japanese had come to fully depend on imported *waribashi*, destroying the domestic industry. Feeling that to have been something of a ‘sin,’ I am determined to continue this business, although it is not easy,” Mr. Takahashi said.

For this reason, Iwaki-Takahashi has created *waribashi* for the weaning ceremony, called “*Omedeta-bashi*” sold in a box. The box is made of half-finished *sugi* wood from the process of manufacturing *waribashi*. It also has developed products using *hinoki*—the region is the northern limit of its growth—including pencils. In the future, Mr. Takahashi wants to develop a pillow using chips from defective *waribashi*. He intends to use cloud funding to commercialize these products. When they are complete, he will also deliver them to earthquake/tsunami survivors.

Speaking about the strength of his determination, Mr. Takahashi said: “Restoring forestry will not only regain functions of, for example, water catchment, but the pride of residents in mountainous areas rich in invaluable natural surroundings. Although my activities are limited to the small field of making *waribashi*, I will continue this business by any means in order to be of whatever help I can to forestry.”



Waribashi are made from *sugi* thinned from forests



Inside the *waribashi* plant

Case

Case 3-1-8: Kasamori Co., Ltd.
 (Kiryu City, Gunma Prefecture)
 (Embroidery work, manufacture and sale of embroidered products)
 <Employees: 19; capital: ¥10 million>



Yasutoshi Kasahara,
President

Changes over 140 years, launching a new brand, and contributing to local revitalization

◆ **Background of the business**
 With shift from Japanese style dress to Western style dress, changing the business form from Japanese-dress textiles to embroidery

Kasamori Co., Ltd., was established in 1877, almost 140 years ago. The family has been in the textile trade in Kiryu, itself a textile town, for generations. The textile industry prospered immediately after the war, and the kimono *obi* belt “Kasamori Kenjo” was a big hit. At that time shipment of the belt produced by a cooperative association, “Kasamori Gumi,” including other weavers, accounted for as much as 30 percent of all products. As people gravitated from Japanese kimono to Western style dress, Japanese textiles gradually declined and textiles alone could not survive. The father of Mr. Yasutoshi Kasahara, the current president of Kasamori, shifted the business toward embroidery. This was in 1962.

As the second son of the family, Mr. Kasahara found a job with a software company after college graduation. Only when his older brother died young did Mr. Kasahara enter and take over the company, in 1973. The economy was in turmoil from the Oil Shock, and Kasamori’s business was hard hit, with sales down by 50%.

“Although it was the family business, I came into it from a completely different field and I knew nothing. Our customers helped me the most, introducing me to others, and I managed to increase our sales routes gradually,” said



Wooden, peaked-roof factory with air of history

Mr. Kasahara.
 At that time, most of the company’s work was embroidering “point marks” and logos on the ankles of socks.

◆ **Turning point for the business**
 Tried production overseas, but re-committed to manufacturing in Japan

In due course, the company moved into apparel embroidery, doing well during the “brand” boom. At the same time, however, apparel production was steadily moving overseas. For a while, basic apparel production was done abroad while finishing, including embroidery, still took place in Japan, so Kasamori was not unduly affected. Soon, however, this changed, too, and in 1993 Kasamori began embroidering in Indonesia. In 2001, it established a wholly owned subsidiary and plant there.

“We had difficulty in many of our transactions including collecting payments, and we eventually asked a military person who had been hired as a security guard to make collections. Employees were a challenge, too. Good ones didn’t stay long. Good quality raw materials were hard to obtain. And more. In 2005, we finally withdrew from Indonesia. I had realized, and felt keenly, that manufacturing should be in Japan,” Mr. Kasahara recalled.

Determined to concentrate on domestic production, the company had three specific plans for the future. The first was to hold our own show in Tokyo every year. This has done this annually since 2005. The second was to open an office in Tokyo. In 2007, it did this jointly with a company in Fukushima. In 2010, however, that company withdrew. It was difficult for Kasamori to continue alone and it closed the office. The third major plan was to participate in exhibitions overseas, starting in 2009.

Mr. Kasahara said: “In 2007, not expecting to be accepted, thinking more in terms of ‘getting started’ on something, we applied to exhibit at Modamont [now called Premiere Vision Paris] in France, and were invited. We hadn’t prepared anything to show! We worked until 2 a.m. on departure day and then took a 4 a.m. bus to Narita, and Paris.”

Kasamori has participated in the show for the past six

years. It has steadily earned recognition and trust, and now receives orders from global brands.

◆ **Leap forward for the business**
In addition to processing products of other companies, launched its own brand

Kasamori emphasizes participation in exhibitions because it wants to be able to make proposals when potential customers inquire. By demonstrating its own technological capabilities at exhibitions, it is able to cultivate new customers and genres. This is thoroughly explained in employee orientation. All new employees, including those in sales, are trained at a factory for almost a year in the concepts of *monozukuri* manufacturing.

“To our customers, we are professionals in embroidery. In order to respond to their needs, as their partner, each of us must understand production,” said Mr. Kasahara.

In addition to their regular duties, all employees belong to “improvement circles.” The “Planning Circle” seeks new ideas; the “Production Circle” digs into the manufacturing functions; the “People and Climate Circle” is involved in five-S activities such as employee education, workplace organization, and discipline. (The words used in Japanese all begin with an “s.”) All of these activities are carried out basically during business hours.

Management is open, too. Each quarter, managers make presentations to share information and keep employees informed. In these presentations, in addition to explaining business results, employees are recognized individually for their follow-up efforts toward customers, the attitudes and enthusiasm, and so on, and all are encouraged.

One result of circle activities was the company’s “OOO” (pronounced “triple oh”) brand of accessories using embroidery technology.

“Processing the products of other companies, we receive and can expect large orders, but we were also vulnerable to fluctuations on their side. We decided to also manufacture things ourselves,” Mr. Kasahara said. “We tried tapes for

craftwork, pockets, bags, accessories and more. Among those, accessories were the most favorably received and we launched a brand. Fortunately, we were able to obtain a subsidy from the Small and Medium Enterprise Agency under a “Program to Promote SME Utilization of Regional Resources.”

Mr. Kasahara: “Our ‘OOO’ accessories were sold through our own website and at department stores. Today, sales of the brand account for about 20% of our total sales.”

◆ **Future business and tasks**
Going forward with new plans, new brands, and revitalization of the town

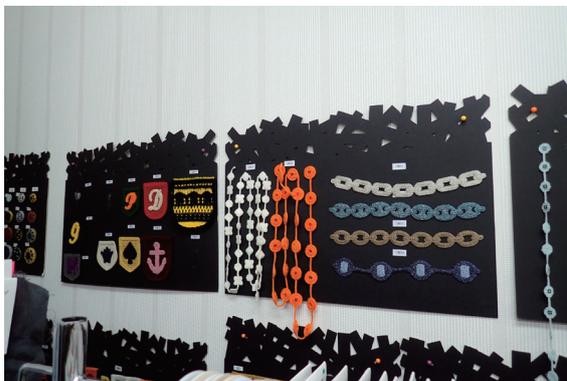
Following the success of “OOO,” Kasamori is working on further brands, including men’s items. In addition, four companies in the region jointly launched a new interior project, “Kiryu Cushion.” In January 2016 they had a kick-off exhibition in Aoyama, Tokyo. They expect the project to be a big help in revitalizing a traditional textile town.

The company is now also working to reduce overtime as part of improving the general working environment.

Mr. Kasahara: “Previously, during a busy time, it was common to work overtime and even on holidays. Now, each day, we designate employees who *must* stop working and go home at the regular time, as well as those who may not work on Sunday, even in our busy seasons. We want to improve the environment for our employees. The company cannot survive unless our younger employees in particular want to remain with us.”

Kasamori will soon celebrate the 140th year since it was originally established as a weaving mill in Kiryu.

“Last year was the 65th since Kasamori was incorporated. We had a party with our employees and their families in January of this year. The People and Climate Circle took the lead in planning it, and it was a great success. Next year will be the 140th since the company was actually founded. We want to enjoy another party for that, too,” Mr. Kasahara said.



Array of embroidered elements for processed products



“OOO” line of accessories that don't look embroidered

Case

Case 3-1-9: Ism Co., Ltd.
 (Matsudo City, Chiba Prefecture)
 (Manufacture, sale, maintenance of food processing machines)
 <Employees: 18; capital: ¥10 million>



Hideyuki Tobita, President

Popcorn machine production, inspired by “If it doesn’t exist, make it,” broke through in market monopolized by foreign machines

◆ **Background of the business**
By trial and error, a Japanese-made popcorn machine

Popcorn is the most popular item at theme parks and movie theaters. Today it is practically a synonym for “entertainment.” Because it was a snack food born in the U.S., the only large-size machines available in Japan 20 years ago were foreign made. This was the situation that motivated Mr. Hideyuki Tobita, President of Ism Co., Ltd., to make a large popcorn machine.

Mr. Tobita: “After I graduated from high school, I worked as a part-timer at a company doing maintenance at a leading theme park. One of the machines we took care of was a large foreign-made popcorn machine. Such foreign machines broke down frequently and getting parts for repairs was difficult. ‘Why are there no domestic machines?’ I wondered. ‘I could make one.’ That’s how I decided to start my own business.”

In 1994, Mr. Tobita formed his company. Doing maintenance under contract for a theme park, he endeavored also to produce a popcorn machine. It was not easy, however, to create a purely original machine from scratch. He had the most trouble making a pan to roast the kernels. He went through four years of trial and error on every aspect, from selection of materials to decisions on size. In 1998, Mr. Tobita completed his first machine.

Almost at the same time, the company was registered as a limited liability company with a capital of ¥3 million.

“My first machine popped the corn in less time than foreign machines and I was confident that it functioned better and was safer and more hygienic. But we had no mass-production and a unit was expensive,” Mr. Tobita recalled.

◆ **Turning point for the business and leap forward**
Why there were no Japanese-made popcorn machines. A plan to solve the problem

The size of the market seemed to be why Japanese companies were not interested in making large popcorn machines. They didn’t think it was a worthwhile investment. The absolute number of theme parks and cinemas was limited, and so, naturally, would be the number of machines sold. And because a unit was expensive, they knew they could not expect a replacement to be quickly available if needed. In this market, the company could not expect to readily recover its costs either. Mr. Tobita took the step anyway—selling popcorn machines—because he had a clever plan. He intended to sign maintenance contracts with the buyers of his machines. The customers would be freed from concerns about maintenance and repairs, and Ism would receive guaranteed amounts of income every month, even after the sale.



The latest large popcorn machine, the “iP-MUO1,” able to adjust to popcorn texture



Pan for heating popcorn kernels, the company’s biggest challenge in the production

“We were confident that our product was tough and durable, but everything breaks from time to time. I had considered how we should respond to that fact. In order for us to enter the market and establish relationships of confidence with our customers, I thought a maintenance contract was the best way,” Mr. Tobita said.

At first the approach seemed instead to impede the development of sales routes. But Mr. Tobita wanted to stick with the idea of maintenance contracts.

“If we sold a machine, the buyer might resell it, or go out of business, and who knew where the machine might go, or what problems there might be if it broke or caused an accident later? I definitely wanted to avoid that. And I saw a maintenance contract as proof of our commitment to take responsibility for our products to the end. So far, we are the only company in Japan manufacturing large popcorn machines, but a competitor could appear at any time. For this reason, too, I want us to do all the maintenance. I don’t want others looking inside the machines and seeing all of our original technology!” Mr. Tobita explained.

Maintenance contracts brought unexpected benefits as well.

“With maintenance contracts, we regularly visit the customers, and we talk about more than popcorn. ‘We are looking for a cooking utensil to do such-and-such. Do you happen to know where we might find one?’ They ask our advice. If what they want is not available, sometimes we say, ‘We can make it for you,’ and we do. We discover many new business opportunities just by talking with our customers,” said Mr. Tobita.

Among new products born out of communications with customers were a popcorn warmer and a butter dispenser. The company also makes different styles of popcorn carts, to meet the specific needs of each customer. Flexible responses are a major selling point.

◆ Future development and tasks

With the newest machine, increase share in cinema complexes, and proceed overseas

In 2004, Ism, previously a limited-liability company, was reorganized into Ism Co., Ltd. Currently, Ism’s popcorn machines are seen not only in major theme parks and stadiums, but enjoy about a 20% share of the domestic cinema complex market. When marketing to cinema complexes, the biggest issue was the price of a machine. The third-generation model, the “iP-MUO1,” completed in 2010, costs only a third of what the first one did and has had a major effect in increasing the number of machines installed. Power consumption is 60% less than foreign-made units. And it pops the corn in substantially less time.

“With the new model, our target was a 50% share of cinema complexes within five years. After we achieve that, we want to market ourselves overseas. We already have an invitation from China; as yet, however, we cannot ensure the human resources there that we can rely on for on-site maintenance. For this, we will endeavor to develop engineers and technicians both in and outside Japan,” Mr. Tobita said.



One of many types of carts for popcorn machines, as the customer may require

Case

Case 3-1-10: Ikoma Seika Honpo Co., Ltd. (Ikoma City, Nara Prefecture)

(Manufacturing and sale of sweet confections)

<Employees: 7; capital: ¥3 million>



Osamu Hiraguchi,
President

Development and sale of “pop candy” when demand exceeds supply by 40 to 1. Doubling production in five years, with an eye out for a business successor

◆ Background of the business

Post-war black market was the start. Entered the field with artisan-type father as mentor

It is called “legendary” for being so hard to get. It is colorful, ball shaped, and there is only enough for one in every forty people who want it. In your mouth, the sweet-sour flavor spreads with a peach smell. It is produced by Ikoma Seika Honpo Co., Ltd., in Ikoma City, Nara Prefecture. Mr. Osamu Hiraguchi, its second president, makes it from morning through night, but production cannot keep up with demand.

Returning from the war, Mr. Hiraguchi’s father bought sugar on the black market, to make gum and cheap candy and sell them in Osaka. When he finally returned to Ikoma, where his parents lived, he started the business as a sole proprietor. This was in 1964.

“My father made only one candy called ‘Peace Pop Candy.’ I had graduated from college and found a job, but I was not suited to being a salaryman and I quit after a year. I was 23 years old when I started working under my father. He was an old-type artisan. When he mixed ingredients, he measured by eye. Depending on his mood, the taste or color would vary slightly. I wanted more numerical precision, but I was a sort of his protege, and there was no room for me to say anything,” Mr. Hiraguchi recalled.

Alone, father and son made small quantities and delivered them every day, always trying to find new retailers. Their profit was less than one yen per piece. Their survival was so precarious that Mr. Hiraguchi’s father quit smoking to save money—which was not easy!

◆ Turning point for the business

Taking over from his father. Developing character pops

In the mid-1970s, Mr. Hiraguchi talked to the president of a leading confectionary company about making his candy for that company. The president readily agreed.

“I was overjoyed. Although we would only be the subcontractor, I remember I could barely believe that our pop candy was going to be sold nationally. I told our employees to check moisture content and to measure



One operation produces only 152 pops.
Each day the operation is repeated 700 times

and combine ingredients precisely. My father raised no objection,” Mr. Hiraguchi said.

The company continued selling its own products and being a subcontractor of the confectionary company. In 1987, when Mr. Hiraguchi’s father became 65, his son, who was 37, took over the family business. Almost at the same time, however, direct sales began to stagnate and orders from the confectionary company become irregular.

Confident of his technology, Mr. Hiraguchi visited a company known as a seller of character goods. He showed samples of his pop candy. Talks went smoothly and his company soon began making pop candy in world-famous “characters.” Sales increased, but the quality standards for the character pops were strict.

Mr. Hiraguchi: “We were grateful to be able to work with them, but it was risky for a small family business. Once every six months, conditions in our plant were checked. We always passed, but we were very sensitive and felt under pressure every day. Actually,” Mr. Hiraguchi laughed, “we continued for more than ten years.”

Orders for character pops changed every month; sales were not stable. While continuing to make them as a subcontractor, Mr. Hiraguchi thought increasingly about new, original products.



Preparing shipments.
Sales of Rainbow Pops are now nationwide

◆ Leap forward for the business

Spending a year making a mold, Rainbow Pops are born

Despite the pressures, Mr. Hiraguchi produced his pop candy diligently. In 1993, he received inspiration from an unexpected source.

“I was deeply moved by the ‘Tragedy of Doha,’ Mr. Hiraguchi said, referring to a 1993 loss to Iraq that knocked the Japanese soccer team out of the World Cup Championship. “At the same time, I felt a soccer boom lay ahead for Japan. I decided to make a product related to soccer. I thought spherical pops would be interesting, like soccer balls.”

At that time, it was very difficult to make round pops and no manufacturer had the technology. Talking to mold makers, he got nothing but negative answers. He persisted, however, finally working with one for an entire year, and completed the first mold.

Naming also came on inspiration from Mr. Hiraguchi. Japanese sports TV was using the term “rainbow shoot” in its reporting of soccer. When Mr. Hiraguchi heard it, the “Rainbow Pop” was born.

Because the company was still manufacturing character pops, it was able to make only 40 bags of Rainbow Pops (750 grams per bag) per day. They were sold only at the company’s shop and in fact did not sell well. Only neighbors bought them initially. Slowly, however, recognition and customers increased. Mr. Hiraguchi began to feel a sense of success and was determined to stop making character pops as a subcontractor, to concentrate his resources on making his own products. This he did between 2001 and 2002.

Production increased. Customers waited in line and the lines got longer. Starting in 2011, the company began staging gatherings twice a year, renting a hall in the neighborhood, for customers to come and reserve products. Between two thousand and twenty-five hundred people

would attend. When this was shown on TV, attendees surged to the point of becoming unmanageable. In 2013, the system was changed to applications by postcard and a drawing of lots. About 150,000 people now apply while only 3,500 are rewarded.

Some of its candy the company also delivers free to child welfare institutions and nursing homes for the elderly. Since 2014, it has also made its candy available to Ikoma City, for it to use as rewards in the “hometown tax” system. It also wholesales to Ikoma City’s satellite shop.

For Mr. Hiraguchi, all of this is fundamental: “I am here because I am supported by many people. Returning their favors is the least I can do.”

◆ Future business and tasks

Succession is a task. Incorporating business for smooth transfer

The prior machine could produce up to 100,000 pops a day in full operation; there was no way to make more. In April 2016, a new machine was acquired using a Small and Medium Enterprise Agency subsidy to support expanding manufacturing, commerce and service businesses. In five years, the company hopes to double its current production.

As sales increase, the company faces another major challenge: succession.

“My two daughters are married and nobody wants to work in this business. But I want it to be here for the next generation of customers. I want to pass everything—know-how as well as equipment—to a successor. In preparation, in order to clearly distinguish my personal assets from the business, I incorporated the company in 2015. I will of course be active for another ten or 15 years—I hope,” Mr. Hiraguchi said.

With Rainbow Pops so popular and doing well, Mr. Hiraguchi has developed his next new product and is waiting for the best time to release it.



The ideal Rainbow Pop is like *takoyaki*
—crispy on the outside and soft on the inside

Section 4 Case of endeavoring to enter new fields

In this section, the four cases below will be introduced. These companies boldly endeavor to enter new fields and cultivate new prospects.

- Case 3-1-11 Takahashi Sekizai Kogyo Co., Ltd. (Yakumo Town, Futami District, Hokkaido)
- Case 3-1-12 Taniguchi Komuten Co., Ltd. (Mihama Town, Mikata District, Fukui Prefecture)
- Case 3-1-13 Duo Design Limited (Chita City, Aichi Prefecture)
- Case 3-1-14 Ginrei Corporation (Daisen Town, Saihaku District, Tottori Prefecture)

Case

Case 3-1-11: Takahashi Sekizai Kogyo Co., Ltd.
(Yakumo Town, Futami District, Hokkaido)

(Stone material processing and sale, funeral services)
<Employees: 4; capital: ¥10 million>



Katsuko Takahashi,
Chairperson
(Aoi Ceremony)

Stone material processing company starts funeral services as its second business. Will establish a service system covering from funerals to grave care

◆ **Background of the business**
Started with two-person stone material processing. Expanded business in response to increasing demand for gravestones

In the period from the Meiji era to the beginning of the Showa era, Sapporo soft stone was often used to construct buildings in Sapporo City, Otaru City and their surrounding areas, including a group of storehouses along the Otaru Canal, a popular tourist spot today. Takahashi Sekizai Kogyo Co., Ltd., engaged in processing and sale of stone materials since 1966 in Yakumo Town, Futami District, Hokkaido, near the Shin-Hakodate-Hokuto Station on the Hokkaido Shinkansen, opened in March 2016, was originally the business of a stone craftsman working with Sapporo soft stone.

When Ms. Katsuko Takahashi, chairperson of the company, married a stone craftsman, they moved to Yakumo Town at the invitation of a relative. Renting a small apartment and a piece of farmland to use as a stonework yard, they started alone, making and installing gravestones.



Stone processing plant where gravestones, etc., are produced

“My husband shaved the stones and I polished them. We carried gravestones on pull-cart. When Japan entered a period of high growth in the latter part of the 1950s, people had more opportunity to think about their ancestors. Many had used stones they had picked up from rivers as gravestones. The number of people who wanted proper gravestones gradually increased. Orders came one after another, keeping us busy,” Ms. Takahashi said.

As concrete blocks came into wider use, general demand for Sapporo soft stone declined, and, by the 1970s, granite had become the mainstream gravestone material. You can shave and polish soft stone by hand, while granite is too hard to process manually. Because orders for gravestones kept coming in, they had to make a decision. They learned how to process granite at a stone material dealer in Ibaraki Prefecture, purchased a processing machine with a loan from a financial institution, hired workers, and expanded their business.

◆ **Turning point for the business**
Sales dropped sharply from the peak in the 1980s. Decided to start a new business in a new field

While continuing with the business, Ms. Takahashi served in various public positions, including as head of the Women’s League of the Yakumo Society of Commerce and Industry for 19 years and, at the same time, as vice president of the Hokkaido Federation of Societies of Commerce and Industry. She put her efforts into regional development and growth. She was always ready to help others. She was involved in the parents’ association of a kindergarten where their children went, and participated in voluntary weeding at the cemetery. She was popular with everyone; people saw her working on even little things with sincerity. All of which rubbed off favorably onto the business, which grew steadily to a peak in the 1980s. Then suddenly she found herself tens of millions of yen in debt.

“We had employees, but we were a sole proprietorship. Facing a crisis of survival, I took a completely fresh look at our situation and management. I saw that I had a heavy responsibility for our employees and I decided to incorporate the business. Because my husband was a traditional craftsman, I became president,” Ms. Takahashi explained.

The company made a fresh start, but dark clouds hung over



Ceremonial funeral hall
Altar prepared for each religion

the business from 1998 to 2003. There were various reasons for declining demand for gravestones. For example, 70% of families were providing their own stones, people's consciousness of temples and graves was changing, and religious views were diversifying. Sales fell year after year, eventually to only half what they were at the peak. In order to compensate, the company actively pursued maintenance of gravestones and carried out sales activities, such as advertising, but these were not enough. Ms. Takahashi started thinking: "We have to do something new." At the same time, someone came to her for help, and this was the impetus to start the second business.

◆ **Leap forward for the business**
Request for help leads to new funeral home.
Finding a way out, into a new field

"As a new business, we planned a facility for the elderly, but gave up because we couldn't come to an agreement on financing. It was then that the owner of a funeral home we knew came to us and said he was too old, and asked if we would take over his business. Funeral services bear an obvious connection to what we were already doing, and, by nature, I cannot ignore someone asking for help. We decided to lend him a hand," said Ms. Takahashi.

The company bought the necessities—a hearse, a microbus for attendees, etc., and retained all of the funeral home's employees. An empty building was renovated as a mortuary, ceremonial site, and a facility to accommodate relatives of the deceased. The immediate costs were about ¥15 million, for which benefits from the Small Enterprise Mutual Relief System were used. In May 2014, the company commenced funeral services under the name of "Aoi Ceremony."

There was another funeral home in Yakumo Town at that time, primarily for large funerals.

"There were people, such as the elderly alone, or on welfare, who could not afford expensive funerals. There were some who could barely afford even a small, simple funeral," Ms. Takahashi explained.

Ms. Takahashi decided to deal primarily with small funerals, 20 to 30 mourners, and thus avoided direct competition.

Ms. Takahashi: "We wanted to see off the deceased like one of our own family members. And we heard many grateful words from the relatives: 'It was a warm-hearted funeral. I hope you do mine when the time comes.'"

Stories of sincerity spread through the community. In one instance, a hospital patient passed away and the hospital contacted a major funeral home. The family, however, insisted on Aoi Ceremony. In Aoi Ceremony's first two years, Ms. Takahashi has taken care of nearly 30 deceased people.

◆ **Future business and tasks**
Services from funeral to grave maintenance.
Planning service system linked to the main business

The unit price of a funeral can be less than that of a processed piece of stone. Funeral services could not offset the decline in sales in the main business. Sales at Aoi Ceremony, however, were good.

"Protocol is different in each religion. We are nervous each time, wanting to be correct in every aspect. There is much to learn. I am determined to be patient and to persevere for at least five years," Ms. Takahashi said.

Meanwhile, the Takahashi's son Hirohito became the president of Takahashi Sekizai Kogyo when Aoi Ceremony was founded. He is endeavoring to develop new products using stone, including mouse pads and *objets*, in addition to gravestones.

It was a smooth start into a new field. At first, stone processing and funeral services were separate, without linkage. Now, however, Aoi Ceremony is a division of Takahashi Sekizai Kogyo.

"In the future, we want to be a one-stop service for everything from funerals to grave management," Ms. Takahashi said.

Turning 72 in 2016, Ms. Takahashi is full of vitality. Having successfully established a second business, she is looking ahead to another opportunity and her next leap.



Building renovated as mortuary and ceremonial hall

Case

Case 3-1-12: Taniguchi Komuten Co., Ltd. (Mihama Town, Mikata District, Fukui Prefecture)

(Construction, related work, both public and private)
<Employees: 15; capital ¥20 million>

Developed “kawaraBLOX” by reprocessing waste roof tiles. Environmentally friendly, rich textures, appealing to new customers

◆ Background of the business

With abandoned houses increasing due to depopulation, more than 5 million roof tiles become waste annually

The construction industry is directly affected by the overall state of the economy. One company has come out with a unique environmental business using waste materials.

In Mihama Town in Mikata District, Fukui Prefecture, on the Wakasa Bay, Taniguchi Komuten has been a community-oriented company since its establishment in 1919, designing and constructing houses and various facilities. Recently it developed “kawaraBLOX,” enabling it to recycle vast amounts of waste roof tiles.

The inspiration for the development came during repair/maintenance of roofs and demolition work. Empty houses are increasingly common as a result of the declining birthrate and aging population, and both rebuilding and demolition are on the rise. The company recognized the great amount of waste tiles generated in those processes.

Production of Echizen-gawara roof tiles is estimated at 6–7 million per year, while waste tiles number about 5 million annually. Including Sanshu-gawara roof tiles made in Aichi Prefecture and Wakasa-gawara roof tiles, which are not produced anymore, the volume of waste tiles must be even greater.

Reuse of waste tiles is, however, very limited. They are used in land reclamation and in agriculture for subsurface drainage. Fukui Prefecture approached roof tile manufacturers and industrial waste processing companies and established a committee to study possibilities for an environmental resources business using waste roof tiles. It first considered drainage-related uses but could not yet see a commercial potential. Reuse of the increasing amounts of waste tiles was becoming an urgent matter not only for the industry, but for local municipalities.

◆ Turning point for the business

In order to process waste roof tiles itself, obtained license for industrial waste treatment

Companies demolishing houses usually ask specialists



From left, Mr. Joshi Taniguchi, Chairman, Mr. Naotoshi Taniguchi, President, and two employees, Mr. Kazuyuki Takagi and Ms. Atsumi Taniguchi

in industrial waste treatment to take care of roof tiles. Taniguchi Komuten, however, had no such company in the vicinity. In 2013, it bought a machine to grind waste roof tiles and obtained a license for industrial waste treatment. A system was established to accept and treat tiles brought in by other companies, which produced a profit. At the same time, Mr. Joshi Taniguchi, Chairman, was driven by a sense of mission. He was determined to recycle the huge amounts of tiles.

“Treatment alone is a big job. Recycling is bigger. But I knew it would be better for society and that’s what I wanted to do,” Mr. Taniguchi recalled.

The second-generation leader of the company for many years, Mr. Taniguchi always wanted his businesses to be conscious of the environment.

Roof tiles themselves are made of good-quality clay and there are plenty of possibilities for recycling them, depending on reprocessing. He first expected to use them as gravel fill. But, while deliveries of waste tiles kept coming, demand did not increase. Mr. Taniguchi was obliged to make a thorough review of the business.

◆ Leap forward for the business

Using accumulated know-how, manufactured blocks. Realized tasteful texture by wash-finishing

“kawaraBLOX” were created by trial and error in a search for a “usable” product. Unlike conventional blocks, they are environmentally friendly and possess added value. Taniguchi Komuten had the manufacturing know-how and experience from manufacturing concrete blocks from 1961 to 1985.

Said Mr. Taniguchi: “With a new subsidy from the local government, I thought there was no choice but to take the chance.” The subsidy was from the Fukui Industrial Support Center’s project to support local industries starting up in new fields.

Prototype blocks were made to determine the size. Waste roof tiles were crushed into 5-millimeter grains and molded into blocks 30 centimeters long, 15 centimeters wide and 10 centimeters deep. At about five kilograms, half the weight of commercially available ones, and smaller, they were easy to use.



Pamphlet describing the “kawaraBLOX” lineup



Rough surface with washed finish is tasteful and rich

What the company was most particular about was color variations using the tiles' original colors and texture. Four colors were planned—“red” using Aichi-made Sanshugawara roof tiles, “reddish brown” using Echizen-gawara, “black” using Wakasa-gawara, and “white” using granite produced in Tsuruga City. The block surface was finished with a washing method creating an uneven, stylish texture, instead of the conventional rugged look. As they were originally roof tiles, kawaraBLOX are excellent in terms of absorption and permeability. No deterioration of colors is another advantage. The company has possessed all of this technology and know-how, but it had lain dormant.

◆ Future business and tasks

Cultivation of sales routes is the immediate task. Production of products appealing to general consumers and PR are planned

Released in the summer of 2014, the kawaraBLOX lineup numbered 66 offerings as of April 2015. In the fall of 2015, the company started sales to home centers in and outside Fukui Prefecture, in order that general consumers, not just architectural and construction firms, could see them. Owing to those efforts, the number of buildings using them, including at entrance approaches and gardens at individual houses, and gardens and common spaces at commercial facilities, has been steadily increasing.

“We first made the blocks available in two models, to lay on the ground, or to stack as fences and walls. When they were on the market, however, we found that it was quite difficult for amateurs to stack them vertically. In contrast, the ground type was unexpectedly popular. We keep experimenting, trying to find the sizes and styles that are most appealing for consumers,” Mr. Taniguchi said.

Distributors are still largely unfamiliar with kawaraBLOX and the company faces various challenges; for example, for many customers, the price is still too high. Also, for the company, transportation to distant customers is expensive. Production depends on the waste tiles the company receives, and there is constant concern about being able to respond to a large order.

“Five years after the Great East Japan Earthquake, demand for kawaraBLOX is declining, but we are confident in its quality. We will open a website and continue to promote it extensively,” Mr. Taniguchi said.

At the moment, kawaraBLOX accounts for only about 5% of the company's overall sales. No matter what, the company intends to remain environmentally oriented.



An example of kawaraBLOX in three colors at a house

Case

Case 3-1-13: Duo Design Limited
(Chita City, Aichi Prefecture)

(Construction, services)
<Employees: 7; capital: ¥5 million>



Hirotaka Sakakibara,
President

**Designing/building stores, regional revitalization,
food preservation, making society rich through three
different businesses**

◆ **Background of the business**
Sticking with his first self-chosen job, suffered in his 20s, seeing no light

On the advice of his university architecture professor, Mr. Hirotaka Sakakibara joined a leading general contractor. In only a year he decided a busy life in Tokyo was not for him. He quit and returned to his hometown in Aichi Prefecture.

His parents were naturally upset. His father demanded that he get a job at a local tile plant, and four days later he began there. Then he saw a help-wanted ad from a company that said it designed and built stores.

“It was hard and I was required to work from early morning until late at night. Knowing I was a university graduate, others thought I would survive there less than a week. I realize now that it was the first job I had chosen for myself. When a store I had helped build was finally opened, I was much more moved than I ever expected to be. I was inspired to do all that I had to to succeed there,” Mr. Sakakibara said.

This was during the bubble economy. Always with two or more assignments at a time, Mr. Sakakibara experienced a lot. His thinking also began to change.

Mr. Sakakibara: “The company was always a subcontractor or lower, building what others had designed.



Company building on the coast,
in the natural environment of the Chita Peninsular

I told the president that I wanted to build a store that I designed. He said that was impossible. I quit.”

At the Nagoya branch of a major remodeling company he again worked hard—harder than others—and performed well but saw no increase in his income. By then he had a child and the situation was not satisfactory. He began to design stores himself on the side. His income from this was sometimes more than from his regular job. He decided to work for himself full-time. He had just turned 30.

◆ **Turning point for the business**
Became happy in his 30s. To know why, tried to learn more

When Mr. Sakakibara designs a store, the ideas are far from his alone. The name “Duo Design” was chosen to convey that he and customer make the decisions together, as if performing a duet.

“When customers want to have their own store, they always have an image in their mind, but they cannot always express it well. My job is to understand them and give form to what they are thinking,” Mr. Sakakibara said.

A major difference between Duo Design and other architectural/design offices is that it not only builds the store—hardware—but also helps the owner draw and satisfy customers—IT software. For a store to be appreciated by customers, products and services offered there must be high quality and be recognized as such; otherwise, the customer base will not grow. By supporting store owners who are not necessarily skilled at such activities, Duo Design keeps its own customers happy long after the hardware is complete.

As a result of its sincere attitude toward its customers and its unique business model, the business has grown steadily. A personal moment for Mr. Sakakibara came the day he was able to sit behind the wheel of the car he had long wanted.

“In my 20s, everything was hard and I was miserable. Now I am happy. I wanted to know why. I studied hard, learned a philosophy of success and coaching, read business books and attended recommended lectures, seminars and gatherings,” Mr. Sakakibara recollected.

◆ Leap forward for the business

Contributing to regional revitalization, established a new company

Among the many presentations he attended, he was most impressed by one by Mr. Toshifumi Suzuki, Chairman of Seven & i Holdings Co., Ltd. To a question about what kind of shop he would create in a major shopping area, Mr. Suzuki said: “I would sell things that can be found only locally, and the best of them. Neither Seven-Eleven nor Ito-Yokado would be able to compete with that.”

With strengthened appreciation for the power of “what can be found only locally,” Mr. Sakakibara turned his eyes to establishing a portal site specialized in the region, and, over ten years, has built up a company, Chitahanto Navi, Co., Ltd. Its business includes a campaign to increase bike stands in front of every store. The Chita Hanto Peninsula attracts many cyclists. The more serious of them tend to wear shoes with metal devices to fix them to the pedals. Walking in such shoes is noisy and they are hesitant to enter local shops. Many buy their food at convenience stores. While there were many visitors to the area, local stores, etc., saw few additional customers. Mr. Sakakibara’s idea was to install bike stands in front of stores with signs assuring the cyclists that they were welcome. More than 70 stores have joined the campaign. Cyclists and shop owners have been pleased. Chitahanto Navi is a corporation with Mr. Sakakibara as president, but the other companies that join with it participate as equals.

“If one prospers alone, the region does not necessary do so. In order for all to work together, I made an organization where all were equal. This way of thinking came out of my experience at the Young Entrepreneurs Group (YEG) of the Chamber of Commerce and Industry. Currently about 80 companies around the Chita Peninsula participate,” Mr. Sakakibara said.

◆ Future business and tasks

Aiming at reducing food loss, challenged another new business

Already running two companies, Mr. Sakakibara launched a third in 2013—Hyokan Supply Co., Ltd. “Hyokan” is technology to preserve food at around 0°C without actually freezing it, allowing it to be both preserved and fermented. When the technology becomes widespread, the societal problem of food loss may be substantially reduced.

In the course of his regional activities, Mr. Sakakibara found that food preservation is a common issue among managers of primary-industry businesses. He had come to know of *hyokan* from one of his meetings and he made inquiries to a manufacturer. He then studied the technology for about six months. Now he is the agent for Japan west of the Kanto district and is bustling around the country spreading information and drumming up interest.

Mr. Sakakibara emphasizes human connections and takes action when he feels he should. He most values thoughtfulness and what he calls the “three nots.”

“I think it is important to *not* be cynical, *not* taking things lightly, and *not* being afraid. For success in business, these are essential. I myself want to be like that, and when I come across such a person, I try to get him or her to listen to me,” Mr. Sakakibara said.

Being active in three businesses, Mr. Sakakibara keeps running for his customers, for the region and for society.



Hyokan business receives the Grand Prix (right) in the 12th Business Plan Contest of the Young Entrepreneurs Group (YEG) of the Chamber of Commerce and Industry in 2015



Maruya Honten (Japanese restaurant) at the JR Nagoya Station Branch, designed and built by Duo Design

Case

Case 3-1-14: Ginrei Corporation
(Daisen Town, Saihaku District, Tottori Prefecture)

(Hotel business, restaurant business)
<Employees: 10; capital: ¥3 million>



Yasufumi Kinumi,
President

Opened locally oriented *soba* restaurant to overcome declining sales at ski hotel

◆ **Background of the business**
Following ski boom during the bubble economy, skiers to Mt. Daisen gradually declined

Mt. Daisen in Tottori Prefecture features the best ski resort in the Chugoku Region of Western Honshu. Like other ski resorts across the country, when the ski boom arrived during the bubble economy of the 1980s, the ski resort in Daisen drew an increased number of primarily young skiers. Very close to the Daisen ski resort, Nakanohara Ginrei has been in the hotel business since 1960s.

“We have run a hotel, restaurant and ski-gear rental business since our previous president. At that time, the number of skiers steadily increased and sales stayed high. We expanded the business, increasing the number of rooms,” said Mr. Yasufumi Kinumi, the second president. When the bubble burst, there were fewer skiers after a peak in 1993. Visitors to the Daisen ski resort then numbered 400,000 per year; in recent years it’s been 200,000.

Mr. Kinumi succeeded his predecessor in the 2000s as the number of skiers was conspicuously going down. “At that time,” he said, “partly due to the diversifying of hobbies and the arrival of new forms of entertainment, young people, who were already turning away from skiing, ceased coming even more conspicuously. We changed the style of our restaurant to differentiate it from others and

appeal to customers in the off-season. It was trial and error, and whatever we tried, it didn’t work.” Sales fell to only one-third what they were at the peak.

◆ **Turning point for the business**
Opened a *soba* shop in a major city, Yonago, proceeding by trial and error

Mr. Kinumi remembered something a regular customer of the restaurant once said: “*Soba* here is good. I wish I could eat it in Yonago.” In fact, one of Mr. Kinumi’s changes had boldly been to convert the restaurant into one specialized in *soba*. Being a perfectionist, he offered only *soba* made by hand, from the milling of the wheat to the cutting of the noodles. Unfortunately this also brought no new customers to the ski resort. He was determined to try, in his word, “in an urban area where there are many people.” In September 2011, he opened a *soba* restaurant in Yonago City.

To do so, he utilized a system supporting the opening of new shops maintained by a local society of commerce and industry. Mr. Kinumi worked fastidiously on the restaurant concept, layout, menu and more, in consultation with a local expert.

Mr. Kinumi: “I was fully ready when we opened. A local TV station covered it, too, and for the initial three months sales increased steadily.”

Expecting smooth sailing, the restaurant saw its customers fall away suddenly in the following year. Sales declined to below the initial monthly target of ¥2 million; on a monthly basis, the restaurant was in the red. Mr. Kinumi made changes to the menu, adding various *soba* sets, for example, and advertised them, all in vain. That situation continued for several months.

Thinking that if nothing changed, the main hotel business would be affected as well, Mr. Kinumi made another visit to Mr. Haruo Moriyama, the business advisor of the Industrial Support Center of the Western Tottori Society of Commerce and Industry, asking for his advice.

He and Mr. Moriyama then made a thorough analysis of available data and conducted a questionnaire survey of customers. As a result, hidden problems came out one after another, including pricing, poor sales at night, visibility



“Handmade *soba*-restaurant Ginrei”
in the outskirts of Yonago City



Restaurant interior.
Mr. Kinumi made the round hanging lampshades using *Inshu-washi*, a local hand-made Japanese paper

of the restaurant, presentations in the menu, and service. Among them, pricing was the major complaint.

“Our menu carried ‘tourist site prices,’” Mr. Kinumi said. His experience having been at Mt. Daisen, he’d overlooked that similar pricing in Yonago made his restaurant expensive. He saw that even though customers thought the *soba* was good, they were not coming casually. Mr. Kinumi reviewed all of his prices.

“Product appeal—taste—was guaranteed,” Mr. Moriyama, the business advisor, recalled. “So if the problems could be solved one by one, the road would open up naturally.”

◆ Leap forward for the business Working as a team with the Society of Commerce and Industry, escaped the long struggle with stagnation

Together with Mr. Moriyama, Mr. Kinumi took various actions to improve sales—lowering menu prices, narrowing menu choices, redesigning the menu itself, and providing discount coupons for customers to use at night. It took time for customers who had drifted away to come back, and in fact sales never improved as a result of these efforts and deficits continued to grow. Eventually Mr. Kinumi was warned by his bank and advised to terminate the business.

“My restaurant manager offered to quit because his salary was a burden for the restaurant. My wife said, ‘We cannot afford this anymore.’ I, too, felt there was nothing more we could do,” Mr. Kinumi recalled. “Mr. Moriyama told me: ‘Try it a little longer.’”

Mr. Kinumi was rewarded for his patience. On a day in March 2013, the number of daytime customers exceeded 100. For the month of April, the business was in the black. Sales were increasing slowly. In August, monthly sales exceeded ¥2 million, the initial target, for the first time

since the original opening. Full-year sales in 2013 were 30% higher than in 2012. Measures taken were bearing fruit because Mr. Kinumi had not given up.

◆ Future business and tasks To make regional brand “Daisen” shine further

Sales at the *soba* restaurant remain good. Since opening the restaurant, company-wide operating profit is up substantially.

“Ski-resort hotels at Mt. Daisen depend on snow and cannot help being affected by weather. At the *soba* restaurant, more stable sales throughout the year can be expected. This is very important,” Mr. Kinumi said.

Despite the obvious satisfaction Mr. Kinumi feels from working with Mr. Moriyama to turn the restaurant around, he has a sense of crisis when it comes to his main business, the ski resort hotel.

“A bigger issue than the number of skiers is that there are no young workers in Daisen. I want the local administration to create an environment where young people from overseas, for example, in Japan as part of study programs, can easily work. Branding efforts for ‘Daisen’ itself are also necessary. I want to revitalize Daisen so that it is crowded with skiers again,” Mr. Kinumi said.



Hand-made *soba* using flour produced in Daisen

Chapter 2 Promoting business renovation

With regard to promoting business renovation, this chapter presents ten cases grouped into the following categories: “Cases of successful startups and establishments,” “Cases of tackling new challenges after inheriting a business,” and “Cases of proactive efforts to secure and develop human resources.”

Section 1 Cases of successful startups and establishments

This section presents the following three cases of micro businesses that successfully started up or established their business by providing services based on original ideas or selling products that make use of regional specialties.

- Case 3-2-1 Lily and Daisy Co., Ltd. (Suita City, Osaka Prefecture)
- Case 3-2-2 Hanamizuki (Takehara City, Hiroshima Prefecture)
- Case 3-2-3 Nature and Future Inc. (Kumamoto City, Kumamoto Prefecture)

Case

Case 3-2-1: Lily and Daisy Co., Ltd.
(Suita City, Osaka Prefecture)

(Online sales of baby clothes and children's shoes)
<Employees: 2; capital: ¥1 million>



Mamiko Aso, President

Devoting attention to customer service since founding and building a brand based on adorable children's shoes from U.S. companies

◆ Background of the business

An entrepreneur is inspired to start an online business selling imported children's clothing on her daughter's first birthday

Online retailing, or B2C EC (business-to-consumer e-commerce), makes it easy to purchase goods via the Internet or smartphones, which is the reason the number of people using it continues to increase. What's more, many "entrepreneur moms" seeking to balance work with child-rearing are looking into starting up online stores—such as Mamiko Aso, a mother of one who is also president of Lily and Daisy Co., Ltd., an online shop that retails foreign-brand baby shoes and children's clothing. She was inspired to launch the business in December 2007, on the day of her daughter's first birthday.

"I had been working as a full-time employee of a major telecommunications company for 12 years," recalls Aso. "I then left the company after getting married and was lucky enough to have a child soon after, so I devoted the next two years to being a stay-at-home mom. My husband was a freelancer and wasn't making steady money at the time, so in order to make our household finances more stable, I thought that I should work as well, figuring that two incomes are better than one."

Although she looked for a new position through the Hello Work employment center, she was unable to find a job related to her career path, and if she were going to work full-time, she would also have to deal with the issue of child care.

"I hadn't given any thought to the idea of starting up a business, but my mother ran a business renting bridal wear from her home, and I suddenly thought of her and realized, 'You know what, I could work for myself.' I then thought long and hard about what interested me and what I wanted to do. At the time, I was staying home most of the time taking care of my daughter, and buying children's clothes online. But a lot of products with bright, colorful designs that I liked were by foreign brands that were difficult to find in Japan. A surprising number of people felt the same way that I did, so I decided to try selecting foreign-brand products that could be purchased at a reasonable price and selling them online myself," explains Aso.

Figuring that even if the business failed, it would not do much harm, she dipped into her savings to cover the ¥500,000 start-up costs, and in June 2008, launched the Lily and Daisy website.

◆ Turning point for the business

Failing to make a profit through reselling, then signing distribution agreements with American brands

Even during the planning stage, problems arose. Aso had trouble putting together a satisfactory product lineup due to issues such as brands not being able to ship directly to Japan or being unable to accept Japanese credit cards.

"I'm the type of person who tries to find a solution when I'm faced with a problem. I looked for a way that I could manage the situation despite not speaking English. And when I did, I found there were agencies that would take care of buying products overseas for me," says Aso.

When it comes to foreign children's wear, European-made garments are also very popular in Japan, but Aso was focused on American brands. Besides preferring American brands in the first place, focusing on the U.S. had other benefits: it enabled her to purchase items at an affordable price and to keep costs down by limiting herself to one country.

She identified products that were strong sellers based on her research, and ultimately put her faith in her own taste when selecting which ones to buy. After ordering them from abroad, she marked up the price and put them on sale online. She made her first sale three months after launching the store. After that, she began stocking swimwear to take advantage of the growing popularity of baby swimming lessons, and gradually started to see some results.

However, her monthly turnover was a mere ¥200,000 to ¥300,000. Profits from reselling were small, and since she was also paying agent fees, she had almost no net revenue. Even before then, she had felt deep down that reselling was not a fair way to do business. While seeking a solution to her dilemma, she came across the product that would become the key to her success.

"Someone asked me if I had any shoes to match a garment that they had bought previously, and when I was looking into it, I discovered a line of children's shoes made by an American company that are designed with the foot's growth in mind," recalls Aso. "The moment I saw them, I thought, 'This is it!'"

The shoes that caught Aso's eye featured many elements designed to make them infant-friendly, from the material to the breathability to the detailed craftsmanship, and were recommended by American pediatricians. She was also attracted to them due to the fact that they were made of



American children's shoes recommended by pediatricians

leather, which is not commonly used for domestic children's shoes. They featured a distinctive, colorful design and were a popular choice as a child's first pair of shoes.

However, when she made a request to an agent to purchase some of the shoes, she had to pay a hefty tariff when bringing them into Japan.

"I didn't know there were high tariffs on leather goods," she notes. "Even though I had only purchased around ¥300,000 worth of shoes, I was charged about ¥500,000 in tariffs. I promptly consulted the regional bureau of economy, trade and industry, and learned that one could apply for a leather goods tariff quota, and I began using that system the following year. Since then, I have signed direct distributor agreements with five American brands, including the maker of those leather shoes."

◆ Leap forward for the business

Opening the store on a major shopping site and increasing sales through devoted customer service

Aso asked an agent to arrange the distributor agreements for her. The shop's monthly turnover increased, but the figures were still not satisfactory.

"I continued to run the store on my own domain for around two years, and I placed some advertisements as well, but I felt that the number of page views was limited. I therefore decided



Inside the office; some staff bring their children to work with them

to open the store on a major shopping site," recounts Aso.

In order to meet the conditions for joining the site, in 2010 Aso registered the company as a sole proprietorship. The impact of opening the store on the site was considerable—but it was not the only reason why sales improved. Aso's devotion to her work, which was reflected in her cordial attitude to products purchased, also played a part.

"Since founding, I've been conscious of customer service," she says. "Since it's an online store, I paid attention to every single word on the website, which is customers' first impression of the business. Dealing with customers by email and phone is also important, and I offer services such as free wrapping, include handwritten messages expressing my gratitude with each shipment, and so on. Many people like to buy baby shoes as a gift, so I try to offer products that customers will want to give someone as a present," says Aso. Since it's an online store, customers are able to post feedback on the shop—and the comments about Lily and Daisy are extremely positive.

◆ Future development and tasks

Aiming to eventually become a sole distributor in Japan and establish the store's brand across the country

At present, shoes account for 70% of the products handled by the store, with the other 30% being clothing.

"The leather shoes are a brand that I first introduced to Japan," says Aso. "I think it's the store's role to convey the value of the products, and going forward, I want to have a greater presence across Japan. The issue is what kind of branding to pursue to achieve that. To begin with, in order to lay the groundwork for expanding the company, I incorporated the business in May 2013. Right now, negotiations are under way for the store to become the sole distributor in Japan."

In the future, Aso says besides distributing the products to department stores and other online retailers, she would like to open a brick-and-mortar store where customers can actually handle the products themselves. It may not be long before Lily and Daisy is transformed from a select shop into a specialty store.



The office rear is used for storage; products are purchased with inventory risk in mind

Case

Case 3-2-2: Hanamizuki
(Takehara City, Hiroshima Prefecture)

(Preserved flower sales, educational classes, food service activities)
<Employee: 2; capital: ¥3 million>



Reiko Kitamaru, Owner

Developing iced *amazake* using sake lees from three Takehara breweries to increase the store’s drawing power and increase sales of preserved flowers

◆ **Background of the business**
Opening a café and preserved flower shop in an empty store on the first floor of a home

Known as the “little Kyoto of Aki” (the old name for Hiroshima Prefecture) thanks to its charming atmosphere, Takehara was selected as one of Japan’s top 100 sightseeing cities by the Ministry of Land, Infrastructure, Transport, and Tourism in 2000. It has also gained wide exposure as a setting for the NHK drama *Massan* and the popular anime series *Tamayura*, and is now visited by sightseers of all ages every day. One place where these visitors can take a break while enjoying a coffee is Hanamizuki on the town’s main street, whose interior is decorated with abundant flowers of various colors. There’s a good reason for this: Hanamizuki is not just a café but also a preserved flower shop.

Preserved flowers are flowers that undergo a special process so that their living beauty will be maintained for a long time. In October 2012, as the number of visitors to Takehara in their teens and 20s was growing thanks to *Tamayura*’s impact, owner Reiko Kitamaru opened Hanamizuki café and preserved flower shop on the first floor of her home.

“In August of the year that I opened the shop, a former classmate mentioned to me that they were having trouble

finding a place to sell their preserved flowers, and wondered if there was anywhere in Takehara that would sell them. That was what inspired me to launch the business,” explains Kitamaru. “At the beginning, I didn’t really know much about preserved flowers, but when my former classmate showed them to me, I saw how beautiful they were—and they don’t wilt! There was an empty space on the first floor of my home that used to be a café, and an official from the chamber of commerce and industry told me that it was a waste to have a store sitting empty in such a prime location. I didn’t think I could attract enough customers just by displaying and selling preserved flowers, so I proposed combining the store with a café.”

◆ **Turning point for the business**
Developing a menu tailored to sightseers’ tastes, including the highly popular “snow ice”

Wanting to market the business with the catchphrase “the café of a hundred flowers,” Kitamaru spent close to ¥2 million on purchasing all the preserved flowers for the store. However, since the location was originally a café, only minor renovations were required to add shelving and lighting for displaying the preserved flowers. She found other ways to save money as well, such as using cups that her mother had collected to serve customers. The fact that she was able to open the store without investing a huge amount of money was one of the reasons why she decided to give it a shot.

“I had helped out my mother in the past, so I had some experience of working in a café,” notes Kitamaru. “I had also been employed as a hotel manager for a number of years, so there was no problem in terms of customer service and administration. I’m the type of person who likes to try new things, so once I had learned how to brew good coffee at a course run by a beverage company, I couldn’t wait to open the store.”

When it first opened, Hanamizuki served only coffee, tea, and orange juice. Since she was unaccustomed to running a business, Kitamaru sought further advice from the chamber of commerce and industry official.

“The individual I spoke with pointed out that the menu was too limited,” she recalls. “I wondered if I could serve something aimed at younger customers, who were increasing due to the impact of *Tamayura*, and decided to add a snow ice dessert to the menu. It proved a big hit and is still one of our most popular items today. We also offer drink sets featuring sweets baked by a local cake shop, and we’re now able to serve meals as well, although the only options are Napolitan



The store’s atmospheric exterior; photos of popular menu items are posted at the entrance



Customers can drink coffee from the cup of their choice, selected from the shelves of dishware

spaghetti and udon noodles with *mentaiko* (marinated cod roe). We wouldn't be able to handle a lot of additions to the menu all at once, so we're expanding it gradually."

In addition, since the building's design means that the store interior cannot be seen from the outside, Kitamaru put up photos of the menu items in the entrance, and more people began coming into the store after seeing the pictures. However, while the café was doing more business, preserved flower sales—the store's core business—were not exactly encouraging.

◆ Leap forward for the business

Seeking to develop a product with a Takehara twist leads to the creation of iced *amazake* using local sake lees

"When I opened the store, some people would come in holding flyers that I had distributed with the idea of buying preserved flowers, but they were rather cumbersome to take home, and they were also too expensive for tourists interested in a casual purchase. I therefore stocked more products that were easy to carry and affordably priced, and instead of a catalog, I set up a tablet computer in the store to show products that we had stocked in the past," says Kitamaru.

Despite her constant efforts, sales of preserved flowers did not improve. The ideal scenario was for the café and preserved flowers to create a synergistic effect. Accordingly, she thought that if she attracted more customers by focusing her energy on running the café, which was doing well, it would generate more publicity for the preserved flowers. To achieve that, she needed items on the menu that would create a buzz.

"I was always thinking about what makes Takehara distinctive," remarks Kitamaru. "One of things that the city is noted for is its sake breweries. I was looking at my snow ice machine, and it occurred to me that it might be interesting to try freezing *amazake* (sweet sake) and making shaved ice with it."

She proceeded by means of trial and error, making and re-making it multiple times to determine the most suitable concentration for the shaved ice and adding fresh cream in order to prevent the ingredients from separating. In July 2014, one month after she came up with the idea for the product, she introduced three types of "iced *amazake*" made

with pure sake lees from three local breweries, including the Taketsuru brewery showcased in the TV show *Massan*.

Thanks to its unique texture and taste and the fact that different varieties can be compared in the manner of a wine tasting, Kitamaru's creation caused a stir right away. It had scarcity value as well, since it was a seasonal item offered exclusively during the summer months and only limited quantities could be made. Some customers came to Takehara from far afield in order to try the iced *amazake*.

"At this point, I can't say that it has led to more sales of preserved flowers," notes Kitamaru, "but thanks to the attention it has received, I think it has helped generate publicity for Takehara. That makes me really happy."

◆ Future business and tasks

The importance of combating the decline in business when the tourism boom ends and collaborating with the local shopping street

Thanks to the charm of the town itself as well as the ongoing impact of the TV show and anime, visitors continue to flock to Takehara. Like many other establishments, Hanamizuki has much to be delighted about, with the café still packed every weekend. However, Kitamaru has not yet come up with specific measures for dealing with the situation once the boom ends.

"While it may have been the TV show and anime that inspired people to visit Takehara, I make a conscious effort to provide customer service that will make people want to come back again," says Kitamaru. "No matter how busy I am, I always have a smile on my face."

Kitamaru is a friendly, outgoing woman, and it's not unusual for younger people to seek her advice about problems such as their career path or love life. One high school student who went on to study at a photography school in Tokyo made a point of returning to Takehara during the summer vacation to take a photo of Kitamaru.

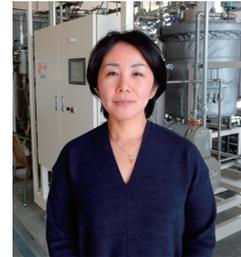
"Eighty percent of my customers are tourists, so I need to keep trying hard to attract repeat customers," she notes. "To achieve that, I think it's important to build connections, such as sharing information and collaborating with businesses in the shopping arcade next to the station."



Iced *amazake*, a menu item served only in summer made with pure sake lees from three Takehara sake breweries (Maboroshi, Ryusei, and Taketsuru)

Case

Case 3-2-3: Nature and Future Inc.
 (Kumamoto City, Kumamoto Prefecture)
 (Manufacturing and selling organic chemical products and biodiesel fuel)
 <Employees: 4; capital: ¥11 million>



Aya Hoshiko, President

Refining waste cooking oil into biodiesel fuel and aiming to spread natural energy around the world—starting from Kumamoto

◆ **Background of the business**

A chance encounter with natural energy leads an entrepreneur to start up a business—since no one else would

Sometimes, a life can be transformed by a minor incident. That's what happened to Aya Hoshiko, an entrepreneur based in Kumamoto who devotes her days to promoting the spread of eco-friendly biodiesel fuel (BDF).

The fateful incident occurred while she was working at a shipping company, after graduating from junior college and holding various part-time jobs. "I was surprised one day by the odor of the exhaust from a customer's car. It smelt like tempura oil, and when I asked about it, I was told that the car ran on BDF made from waste cooking oil," recounts Hoshiko. "I thought that using BDF could help to cut my company's operating costs, so I obtained some of the fuel and asked a university researcher about it."

Hoshiko was amazed by what she learned. Since BDF, which is used as an alternative to diesel oil, is made from waste cooking oil derived from soybeans and other plants that absorb carbon dioxide (CO₂) as they grow, it does not generate any additional CO₂ when used as a fuel. She also discovered it produces less than one-third the amount of black smoke found in regular exhaust. "It's good for the planet, and anyone can contribute to preserving the environment by providing waste cooking oil from their home to be used in making BDF. When I learned about the existence of BDF, I thought it was the most amazing thing ever," she says.

Hoshiko had a weak constitution as a child and was raised by her grandparents in their home, which was surrounded by nature, including the glow of fireflies at night. Having



The company's new factory,
to which it was relocated in March 2016

learned to appreciate its beauty, she developed an exceptional passion for nature. Excited by what she had discovered about BDF, she pitched it to her company's president, and one year later, a BDF manufacturing department was established. Unfortunately, however, the business was hit hard by the recession and ended up going under.

"I wanted to keep the BDF business going, so in the space of one week, I proposed the idea to seven or so companies. They were all familiar with BDF, but all of them turned me down, saying there was no profit in it," explains Hoshiko. "So then I thought, 'If no else is going to do it, I guess I'll have to do it myself'."

In April 2010, one month after the company went under, she founded her own company, Nature and Future Inc., to manufacture and sell BDF. She raised the start-up capital of ¥500,000 by using her savings and selling her car.

◆ **Turning point for the business**

Hoshiko resolves to become an entrepreneur who won't take no for an answer despite suffering daily harassment

Despite having no expertise in managing a company, she had no hesitation in deciding to start the business. She rented the site of a former used car dealership at a low rate and began setting up a refinery on her own. When they learned about her intentions, classmates from her elementary and junior high school days who worked in construction- and electrical-related fields came to help her out during their break times and days off. In parallel with the construction work, which continued until September, she was also collecting waste cooking oil and conducting sales activities. She went door to door asking restaurants for used oil, but many of them already had agreements with collection companies, so obtaining waste cooking oil proved a constant struggle.

"When I decided to start the business, many people around me were strongly opposed to the idea, including my parents, and explained the reasons why so often that I became sick of hearing them," notes Hoshiko. "Then, sometime around June, I started being harassed."

Having suddenly begun collecting waste cooking oil and raising concerns about environmental issues, Hoshiko was viewed as a threat by existing industrial waste disposal companies, who saw her as invading their "turf." She incurred hostility and continued to suffer harassment on an almost daily basis: the waste cooking oil she had gone to so much trouble to collect was stolen; she was urged to shut

down her business at the office of a waste oil collection company; and she even received threatening phone calls.

“That kind of thing continued for about one and a half years, and by that point, psychologically, I was getting close to my limit,” says Hoshiko. “Then someone said to me, ‘You’re doing a good thing, so you shouldn’t get so worked up about every little thing. If you keep going, you’ll succeed in the end. You have to become the kind of entrepreneur who won’t take no for an answer.’ Usually, when you say someone won’t take no for an answer, it has a negative connotation, but in my case, those words helped give me the courage to keep going.”

Hoshiko imagined natural energy spreading out in a circle from Kumamoto to encompass Japan and then the entire world. She reminded herself that it was wonderful to do work that would help keep the world beautiful for future generations—and resolved to become someone who won’t take no for an answer.

◆ Leap forward for the business

An encounter with a key industry player brings Hoshiko’s dream a step closer to becoming a reality

Having stopped wasting her energy worrying about harassment, Hoshiko continued to explain her company’s initiatives to various businesses and restaurants, as well as local residents. As a result, she steadily acquired more and more backers—including one individual with considerable influence in the industrial waste disposal sector.

“This person understood my business and supported me, for example by using BDF as truck fuel,” remarks Hoshiko. “And just like that, the harassment suddenly stopped.”

She also gradually established a system for collecting oil. With the collaboration of supermarkets and other businesses, she set up ten collection points within Kumamoto, and the number of businesses contributing waste oil, including restaurants, grew to around 700. Students sympathetic to her efforts conducted a petition, and thanks to their support, she was able to start collecting waste cooking oil from school cafeterias as well.

Her efforts to educate people about BDF paid off, as she received the backing of the Kumamoto prefectural governor as well as many local entrepreneurs, and in 2013, Hoshiko was recognized with two honors: the Kumamoto Environment Award and the Environment Minister’s Award for Global Warming Prevention Activity. These were a

testament to how much her activities were appreciated.

Meanwhile, she was also devoting herself to improving the quality of BDF.

“One day, a company truck belonging to the industry leader who had helped me out broke down because of our fuel,” recalls Hoshiko. “I thought that would be the end of our relationship, but I was told, ‘I promised to support you, so I’m not going to abandon you now. Rather than apologizing, what you should be doing is asking me to help you figure out the cause of the problem.’ We investigated the problem with the help of a machinery manufacturer and university research lab, and then began making a high-efficiency distillation unit.”

◆ Future business and tasks

Aiming to be involved in the Tokyo Olympic Games and promote green energy to the world

Following extensive research, the company completed a reduced-pressure distillation unit in 2014. This enabled it to manufacture high-performance BDF that can be used in the latest clean diesel vehicles. And since the plant was becoming cramped, in March 2016 the company leased a site from Kumamoto Prefecture and built a new plant there. It has raised its production capacity from 1,000-1,200 liters per day to 3,000 liters per day. The people who supported Hoshiko have become shareholders, the company has increased its capital, and it has also enhanced its backup system.

“We’re now being supported by many people,” remarks Hoshiko. “My dream is for every company in Kumamoto Prefecture to have a car that runs on BDF. I’d also like to expand the business from Kumamoto to Kyushu, then the rest of Japan, then around the world.”

She has also begun working toward one other major dream. “I’d like the torch for the Tokyo Olympic Games to be fueled by BDF,” she says. “If that happened, then any citizen of Japan would be able to contribute to the Olympic Games by providing waste cooking oil. That would be wonderful. I also think it’s a great chance for Japan to prove to the rest of the world that it’s serious about becoming a sustainable society.”

She is patiently pursuing talks with relevant parties to seek their co-operation. It may not be long before Hoshiko’s passion starts to change Japan... and the world.



The factory’s four reduced-pressure distillation units, which enable about 3,000 liters per day of BDF to be produced



Four product types are available, including Kumaene 100 high-grade BDF

Section 2 Cases of tackling new challenges after inheriting a business

This section presents the following four cases in which inheriting a family micro business provided the catalyst for tackling new challenges.

- Case 3-2-4 Monmaya Co., Ltd. (Sendai City, Miyagi Prefecture)
- Case 3-2-5 Marunao Co., Ltd. (Sanjo City, Niigata Prefecture)
- Case 3-2-6 Yasuda Seisakusho Co., Ltd. (Miyoshi City, Aichi Prefecture)
- Case 3-2-7 Yamamoto Senkojo (Kyoto City, Kyoto Prefecture)

Case

Case 3-2-4: Monmaya Co., Ltd.
 (Sendai City, Miyagi Prefecture)
 (Manufacturing and selling *tansu*)
 <Employees: 16; capital: ¥10 million>



Kazuhiro Monma,
 Executive Managing
 Director

A traditional Sendai *tansu* business associated with the Date Domain expands through overseas development and online retailing

◆ Background of the business
 Carrying on traditional Sendai *tansu*-making techniques for 144 years

Monmaya Co., Ltd. was founded in 1872 (the fifth year of the Meiji era) by Tamisaburo Monma, a craftsman who supplied the Date Domain. Ever since, the company has been engaged in the Japanese craft of making Sendai *tansu* (wooden chests). It has developed its business while carrying on traditional *tansu*-making techniques for 144 years.

Sendai *tansu* are characterized by their beautiful, sturdy workmanship derived from the skillful combination of woodwork, lacquer, and metal fittings. Japanese zelkova is used for the front, cedar for the sides, and moisture-absorbing cedar or paulownia for the drawer interiors. In order to prevent natural warping due to humidity and dryness, wood that has been set aside for ten years or more is used for the material. *Tansu* are painstakingly completed by highly skilled artisans, who verify the finish by hand. It is said that the lavish, gorgeous design of Sendai *tansu* goes back to the time when Date Masamune—whose name is the origin of the Japanese word for a fashionable man, “*dateotoko*”—was the *daimyo* of Sendai.

Originally, Sendai *tansu* were made by having separate craftsman handle the woodwork, lacquer, and fittings. Then, the company’s third-generation owner, Tamizo Monma, began entrusting the entire process, including woodwork, lacquer, etc., to a single artisan, so that the makers of *tansu*

would feel pride in and take responsibility for the chests they created, and he set up a system that enabled *tansu* to be produced in their entirety at the company’s workshop. This also gave the company flexibility to provide after-sales services such as repairs.

The traditional techniques that Monmaya has passed on from generation to generation continue to enjoy an excellent reputation, with the company winning a number of Good Design Awards in recent years for various products, including its *ichiban* small chest and a two feet-wide, double-door, ball and claw-foot medium-sized chest in 2011 and a console table produced in collaboration with a designer in 2013.

◆ Turning point for the business
 Using a Ministry of Economy, Trade, and Industry subsidy to actively exhibit products internationally

Worried about the domestic *tansu* market, which was continuing to shrink, the store’s seventh-generation manager, executive managing director Kazuhiro Monma, turned his attention to the international market. He wanted to actively exhibit products abroad and try to gain more fans for Sendai *tansu* overseas.

However, exhibiting the store’s *tansu* abroad would cost much, such as travel and shipping costs. Monmaya therefore decided to cover the costs by making use of a Small and Medium Enterprise Agency subsidy program that supports businesses involved in regional specialties.

A major turning point in Monmaya’s overseas development came when it exhibited its products at an international interior design expo held in Hong Kong around four years ago. While it did not lead to more orders for Sendai *tansu* at the time, there was considerable interest in the company’s products, and Monma felt a good response that helped Sendai *tansu* has gained greater acceptance abroad.

After that, thanks to an introduction made by an American acquaintance, Monmaya exhibited its products at a Japanese supermarket in Los Angeles, and the response was again extremely favorable. Moreover, the following year, the store exhibited its *tansu* at the Good Design Store in Hong Kong operated by the Japan Institute of Design Promotion. It attracted the interest of buyers from local department stores, and as a result, Monmaya’s Sendai *tansu* started to be sold in Hong Kong.



The company has a showroom and workshop (Sendai *Tansu* Denshokan) at its headquarters in Wakabayashi Ward, Sendai City



This two feet-wide, double-door, ball and claw-foot, medium-sized chest received a Good Design Award

Since then, the store's reputation has grown through word of mouth, and the number of international Sendai *tansu* enthusiasts has been steadily increasing, especially in the Asia region (Hong Kong, Shanghai, Thailand, etc.).

"Overseas, Japanese craftsmanship has a lot of credibility to begin with, and our company's products in particular have earned a reputation for their well-balanced design," notes Monma. "One of the reasons that we've gained acceptance abroad is that we have drawn on local feedback to develop new products and create products that reflect the needs of the market."

◆ Leap forward for the business Starting to sell stylish furniture suited to contemporary lifestyles

Monmaya currently boasts annual sales of ¥96 million (for the year ending May 2015). Domestic sales account for 90% of this and international sales for only 10%, but the company expects international sales will increase to around 30% or 40% in future, and its target is to reach ¥100 million through international sales only.

At the same time, Monma is also devoting effort to improving sales in the domestic market. In 2014, the company opened a store called Monmaya Edition in Omachi (Aoba Ward, Sendai City). In addition to Sendai *tansu*, it showcases a variety of stylish natural wood furniture suited to contemporary lifestyles and has succeeded in attracting new clientele. In particular, it leverages the advantages of products that are handcrafted by artisans; the fact that it is able to differentiate itself from other companies by handling a wide range of requests by customizing the size of products or creating fully made-to-order products is a major advantage.

Meanwhile, a showroom/workshop established at the company's headquarters in 1995, the Sendai Tansu Denshokan, has become well known among Sendai residents and was designated as a registered tangible cultural property by the Agency for Cultural Affairs in 2002. The Sendai Tansu Denshokan's workshop in particular is an atmospheric facility located in a traditional Japanese house that has been preserved as is, and it is also used to give classes on traditional crafts to elementary and junior high school students on social studies field trips.

What's more, the company is actively involved in community events—for example, it gives Sendai *tansu*-making demonstrations at the Wakabayashi Ward festival and other events in order to interest local children in traditional crafts.

◆ Future business and tasks Moving forward with establishing an online shop that will be easy to use for elderly residents of the area

In 2014, Monma also participated in a business plan contest run by Japan's Young Entrepreneurs Group. He submitted a plan for an e-commerce site specializing in high-quality domestic furniture for area residents. The plan involved creating an environment that would make it easy for seniors and the like with low levels of IT literacy living in the local area to purchase high-quality furniture online. It was very well received and succeeded in winning second prize.

"In recent years, more and more high-volume retailers have opened where you can buy furniture at affordable prices, and the local furniture stores that you used to find in each neighborhood are disappearing one by one," remarks Monma. "As a result, we now have a situation where even if local residents want to buy high-quality, long-lasting furniture, they can't do so. I therefore wanted to increase the number of local customers by establishing an online retail site that reflects the seller's identity, in a manner similar to visiting an actual store."

As an example, while payment by credit card is the norm for online retailing these days, Monmaya's online store is designed to be user-friendly for elderly customers, so it offers them the flexibility of placing an order by phone, paying by bank transfer, and so forth.

Monma has already starting working on the website, commissioning an outside designer to create it, and it is scheduled to launch around June 2016. At first, it will be in Japanese only, but in future, he plans to create English and Chinese pages and set up a system for handling orders from overseas as well.



The workshop, located inside an old Japanese house, has many younger artisans working there

Case

Case 3-2-5: Marunao Co., Ltd.
(Sanjo City, Niigata Prefecture)

(Manufacturing and selling chopsticks, cutlery, and carpenter's tools)
<Employees: 17; capital: ¥10 million>



Takahiro Fukuda, President

Aiming to provide the world with painstakingly designed chopsticks that are pleasing to the palate and easy to use

◆ **Background of the business**
With the market for carpenter's tools shrinking, the company identifies a new line of business—octagonal chopsticks

Marunao Co., Ltd. was established in 1939 by Naoyoshi Fukuda. Originally an engraver for shrines and temples, he was prompted to start the business after using his skills to make an ink line wheel. An ink line wheel is a carpenter's tool that draws straight lines using a string coated with ink for purposes such as marking lines on timber when cutting it. Marunao's ink line wheels were distinguished by the elaborate carvings of dragons and the like that adorned them. From that time until the present day, the company's tradition of crafting carpenter's tools that combine precision with artistry has been handed down from one generation to the next.

However, with the market for carpenter's tools shrinking year by year, the company's third-generation owner, Takahiro Fukuda, who took over as president in 2006, sensed that the business was heading toward a crisis and felt driven to establish a new business channel. He therefore turned his attention toward making chopsticks from ebony and rosewood.

"Chopsticks are regularly used by Japanese people in their daily life. And what's more, making chopsticks was an area where we could apply the traditional techniques for making carpenter's tools that Marunao has preserved over

the years, so I was determined to give it a shot," explains Fukuda.

When it came to making chopsticks, Fukuda was focused from the outset on making the tip extremely fine (1.5-mm diameter) and the entire chopstick octagonal in shape from shaft to tip.

"When you make the tip of chopsticks thinner, it reduces the surface area, which is much more pleasing to the palate," remarks Fukuda. "When you're eating something like sashimi, for example, all you notice is the taste of the fish. What's more, the octagonal shape of the tip makes it easier to pick up small beans and that kind of thing."

Regular chopsticks, on the other hand, have circular tips so that they will be easier to manufacture. Since this makes it more difficult to pick up food, the circular tips are sometimes coated with a material to make them less slippery. In that case, however, they feel rough on the tongue, and many people dislike them for that reason. Fukuda therefore resolved to address the problems with existing chopsticks by creating new chopsticks of unprecedented quality.

◆ **Turning point for the business**
Tapping into a latent consumer needs and becoming a long-term success at a major department store

Making octagonal chopsticks with a 1.5 mm-diameter tip was no simple matter, however. When shaping the chopsticks, it was essential for artisans to maintain their speed and concentration. Unless they had a natural instinct for it, even experienced woodworkers had trouble making them. Fukuda therefore worked on improving his own skills as a craftsman and created his ideal chopsticks through a process of trial and error—thereby opening up a new line of business for the company.

A key turning point came when Fukuda displayed some chopsticks that he was pleased with at a trade fair held by the Sanjo City chamber of commerce and industry. There, they attracted the attention of a buyer from a major department store, who expressed interest in selling the chopsticks. At first, however, the buyer was uncertain about whether it would really be possible to sell expensive handcrafted chopsticks; as a result, over two years of discussions were required before an agreement was actually reached.



Marunao's main workshop in Sanjo City, Niigata Prefecture; from here, the brand is expanding around the world



Premium-quality octagonal chopsticks created through Fukuda's persistence

Once Marunao's chopsticks went on sale at the department store, they sold more than three times the amount projected by the buyer. Moreover, while in some cases, new products enjoy good sales at first due to their novelty factor but then lose their appeal, Marunao's chopsticks, however, continued to boast healthy sales following their initial success—demonstrating Fukuda's attention to detail had succeeded admirably in tapping into a latent consumer needs for chopsticks that make daily meals more enjoyable.

**◆ Leap forward for the business
Strategically exhibiting at international trade fairs
and receiving orders from a world-famous chef**

With his new chopstick business steadily getting on track in Japan, Fukuda rapidly turned his attention to the overseas market in order to spur further growth. Marunao exhibited its chopsticks at one of the world's leading international consumer goods trade fairs, held in Frankfurt, Germany. Since it is rare for chopsticks to be exhibited at such events, they generated considerable interest, but almost no orders were placed at the time. The reason for this was that there are very few stores in Western countries that deal in chopsticks.

Fukuda therefore revised his overseas strategy and began making stationery-related products (letter openers, rulers, etc.) and cutlery (spoons, forks, knives, etc.) that would have a greater appeal to the overseas market. Since all of these items were made of wood, Marunao was able to leverage its expertise in making chopsticks, which was a major advantage. The company then displayed its chopsticks as part of sets that also included wooden spoons, forks, knives, etc., at overseas trade fairs; once it did so, orders suddenly started to increase. One of the buyers was none other than chef Joël Robuchon—who has more stars in the Michelin Guide than any other chef in the world.

Marunao's business has grown steadily as a result. Before Fukuda took over as president, carpenter's tools accounted for 99% of all sales, but today, chopsticks

represent 70%, carpenter's tools 15%, and stationery and cutlery 15%. That does not mean sales of carpenter's tools have decreased; rather, sales in the new business areas have significantly exceeded them.

**◆ Future business and tasks
Aiming to become the world's top brand while
training a new generation of young artisans**

Marunao's elaborate chopstick-making process is not something that can be mastered in a short time, so training a new generation of young artisans is a key issue for the future. When it comes to training artisans, Fukuda is leaving nothing to chance.

"Since stationery and cutlery are relatively easy to make compared to chopsticks, we've established a process whereby younger artisans first hone their skills by making those, then try their hand at making chopsticks," says Fukuda. "In this way, we're improving sales of our products at the same time as we're training our craftspeople."

What's more, Marunao is helping to vitalize its community through various initiatives, such as holding open-door events at its main workshop that enable local children and the like to experience the pleasure of crafting things first-hand. It also set up an area where attendees could try making octagonal chopsticks themselves at the Tsubame-Sanjo Factory Festival held in October 2014. The participants included some visitors who had come all the way from Paris, France. Marunao's chopsticks are now recognized around the world.

But that doesn't mean Fukuda is satisfied with what he has achieved to date. Going forward, he intends to actively exhibit Marunao's chopsticks at trade fairs both in Japan and abroad in order to further increase their recognition.

"Marunao's goal is to be the world's top chopstick brand," he says. "Fortunately, we have almost no competitors that specialize in making chopsticks, so I'm determined to achieve our goal in the near future."



A French visitor tries his hand at chopstick-making during the Tsubame-Sanjo Factory Festival

Case

Case 3-2-6: Yasuda Seisakusho Co., Ltd.
(Miyoshi City, Aichi Prefecture)

(Manufacturing and selling truck canopies and canopy frames, pipe bending, welding)
<Employees: 5; capital: ¥10 million>



Takeshi Yasuda, President

An entrepreneur carries on his father’s tradition of caring for employees while creating new, user-friendly products

◆ **Background of the business**
Yasuda continues to leverage its reliable welding techniques as it moves from golf nets to truck canopy frames

Canopies protect freight carried by large trucks from rain, dust, and the risk of falling off by covering the truck bed with a sheet of thick cloth such as cotton or polyester. But while attaching a canopy makes it possible to protect precious cargo, it comes with disadvantages: it makes loading and unloading freight more difficult, which reduces operational efficiency. Canopies that can be opened and closed on the side were created to resolve this inconvenience. In recent years, aluminum side-opening canopies have become widespread—but long before those, a side-opening canopy made of cloth had already existed. Yasuda Seisakusho Co., Ltd. has been making them for almost 40 years.

The company was founded in 1964 by Shigeru Yasuda, grandfather of the current owner, Takeshi Yasuda, who became the third president in 2013. At the time of its founding, the business mainly manufactured golf nets for household use, but orders decreased following the 1973 oil crisis. However, the company was known for the quality of its welding techniques and started to take on subcontracting work from another company in Aichi Prefecture, whose business was making and selling side-opening canopies for large trucks. Starting from then, Yasuda began accepting

commissions to manufacture frames for side-opening canopies. Orders steadily grew, and once the business was established, it was receiving orders for around 120 to 180 frames per month, although there was some fluctuation. During the peak years of the bubble period, it manufactured around 400 frames per month.

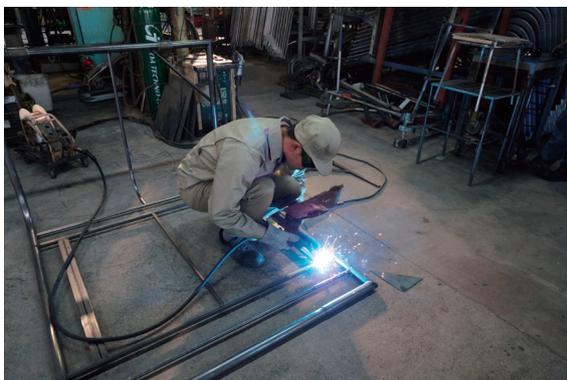
“In my university days, my parents told me I should do whatever I wanted, so when I graduated from college, I joined a software company in Aichi Prefecture,” says Takeshi. “But deep down, I thought someday I would like to follow in the footsteps of my father, and a good friend also advised me that I was better suited to the family business, so at the age of 26, I changed jobs and joined the company.”

◆ **Turning point of the business**
Following its success during the bubble era, the company faces its greatest test, leading it to break its dependence on subcontracting

Takeshi joined the company, which provided Yasuda with fresh impetus, but four years later, everything changed when the global financial crisis hit. Production slumped from over 100 frames per month to just 20 per month, as the management of companies that had been commissioning the work suddenly faced a financial crunch.

“Our company’s welding ability was our only selling position, so we couldn’t switch to a new line of business, and we had a growing sense that we had to do something about the situation quickly,” recalls Takeshi.

At that time, Takeshi thought of making side-opening canopies for light trucks. However, while the number of orders may have shrunk, the company was still largely dependent on subcontracting work as its main source of revenue, so Takeshi was hesitant to move into the light truck side-opening canopy field. But business grew steadily worse after that, so in 2013 he made up his mind and began developing a side-opening canopy for light trucks. There were already side-opening canopies being sold by competitors, but Takeshi was confident that if Yasuda could create a product that was sturdy and easy to use, they would definitely be able to sell it. The company applied its accumulated expertise to develop the new product. It designed its own parts and, through a process of trial and



Now head of the company, Takeshi Yasuda still works in the shop

error, completed the Rakuho Wing in late 2013.

◆ **Leap forward for the business**
A stylish, eye-catching new product created by
applying Yasuda's accumulated expertise

“The Rakuho Wing is designed so that the canopy can be opened and closed with a single touch, which enables it to be opened and closed in around 10 seconds—that’s half the time it takes with existing products,” explains Takeshi. “It has a stylish, eye-catching appearance; for example, customers can choose from 24 different colors for the canopy.”

Before selling the product, Takeshi asked some local farmers to provide feedback—and when he did, an unforeseen obstacle appeared.

“Most of the farmers who used lightweight trucks owned small-scale farms. In many cases, the farm had just one lightweight truck, and the farmers told me that the truck had to be used to transport everything from harvested vegetables to agricultural machinery. However, since Rakuho Wing enclosed the truck bed with a canopy, it made it impossible to load items that protrude over the side, such as long objects. We needed to come up with a new solution in order to address this problem,” says Takeshi.

The result was the creation of the Rakuho. The Rakuho’s panels cannot be opened with a single touch, and being short, it does not allow large objects to be stacked on the truck bed; on the other hand, however, one person can install the entire product, from frame to canopy, on a light truck in just one minute. By making it possible to easily remove and put back the canopy according to the size of the freight to be carried, the product compensated for the drawback of the Rakuho Wing. Two other types of canopy were created besides the Rakuho, and in September 2014, when they officially went on sale for the first time, it was possible to provide four types of products. Yasuda also acquired utility model rights for the Rakuho.

In order to keep prices down, the company sold the

products exclusively via the Internet rather than through a distributor. Takeshi therefore applied for a small-business support subsidy from the Small and Medium Enterprise Agency and used part of those funds to create a website for the products.

◆ **Future business and tasks**
Addressing the issue of how to reach older
customers who don’t use the Internet

In addition to developing its own products, Yasuda continues to enjoy a good relationship with its client companies, which had been a source of concern.

“At the moment, there are five products in the lineup,” adds Takeshi. “In the year and a half since we began selling them, we’ve sold over 100 in total for the entire series, and our customers include not just farmers but also more and more people who use them because they like the style, or use them for objects outside of work. I feel that our customer base is expanding. Even so, we are still dependent on subcontracting work for almost 80% of the company’s revenue. Going forward, our goal is to gradually reduce the proportion accounted for by subcontracting. To do that, we need to address the issue of how to inform older farmers who don’t use the Internet about our products.”

In addition, Takeshi wants to keep making new, user-friendly products in future. This desire is based on something his father used to tell him.

“From the time I joined the family business, my father taught me, ‘You have to treat your employees well’,” recounts Takeshi. “Part of the reason I want to keep making products that prioritize customers’ needs is to follow his advice. If we keep making good products, it will eventually benefit all our employees. These days, my father, who has retired from the position of president, tells me, ‘You’ve done a good job’.”



The Rakuho Wing for light trucks,
whose side section can be opened and closed



The Rakuho, which can easily be removed in just one minute
by a man or a woman

Case

Case 3-2-7: Yamamoto Senkojo
(Kyoto City, Kyoto Prefecture)

(Making specialized costumes for theatrical productions, etc., Yuzen-style dyeing using paper patterns, gold leaf, embroidery, tailoring)
<Employees: 2>



(From left to right) Kuniko Yamamoto (mother of Hiroyasu), Hiroyasu Yamamoto (fourth-generation owner and current president), and Hiroyasu's wife Keiko (a textile designer)

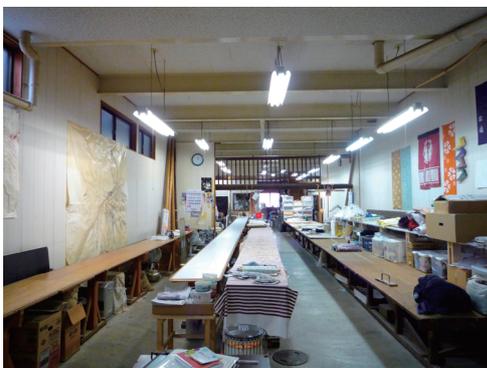
Applying techniques used by a long-running family business to launch an original brand

◆ **Background of the business**
Producing costumes for the stage and historical dramas for 86 years while earning customers' loyalty with a combination of skill and speed

How do you develop your business in a niche field where there are no competitors? That's the problem faced by Hiroyasu Yamamoto, president of Yamamoto Senkojo dye works in Kyoto, due to the specialized nature of the plant's field and business. Despite its name, Yamamoto does much more than just dyeing: it receives commissions from major costume rental companies to produce complete outfits, including all the accessories, for use in plays, historical TV dramas, and so forth. The color and design are decided according to the historical era, the character who will wear it, etc., and Yamamoto then provides made-to-order costumes, handling everything from dyeing to embroidery. Recently, the business has gained exposure thanks to its kimono appearing in a morning drama set during the late Edo and early Meiji periods; the costumes express the different personalities of the sisters who are the show's lead characters.

The company was founded in 1930. Its origins can be traced to Yamamoto's grandfather serving an apprenticeship at a dye works specializing in *katagami-yuzen* (Yuzen-style dyeing using paper patterns). He was married to the head maid of Tsumasaburo Bando, a major star of the day, and thanks to that connection, became involved in making costumes for films. He then took advantage of the Japanese movie boom of the time to start his own company specializing in costumes for performing arts.

"In the 86 years since the business was founded, we've



One 12- to 13-meter bolt of cloth can be dyed on a single board set up in the middle of the plant

accumulated over 100,000 Japanese-style paper patterns," says Hiroyasu. "We select patterns from those we have based on the era and the character's social position, then dye the costumes using our techniques and specially mixed colors so that they will stand out as much as possible on screen or on stage."

Deadlines are often tight, but the company ensures rapid delivery through its integrated production process: Hiroyasu's wife Keiko, who is also a textile designer, handles the design and color scheme, Hiroyasu does the dyeing, and his mother Kuniko handles the ironing process known as *nureshigoki*, a dying technique which is rare today, even among Kyoto dye works.

◆ **Turning point of the business**
With business hit hard by the Great East Japan Earthquake, the family finds relief in turning to the outside for the first time

Having acquired loyal patrons and established a strong network, the company's business remained stable for many years—until 2011, when it faced a crisis. In the wake of the Great East Japan Earthquake, the industry voluntarily decided to suspend all gala occasions. This situation went on for two years, and Yamamoto's sales dropped steadily. In 2013, when Hiroyasu inherited the business, it was truly struggling. Due to the unique nature of their work, there was no shortage of people who wanted to copy Yamamoto's techniques, so as a matter of principle, the family never shared the details of their business with anyone. Naturally, therefore, the company could not seek outside advice, and instead had to struggle to find a solution all by itself.

Yamamoto was also constrained by the fact that its business was inextricably linked to the culture of Kyoto. "Kyoto people feel very embarrassed about discussing their private affairs with others," explains Hiroyasu.

It was Hiroyasu's wife Keiko, who was originally from Mie, who triggered a change in the situation. In some senses an outsider, and therefore not bound by Kyoto customs, she urged Hiroyasu to consult someone at the chamber of commerce and industry. Once he worked up the nerve to visit the chamber and confessed to someone for the first time that the business was in trouble, Hiroyasu's mood improved. The burden that had been weighing on his mind for so long had finally been lifted.

The visit was well worth it: the chamber of commerce and industry introduced Hiroyasu to various programs and subsidies. The turning point came when Yamamoto applied to "Chie no Keiei," a model company project run by Kyoto Prefecture that supports small and medium enterprises by

assessing their business model. Yamamoto went through the process of preparing the various application documents while receiving outside support from chamber of commerce and industry members and specialists, clarified its business issues and objectives, and finally received the approval of Chie no Keiei, which gave Yamamoto a major confidence boost.

◆ Leap forward for the business

Armed with the techniques and experience it has accumulated over time, the business seeks to address new customer needs

It had become clear that the number-one issue was to expand into a new market. As touched on above, Yamamoto had maintained its business based solely on orders received from a limited number of customers, but there was no guarantee that the number of historical films and TV shows would increase in future. Therefore, even though it went against the family's principle of not discussing its business, Yamamoto first took the bold step of launching a website promoting the history of the dye works, its techniques, and so forth. It's no exaggeration to say that this represented a dramatic change of policy for Yamamoto, which had never actively provided information about the business in the past. In addition, they had not kept any of the costumes they had made for movies and TV dramas. They therefore decided to make duplicates of costumes they had made so that visiting customers would be able to feel them by hand and verify the quality. Funding received from a Small and Medium Enterprise Agency subsidy to support micro businesses helped to cover the costs.

Yamamoto also began a new business: Keikororu, a textile brand based on Keiko's designs. She had the idea of choosing patterns that suit contemporary tastes from among the thousands of Azuchi-Momoyama period paper patterns at the dye works, using them to make bags, accessories, and the like, and then selling them. Her sample products were well received by department store buyers and others. Keiko



Costumes that received exposure through appearing in a TV drama; the design and color scheme were created by Keiko, using old paper patterns

is hopeful that this business will grow in the future, noting that she would like it to showcase the beauty of handmade goods rather than turning it into a mass-produced line. Meanwhile, inspired by Keiko, Hiroyasu is now considering experimenting with making Japanese-style accessories such as stylish bags and *furoshiki* (gift-wrapping cloths) using classical patterns designed for TV dramas.

◆ Future business and tasks

Evolving into a company that's open to the outside community and cultivating people who will carry on the family's techniques in future

While the company has devoted a lot of effort to these new challenges, they have not yet delivered significant results, according to Hiroyasu.

"We're receiving more inquiries, but since we received a lot of orders from TV dramas this fiscal year and we've been busy producing those, we have not made as much progress as expected with our new business," he comments. "We're at the mercy of these kinds of changes in circumstances, which is one of the things we struggle with as a small business."

It would be wrong to say that Yamamoto is in no rush to develop its new business—and not just because it wants to increase its sales. Through its new ventures, it also wants to move toward becoming a company that can make a difference in its community. At present, just the three family members are working there. At busy times when extra help is needed, the company manages by calling on former students of Keiko, who used to teach textile classes at a university. "However," continues Hiroyasu, "if it is only our family that knows how to use the techniques we've developed, they could disappear one day. At the same time, there are many young people who have studied dyeing but have nowhere to use their skills professionally. By generating new work, we will be able to create jobs and pass on our techniques. It won't happen overnight, but we'd like to build ourselves into a company that is open to other people in the community."

This was not a goal that the Yamamotos had in mind when they were scrambling simply to survive as a family business, but it became one once they turned to the outside for help. That could prove to be the first step in keeping the family's traditions going for another 100 or 200 years.



Keikororu products created by putting a contemporary spin on patterns for Azuchi-Momoyama period designs

Section 3 Cases of proactive efforts to secure and develop human resources

This section presents the following three cases in which micro businesses made proactive efforts to secure and develop human resources.

Case 3-2-8 Japan Filter Co., Ltd. (Adachi Ward, Tokyo)

Case 3-2-9 Kutsukake Kogyo Corporation (Ueda City, Nagano Prefecture)

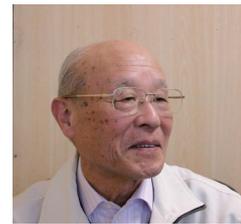
Case 3-2-10 Tanigami Shrine and Temple Services Co., Ltd. (Hashimoto City, Wakayama Prefecture)

Case

Case 3-2-8: Japan Filter Co., Ltd.

(Adachi Ward, Tokyo)

(Manufacturing metal filters and strainers for vehicles, electrical appliances, hydraulic/pneumatic equipment, and construction equipment)
<Employees: 11; capital: ¥10 million>



Tsuneyuki Kimura,
President

Adapting to a challenging business environment with filter microfabrication techniques and entering new business areas while passing on the skills and knowledge of its expert workers

◆ **Background of the business**
Launching a business making parts for the fast-growing auto industry

In the middle of a tranquil residential neighborhood in Tokyo’s Adachi Ward, near Kita-Ayase Station on the Chiyoda subway line, you’ll find Japan Filter Co., Ltd. You might think that a factory would make a lot of noise, but instead it blends quietly in among the surrounding houses. Here, you will be greeted by the company’s president, Tsuneyuki Kimura, a courteous elderly man who does not in the least resemble a moody artisan. And with good reason: he began his career as a salesman for an auto parts manufacturer. That was back in the high economic growth era, in the days when Japan’s automobile industry was booming with no signs of slowing down. Over 15 years, Kimura learned the business while working for the auto parts manufacturer—and then, in 1974, at the age of 37, he started Japan Filter Co., Ltd.

“Through working in sales, I had established relationships with buyers and suppliers, so I felt confident,” he notes.

But why he did choose filters? “Specifications for car filters are different for each automobile manufacturer, so it’s difficult to mass produce them,” explains Kimura. “For that reason, the big companies aren’t involved in making them. I figured that even as a small business, we would be able to compete effectively in that field.”

His hunch proved right. The company soon began receiving orders from major manufacturers, and the business successfully established itself. At first, Kimura acquired and sold parts produced at a relative’s factory, but three years after starting up, the company switched to manufacturing the parts itself and set up the business structure by which it still operates today.

◆ **Turning point of the business**
The company continues to differentiate itself thanks to its microfabrication techniques—but the industry is shaken by fluctuations in the global economy

Filters are parts which are used to remove impurities from air or liquid. Japan Filter’s core products are car filters. Typically, these are installed in the pipes that supply fuel and oil in diesel-powered vehicles in order to eliminate impurities. From the perspective of automobile manufacturers, filters

are important parts that affect performance (durability of the engine and braking system, fuel costs, etc.), and each company outsources the manufacturing of filters based on its own specifications. A car filter is quite a delicate thing. The finished article is just a few millimeters wide, or at most a few centimeters. They are made by cutting fine wire mesh into various shapes and finished by means of manual microfabrication processes: bending and rounding the filter, attaching a metal cap to it, welding, bonding, or pressure bonding it, etc. Whatever type it may be, the finished product needs to deliver performance in accordance with the initial specifications, so the knowledge and skills of experienced specialists are needed to make them. It’s little surprise that major companies prefer to outsource this work.

However, during the Heisei period (starting in 1989), the automobile industry was buffeted by worldwide economic changes. Fluctuations in exchange rates accelerated the relocation of automobile plants to other countries, and major parts manufacturers then followed suit, leading to a slump in orders for parts. The rapid growth of emerging nations, which provided a stable supply of labor, paved the way for a flood of low-cost parts into Japan, placing those domestic parts manufacturers that remained in a perilous position. Local factories across Japan were faced with the threat of imminent failure. Japan Filter was no exception.

“The number of orders we received dropped, for sure. So we had to adapt to the lower volume,” says Kimura. “Fortunately, at our company, we have special filter-making techniques. I think that protecting those techniques is the most important issue for us.”

◆ **Leap forward for the business**
Standardizing techniques requiring a high degree of skill and aiming to rejuvenate the company by hiring younger employees

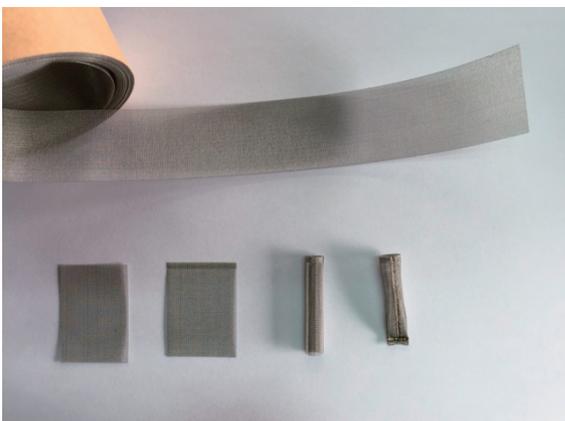
Becoming an expert filter maker takes about ten years. Japan Filter’s workforce has aged, with its skilled workers now 60 or older.

It was managing director Mayuko Kimura who realized that the company was headed toward a crisis. If nothing was done, the day was coming when it would no longer be able to continue its business.

“In order to obtain younger employees, I thought we needed to first standardize the techniques that would be passed on to them,” she explains. “But there was no easy



A finished automobile filter; mechanization of the process is difficult due to the need for microfabrication



Wire mesh used as a material for filters, which is processed by means of manual operation

way to do that, because we had to somehow represent the expertise and knowledge of our skilled workers in the form of words and pictures.”

The company therefore consulted the Tokyo Chamber of Commerce and Industry, which recommended that it use a career development subsidy program run by the Ministry of Health, Labour and Welfare. A consultant was sent to Japan Filter, and under their guidance, the company accepted two young trainees via the Job Card System. The company worked on creating a curriculum and manuals while providing the newcomers with on-the-job training given by senior employees.

“It was harder than we expected, but as a result of everyone pitching in together, we managed somehow. Fortunately, we were able to hire the trainees as full-time employees with no problems. It has rejuvenated the company: the average age of our employees has gone from 55 to 50,” says Mayuko happily.

Today, with no prospect of a fast turnaround in the business environment, small manufacturers are facing adversity and need to keep adapting themselves to the circumstances. Japan Filter, likewise, still has many issues that it needs to deal with besides maintaining product quality control: drawing management, setting up an office area, providing information in English, and so forth.

“We outsource occasional work to homemakers in the neighborhood, and the fact that we have a system where even full-time personnel work shorter hours has also helped create more employment,” adds Mayuko. “We’ve maintained a work environment with no overtime for 40 years. We are serious about being a neighborhood company and a company that contributes to the community. We believe that the company must keep going, so the employees are always working together to reach new targets, in order to ensure the president’s vision stays alive in future.”

◆ Future business and tasks

Developing manufacturing personnel and dealing with a harsh business environment through flexible thinking

The business environment is becoming more and more harsh for small manufacturing companies with aging workforces. If they are forced into bankruptcy or shutting down, there is a risk that the community will suffer a talent drain, partner companies in the area will be significantly impacted, and the manufacturing base will be eroded. Naturally, another direct consequence will be a loss of jobs in the area.

“The new government catchphrase, ‘the era of a hundred million actively engaged citizens,’ is a nice slogan, but for small businesses who take pride in creating jobs for the local community, if the burden of expenses such as social security for employees increases in future, it will make managing the business more difficult,” says Kimura. “When you look at the orders we bring in, in some cases they seem to be products that another company manufactured in the past, and I often think that it would be good if there was a system for matching companies so that techniques that would otherwise disappear when a company goes out of business could be passed on.”

While Japan Filter is doing well for the time being, it cannot become over-dependent on the products it currently makes. The company wishes to evolve through flexible thinking—for example, by developing new products that apply its filter-making techniques or pursuing branding activities. “Once again, for that, you need the right personnel,” concludes Kimura, “so we want to continue being a company that develops our people.”



Making filters requires the expertise and knowledge of highly skilled workers

Case

Case 3-2-9: Kutsukake Kogyo Corporation
(Ueda City, Nagano Prefecture)

(Industrial sheet-metal working, welding, can processing,
manufacturing of jigs, equipment, devices, etc.)
<Employees: 14; capital: ¥10 million>



Keisuke Kutsukake,
President

Unable to grow solely by leveraging its skills and facilities, a small factory benefits from teamwork and workers' improved attitude

◆ **Background of the business**
Establishing roots in the community and continuing to grow as an expert sheet metal and welding provider able to meet diverse customer needs

For most companies, human resources are a vital management resource. Naturally, it's important to secure competent employees—and for managers, continuing to develop those employees is also a key issue. To achieve that, well-known major companies pour a great deal of money and labor into HR activities every year. For small and medium enterprises that lack a strong brand, on the other hand, securing and developing personnel is a constant struggle.

One such business is Kutsukake Kogyo Corporation, a company founded in 1958 that has been involved in the manufacturing sector as a supplier of sheet metal and welding skills for over 40 years. The roots of the company, which has a factory in Ueda City, Nagano Prefecture, go back to an ironmonger business started by the grandfather of the current president, Keisuke Kutsukake. At first, the business made various metal products by hand, mainly to meet the local community's needs.

Later on, in 1969, it incorporated as a sheet-metal working business, and ten years after that, it constructed a factory on the site of its current base. In 1994, following the appointment of Keisuke's father Kazuo as the third-generation president, Kutsukake continued to steadily develop its business, upgrading the factory's equipment and entering new fields such as frame processing and industrial sheet metal for control panels and the like. However, when Kazuo became ill at a time when the once-favorable

business environment was declining due to the collapse of the IT bubble, an inherent problem with the business reared its head—human resources development.

◆ **Turning point for the business**
The unexpected pitfalls of external training employees take part in without having a sense of ownership

Kazuo made a conscious effort to lead the company by example: he worked longer hours than anyone else, regularly cleaned up, and so forth.

When work became very busy, he would handle the added load himself without taking a break, but when his health became poor, there were not enough employees who could cover the skilled tasks he did. Kazuo therefore reconsidered his approach to management and realized that it was more important for him to be a good manager than a skillful worker. At the same time, he wanted to develop employees who would be able to deal with the challenges faced by the company. Kutsukake made an active effort to have employees take part in external training courses, seminars, etc., initiating a transformation in their attitude. However, their participation in this training gave rise to a different problem, as the current president, Keisuke, recalls.

Initially, Keisuke had no intention of taking over the family business, and at the time that Kutsukake was undergoing its transformation, he was working for a major electrical equipment manufacturer. However, growing extremely concerned about his parents' health and the future of the family business, he decided to quit his job. He joined the company in 2006. As a new employee making a fresh start at Kutsukake, he soon realized that something was not quite right.

“There's no question that the atmosphere at the company had improved thanks to the introduction of employee training,” he notes. “But people were also being allowed to get away with some warped thinking. For example, in our work, we naturally aim to eliminate defective items. However, people had been told in their training that employees mustn't blame each other when mistakes are made, and through faulty logic, this had led them to conclude that they should stop trying to eliminate defective items, because that led to people blaming each other for mistakes. There was no problem with the content of the training, but when the people involved don't have a strong sense of ownership over the outcome, they end up interpreting it in a self-serving way. While it was only some employees who thought this way, I think they had a



The company's exterior

relatively major impact because we're a small company, and that was impeding the company's progress."

At that time, the economy was recovering from the collapse of the IT bubble and the manufacturing sector was extremely busy, so the "warped" thinking mentioned by Keisuke was overlooked amid the mountain of work to be done. However, sales were not reaching the level that they should have done, and there was a slight decline in worker productivity and product accuracy. The minor warping of employees' thinking was gradually undermining the company.

◆ Leap forward for the business

Process inspections and 5S activities carried out by all employees change the factory's atmosphere by giving rise to a proactive attitude

From the start, Kutsukake has not been the type of mass-production manufacturing business that makes products on an assembly line. It has earned a reputation as an agile company that is able to handle orders of various kinds, including small lots and tight deadlines. This type of business requires having a flexible approach to working arrangements, and communication between employees is absolutely essential. As a new employee who was not a skilled worker, Keisuke did not necessarily have the right to voice strong opinions, but wanting to act before it was too late, he introduced two initiatives at the factory.

"First of all, I organized a meeting in which all employees, including the president, went around the factory inspecting each process and identifying problems," he explains. "By doing this, we obtained information from shop-floor personnel, even if it was a minor issue like not having enough of a given tool, and since we had never done it before, employees had plenty to get off their chest. I took note of everything, and starting from that day, I addressed any issues that I could. Since we were taking employees' suggestions and putting them directly into practice, I felt that the workplace atmosphere gradually changed. Little by little, I think it instilled a more proactive attitude among employees, who became more willing to think and take action by themselves."

Moreover, the company was moving forward with implementing 5S activities at the same time. One example of this was the decluttering of tools, which was carried out at the same time as the process inspection. All tools of all kinds within the factory were collected together and then sorted in

consultation with all employees; tools which were not needed were discarded, while those which were needed were placed in the locations where they were required. In a similar manner, the work environment has been modified based on employees' views, including changes to the layout and repainting.

"It's not a one-man system where the president takes the lead and everyone else follows," notes Keisuke. "I simply created a system where changes are undertaken with everyone's consent. Everyone agrees, makes changes to the workplace based on their own ideas, rearranges things with their own hands, and makes the workplace tidier. It takes time, but thanks to this approach, employees have realized that they are respected and that they play an important role in the workplace."

◆ Future business and tasks

A personalized approach to employee development that enables people to improve each other

Having worked on transforming the factory and employees' attitude after joining the company, Keisuke was named president in 2012. Today, he continues to try various ideas for improving employee motivation.

"It may have been the family business, but I had no previous experience of working at a small factory," he says. "At the beginning, I experienced various kinds of culture shock. One thing that struck me was that shop-floor employees' work was not rewarding. Since their daily work was done in the factory, they almost never received attention or were thanked by customers directly. I wanted to change that situation somehow—for example, by creating a platform for young employees to express their opinions, by granting authority to employees so that they can make important contributions when we exhibit at trade shows, or by having everyone praise someone when they do good work. By continuing to implement these kinds of initiatives, the company's atmosphere has gradually changed. Thanks to the cumulative effect of many small actions, we've personalized our approach to employee development."



The factory interior



Welding work

Case

Case 3-2-10: Tanigami Shrine and Temple Services Co., Ltd.
(Hashimoto City, Wakayama Prefecture)

(Shrine and temple roofing work)
<Employees: 16; capital: ¥20 million>



Nagateru Tanigami,
President

Promoting the systematic development of human resources with a view to passing on traditional techniques

◆ Background of the business

The changing times present various threats to a long-running business founded in the early Meiji period

Cypress bark thatching is a traditional Japanese roofing technique that has been carried out for over 1,000 years. Cypress bark, which has high resin content, is highly resistant to corrosion due to rain, so it is often used in buildings such as shrines and temples. The thatch needs to be replaced every 30 or 40 years, and for over 100 years, since its founding in 1871 (the fourth year of the Meiji period), Tanigami Shrine and Temple Services Co., Ltd. has been dedicated to re-thatching temple and shrine roofs.

“In the area around Hashimoto City, prior to the Meiji period, there were many groups of thatchers who would re-thatch the roofs of shrines and temples in Koyasan. I was told that the founder of Tanigami was one of those thatchers,” says the company’s fifth-generation president, Nagateru Tanigami, about the origins of the company.

From that time, the company traveled to temples and shrines not just within Wakayama Prefecture but also in Kyoto, Nara, and even as far afield as the Chugoku region in order to re-thatch their roofs. During the early years of Showa, when the business was at its peak, there were many similar companies within Hashimoto City and around Wakayama Prefecture. However, after World War II, there was a dramatic decrease in demand for cypress bark thatching.

“Around 1955, the tax system was reformed, and one by one, suppliers of cypress bark left the mountain, and logging of cypress trees began,” explains Nagateru. “Since cypress bark is

collected from trees that are at least 100 years old, the supply could no longer keep up. At the same time, on the demand side, temples and shrines that had always had cypress bark thatch began switching to longer-lasting sheet copper roofing during the era of rapid economic growth. That was in my grandfather’s day.”

Many competitors were forced to shut down or change their line of business. Likewise, Tanigami had almost no demand for its core business of cypress bark thatching, and the company scraped by through doing sheet copper work and the like. This situation continued until the late 1960s—right around the time that Nagateru took this job.

It was the toughest period in the company’s history. “One thatcher quit after another, and the number of employees dropped from over a dozen to around seven people,” he says.

◆ Turning point for the business

Becoming keenly aware of the importance of human resources development when work returns—and there are no longer enough thatchers to handle it

It was around 1975 that the company’s fortunes turned around. Reconsidering the importance of preserving its cultural assets, Japan turned its back on the previous emphasis on economic rationality. The Agency for Cultural Affairs shifted its policies to focus on preserving the culture in its original state. As a result, shrines and temples that had changed to sheet copper roofing all at once went back to traditional roofs and the demand for cypress bark thatching began to grow again. However, the industry as a whole faced a new problem: a severe lack of thatchers.

“Naturally, from the 1950s to the 1960s, when there was no demand for cypress bark thatching, there were almost no new people entering the business and becoming thatchers,” notes Nagateru, who became keenly aware of the need to develop human resources at this time.

Needless to say, faced with this urgent need to train thatchers, the industry could not sit on its hands. In 1974, based on the guidance of the Agency for Cultural Affairs, a roofing specialist training program was launched, as the industry began devoting efforts to human resources development. At the time the program was started, most of those participating in the training were people who would inherit a family business in the field, but after ten years, there was an increase in younger people from outside the field who wanted to become thatchers.

Even so, Nagateru felt that it was not enough to rely on the training program alone. “In the case of a cypress bark thatcher,



Thatchers processing cypress bark at the company’s workshop in Sakurai City

it takes about ten years to master the craft,” he remarks. “A lot of kids give up along the way. It’s long been said that you’re doing well if you have a success rate of 50%. In light of that, we hired people independently of the training program.”

The results of Tanigami’s patient human resources development efforts are evident in the age distribution of its employees. At present, there are 13 people working for the company as thatchers. Of these, one individual in their 60s, three in their 50s, four in their 40s, three in their 30s, and two in their 20s, so the distribution is extremely balanced. The thatchers handle projects in teams of three to four people.

“From a human resources development standpoint, the crux is passing on the traditional techniques,” explains Nagateru. “The fundamental role of roofing is to stop rain leaking in, so workers first acquire the basic techniques. Then, it’s necessary to develop their ability to thatch roofs using traditional techniques in a way that’s aesthetically appealing. With that in mind, they need to hone their personal sensibility by looking at a lot of buildings, and they also have to share their impressions with everyone. For that reason, we strive to create a work environment where everyone will actively share their opinions with each other, regardless of seniority.”

◆ **Leap forward for the business**
Focusing on re-thatching roofs for national treasures, important cultural properties, etc.

The re-thatching work that Tanigami does is mainly for natural treasures and other temples and shrines designated as important cultural properties by the national or prefectural governments. In recent years, it has handled work not just in western Japan but also in the Kanto region and elsewhere. The company is still based in Hashimoto City, but preparatory work such as cypress bark processing is done in Sakurai City, Nara Prefecture, where the company has a facility. Depending on the size of the project, re-thatching a roof can take from one month to several years. Tanigami’s longest job took ten years.

“The first step is known as *araikawa*, which involves sorting the cypress bark at our facility according to its use. After that, we process the bark in the step known as *tsuzurikawa*, which involves

bundling it together in lengths of about 15 cm. After that, we go to the site and do the actual re-thatching work,” explains Nagateru. “Re-thatching the Izumo-taisha shrine took about ten years.”

Tanigami has worked on many famous buildings, including such eminent shrines and temples as Kashihara Shrine, Kumano Hongu Taisha shrine, Itsukushima Shrine, and Zenko-ji Temple’s Sanmon Gate.

◆ **Future business and tasks**
Ensuring that the traditional craft of cypress bark thatching is carried on in future

In recent years, thanks to factors such as the Japanese history boom, people’s interest in cultural properties has been growing. In addition, many new cultural properties have been designated, and this trend is expected to continue in the future. In other words, in quantitative terms, the amount of re-thatching work is increasing, which is a good thing—although Nagateru strikes a note of caution, saying that problems remain.

“Fundamentally, you can only carry on a traditional craft by carefully learning it from an experienced craftsman, improving on it by interpreting the techniques in your own way, and then passing them on to the next generation,” he remarks. “But whether it’s the industry as a whole or at the level of individual businesses, I wonder whether that’s really being achieved. I’m worried about whether the craft will be passed on properly to the next generation.”

In light of this, Nagateru would like to make as many people as possible aware of the beauty of cypress bark roofs thatched with traditional techniques. He is therefore involved in a project to promote the forest system behind regional cultural properties being run by the Agency for Cultural Affairs, through which he gives demonstrations of cypress roof thatching every year.

“Cypress bark thatching is a traditional craft that Japan can be proud of,” he adds. “We have a mission to protect Japan’s cultural assets by preserving this technique and to leave them in good shape for the next generation. That’s why I want to spread awareness of traditional techniques by sharing the value of cypress bark thatching with as many people as I can. I think that will lead to the development of future thatchers and thereby preserve this traditional technique.”



Re-thatching the roof of the main building at Kashihara Shrine



Kumano Hongu Taisha shrine, newly thatched with cypress bark

Chapter 3 Facilitating business activities contributing to regional economies

From the perspective of facilitating business activities that contribute to revitalizing regional economies, this chapter presents 11 cases grouped into the following categories: “Cases of business initiatives that have a ripple effect on the regional economy,” “Cases of business activities that support the local community,” and “Cases of micro businesses leveraging specialized skills and expertise.”

Section 1 Cases of business initiatives that have a ripple effect on the regional economy

This section presents the following three cases of micro businesses involved in activities that have had a ripple effect on the regional economy, such as the development of local specialty products, regional revitalization, etc.

- Case 3-3-1 Meboso Hachirobei Company Co., Ltd. (Kanazawa City, Ishikawa Prefecture)
- Case 3-3-2 Aisaika Co., Ltd. (Aisai City, Aichi Prefecture)
- Case 3-3-3 Mitsuura Jozo Co., Ltd. (Hofu City, Yamaguchi Prefecture)

Case

Case 3-3-1: Meboso Hachirobei Company Co., Ltd.
(Kanazawa City, Ishikawa Prefecture)

(Manufacturing and selling needles)
<Employees: 8; capital: ¥10 million>



Yuji Meboso, President

One of Kanazawa’s longest-running businesses continues tackling new challenges in order to preserve its *meboso* needles and fishing flies made with traditional Kaga techniques

◆ **Background of the business**

A needle-making technique that impressed the lord of Kaga Domain becomes the basis for Kaga fishing flies—one of Kanazawa Prefecture’s traditional craft products

Ishikawa Prefecture, known as *Kaga hyakuman goku* due to its wealth (“*hyakuman goku*” signifies enough rice to feed a million people for a year), is a region where outstanding traditional crafts and culture blossomed during the Edo period under the patronage of the Kaga Domain (the old name for the region). The locals still take pride in these today, and for tourists to the area—who have grown in number since the opening of the Hokuriku Shinkansen—they are one of Kanazawa’s main attractions. Within Ishikawa, there are 36 traditional crafts that have been officially designated by the national or prefectural government. One of these is Kaga fishing flies, which have long been used for *ayu* (sweet fish) fishing in the area. A venerable business even by Kanazawa City’s standards, 440-year-old Meboso Hachirobei Company has been making these flies since the Meiji period.

The company’s history dates back to its founding in 1575 (the third year of the Tensho era). It began as a maker and retailer of sewing needles. Founder Hachirobei came up with the original idea of changing the difficult-to-make eye of silk-work needles from a circular shape to a narrow elliptical shape, enabling the development of needles through which sewing thread could be passed more easily. Some of these needles were given as gifts to the castle, which was impressed by them. The lord of Kaga Domain named them *meboso* needles—the origin of the business’s current name as well as the family’s name. The Kaga fishing flies and the *meboso* needles which helped get the business started are both needles, but they differ considerably in terms of their shape and function. The 20th-generation owner, President Yuji Meboso, explains that the company came to deal in both types of needle due to the *ayu* fishing particular to Kanazawa.

◆ **Transition of the business**

As the handicrafts industry and *ayu* fishing decline, the company’s owners skillfully navigate the waters of change

“While Kaga Domain was not politically powerful, its lord was known as the daimyo of *hyakuman goku*, so the shogunate was wary of it and encouraged its samurai to

practice *ayu* fishing instead of military arts,” explains Yuji. “The local samurai then created barbless Kaga fishing flies by bending sewing needles, and fishing with these needles became established as a style of *ayu* fishing (*dobu-tsuri*) distinct to this area.”

At that time, only samurai were permitted to engage in *ayu* fishing, but in the Meiji era, its practice spread to ordinary townspeople, and demand for Kaga fishing flies gradually grew. Meboso Hachirobei began applying its sewing needle manufacturing techniques to manufacturing and selling Kaga fishing flies, and established itself as one of the first companies to do so. It was no accident that it focused on this new product; rather, it was a deliberate decision made in view of the rapid wave of mechanization that had begun in the Meiji era. During the Edo period, many manufacturing sectors, such as clothing, tatami mats, and bookbinding, were based on handicraft industries that used sewing needles, but as these were supplanted by machines, a sign of decline in demand for sewing needles was seen. Meboso Hachirobei’s strategically positioned new product, Kaga fishing flies, was not immune to the changing times either.

“1890 (Meiji 23), when we exhibited our Kaga fishing flies at the 3rd National Industrial Exposition, that was the peak,” notes Yuji. “If you look at photos from that time, on the day that the ban on *ayu* was lifted, the banks of the Saigawa River that runs through the city, and even the bridges crossing it, were crammed with people fishing. But after the war, the fishing population as a whole decreased, and styles of fishing became more diverse, with mountain stream fishing, lure fishing, fly fishing, and so on, so the number of people practicing *ayu* fishing steadily decreased.”

◆ **Expansion of the business’s scope**

Refusing to give up on its core business, the company pursues various ideas to create added value

After World War II, with demand for sewing needles and Kaga fishing flies dwindling rapidly, the company became a wholesaler dealing in fishing gear of all kinds during the time of Yuji’s grandfather, who was able to preserve the fortune by expanding the scope of the business. Over the course of its 440-year history, the company has adapted to the changing times again and again, but its owners have always striven to preserve its needle-making techniques. Even now, when it has shifted its focus to fishing gear

wholesaling, *meboso* needles and Kaga fishing flies remain the flagship products on which its reputation is based.

However, there was a major problem when came to continuing the production of Kaga fishing flies in future: finding people to carry on the techniques. At present, the number of artisans in all of Ishikawa Prefecture who make Kaga fishing flies has shrunk to just eight, four of whom work for Meboso Hachirobei. If the company had allowed things to keep going as they were, there would have been no one left to inherit its needle-making techniques. One step that was taken to prevent this happening was the creation of original “Feather Accessories.” The inspiration for this coincided with the black bass fishing boom that began around 20 years ago in Japan, when Yuji’s father created some feather flies for black bass fishing and displayed them at the front of the store. These flies featured feathers that were larger and more brightly colorful than those used for Kaga fishing flies, and when a female tourist whose eye was drawn to their beautiful appearance casually remarked that they would make wonderful brooches, Yuji’s father took notice and started making accessories with feathers normally used as artificial bait for fishing. Naturally, the traditional techniques of Kaga fishing flies were used to make them.

◆ Future business and tasks

Playing a role not just in maintaining its own traditional crafts but also in preserving Kanazawa craftworks as a whole

The various items available as Feather Accessories gradually increased, as the product line expanded to include brooches, corsages, earrings, and more. It grew so much that it filled a greater part of the gallery space established on the first floor of the company’s new premises completed in 2015.



The new Meboso Hachirobei office completed in 2015

“It’s difficult to attract people by saying, ‘Would you like to become a fishing fly artisan?’, but if you ask someone, ‘How about trying to make an accessory like this?’ there are women who are interested. One of our artisans, who is in her third year of working with us, mastered the techniques involved in making fishing flies because she wanted to make these accessories,” says Yuji.

In addition to the Feather Accessories, Yuji is aiming to address new needs by applying Kaga fishing fly techniques to make flies for mountain stream fishing, which is becoming increasingly popular among young people, and developing products related to *meboso* needles such as pincushions and sewing kits.

“The pincushions and sewing kits have been better received than I expected, so I want to come up with more new ideas and keep moving the business forward,” adds Yuji. “As a long-established company that has preserved a traditional craft in this area for 440 years, I also believe we have a role to play in preserving various traditional Kanazawa crafts by collaborating with other businesses to create products that combine different local craftworks.”

As he says this, Yuji indicates some examples lined up on the shelves: pincushions made using the traditional Kanazawa craft of dyeing and a product made in collaboration with a young Kutani ware potter. Thanks to companies like Meboso Hachirobei, which has adopted a broad-minded approach to doing business for many years, the traditional crafts of Kaga Domain will surely always find a way to survive.



The first-floor gallery inside Meboso Hachirobei



Feather Accessories created using Kaga fishing fly-making techniques

Case

Case 3-3-2: Aisaika Co., Ltd.
(Aisai City, Aichi Prefecture)

(Retailing of various food products)
<Employees: 5; capital: ¥6 million>



Left to right: Hidehiko Tanaka, Senior Managing Director; Yasuo Yoshikawa, Representative Director; Kihachiro Tomita, Managing Director; and Harunaga Suzuki, Store Manager

Providing an environment that helps small-scale farmers keep operating by converting a former convenience store into a farm-to-table outlet

◆ Background of the business

Seeking to set up a local farm-to-table outlet for producers who cannot distribute what they grow via farmers' co-operatives

Aisai City in Aichi Prefecture was created by the merging of two towns and two villages in 2005. Aisaika Co., Ltd., which retails locally grown fresh fruit and vegetables, cut flowers, seedlings, and so forth, is located in the city's Hachikai district. The district borders Gifu Prefecture, from which it is divided by the Kiso River, and a thriving agricultural area has formed here thanks to the fertile soil nourished by the river's water.

"It's an area of dry-field farming whose specialty products include lotus root, carrots, daikon radishes, and strawberries. Because the soil is sandy, there are no pebbles or the like mixed in with the soil, so root crops grow straight and true," says Yasuo Yoshikawa, the president of Aisaika, who has farmed in this area for many years and also served as president of the farmer's co-op association and a member of the city council.

Even a historically prosperous farming region like this has been hit by the aging of society, just like other agricultural districts across Japan. There is a lack of people to take over farms, and as farmers grow older, the scale of their farms continues to shrink, and the number of uncultivated fields is starting to grow.

There are two methods of distributing agricultural produce to farmers' co-operatives: co-operative sorting and individual sorting. Co-operative sorting involves a fee, but the price is favorable. However, distribution based on co-operative sorting is only possible if the produce exceeds a certain quantity. In addition, in the past, there were local wholesale markets to which it was easy to bring produce, but in recent years, markets have merged and it has become necessary to travel longer distances to deliver produce. For small-scale farmers who do not grow large quantities and cannot transport their produce to distant locations, distribution has become a significant obstacle.

Yoshikawa and his managing director, Hidehiko Tanaka, therefore talked to the government about setting up a roadside station that would also serve as a farm-to-table outlet for local farmers. "However, as a rule, there can only be one roadside station per municipality, and since Aisai City already had one, we realized that we couldn't create a new one," explains Yoshikawa.

◆ Turning point for the business

Taking an empty convenience store and opening a store that was vital for the area

Around that time, Tanaka, a former city councilor who was also involved in the real estate business, was consulted about an empty property—the former site of a convenience store that had gone out of business. However, it was hard to find anyone who wanted to open a new store in a farming community whose population was steadily declining. Tanaka spoke to Yoshikawa in the hope that it might lead to something, and the pair concluded that rather than asking the government for help, they would try to establish a farm-to-table store via which local small-scale farmers could distribute their produce.

"We could use the store as is and it had a parking lot, so it had what we needed for a farm-to-table store. Since property taxes would have to be paid even if it was sitting empty, we asked the owner to rent it to us at a low rate, and decided to open the store," says Tanaka.

Yoshikawa and Tanaka asked Kihachiro Tomita, a flower farmer, to join them, and founded the company with the three of them serving as directors. They began running the store while continuing to do their regular work. This was in 2010.

Over the six years since then, they have built up a fairly solid customer base and steadily increased the number of farmers selling their produce at the store. At present, they have about 200 registered retailers. Depending on the type of crop they grow, some producers only bring their produce to the store a few times a year, while others bring in their produce frequently. Overall, about one half of the retailers (approximately 100) bring in their produce on a regular basis.

At the same time, the store also stocks some daily foods



The store occupies the premises of a convenience store that went out of business



In addition to the fresh fruit and vegetables that are the pride of the area, there is an extensive selection of processed products such as peeled ginkgo nuts involving extra effort and *renkon shochu* liquor.

such as bread and sweets and serves as a general store for the area. With the aging of the community, the area's general stores had disappeared and convenience stores had shut down as well, making it impossible to go shopping without a car. The opening of the new store made it possible for seniors to easily do their shopping on foot or by bicycle.

"Thanks to the opening of our farm-to-table store, some producers who had been thinking about giving up their business have been able to continue farming. That has helped give them a sense of purpose and stay in good health," notes Yoshikawa. "The number of fields lying neglected has decreased, which is really good for the area."

Today, the business is more than just an attractive source of reasonably priced fresh fruit and vegetables for visitors from outside the area—it is a vital store for area residents as well.

◆ Leap forward for the business Encouraging producers to get creative by providing information and training

Aisaika is notable not just for providing fresh fruit and vegetables from the area. It also sells locally developed products



There is also a wide range of cut flowers and flower seedlings

that are unavailable anywhere else, such as *renkon shochu* liquor, made using one of the local specialties, lotus root.

The store stocks an impressive selection of products, including vegetables that are hard to find in regular supermarkets, like Romanesco (a type of cauliflower) and yacon (a root crop in the Asteraceae family native to Central and South America). Various training courses and information offered by the company have played a significant role in developing this diverse product range.

"Every year at our general meeting, we bring in speakers who are experts in farm-to-table retailing to give a talk," says Yoshikawa. "We bring in people who have a lot of knowledge, such as the former head of Aichi Prefecture's agricultural experiment station and the president of an agricultural co-op subsidiary, so the talks are very educational. The new information they've provided has gotten all the members thinking about trying new products or, if they always grow the same things, staggering the times when they sell them to improve sales."

Moreover, the store actively provides producers with useful information such as its bestselling products, rankings of bestselling products from trade magazines, and so forth. Producers are encouraged to get creative.

The store's part-time employees include a vegetable "sommelier" that ensures customers are provided with ample information by telling them how to eat unusual vegetables, offering them samples, etc. Aisaika's employees are very satisfied with their workplace—to date, there has been no turnover of personnel at all.

◆ Future business and tasks Tackling issues such as increasing in size, enhancing the business structure, and selecting and training the next leaders

The business's competitors have taken note of its success, and lately more and more supermarkets in the vicinity have been setting up sections with produce sourced directly from local farmers. As a result, expanding the store, including the parking lot, is now an issue for Aisaika.

"For a business like this, you need to have space for buses to park, and you also need to provide a bathroom for customers," notes Yoshikawa. "But in either case, it costs money, and land is also an issue, so it's not something we can develop right away. We do want to expand soon, though."

But the biggest issue facing the company, whose three directors are all over 70 years old, is replacing its leaders.

"The three of us have separate jobs, so even in the worst-case scenario, if this business stops being profitable, we'll still be able to keep doing it," comments Yoshikawa. "However, the people who take over shouldn't be forced to do that. For that reason, in order to create a structure that will generate stable profits, we first decided to seek the advice of a small and medium enterprise management consultant through the commerce and industry association. Once we have established a foundation, we'd like to choose the people who will take over from us within five years."

For fans of Aisai City's vegetables and local small-scale farmers alike, the next five years will therefore be a crucial time.

Case

Case 3-3-3: Mitsuura Jozo Co., Ltd.
 (Hofu City, Yamaguchi Prefecture)
 (Producing and selling miso, soy sauce, and related processed foods)
 <Employees: 20; capital: ¥10 million>



Kentaro Mitsuura,
President

Expanding the company and contributing to community development—thanks to the success of tea with dried lemon

◆ **Background of the business**
 Offering to take over the company with the future in mind

The average age of small and medium enterprise owners is rising, and the lack of people to take over these businesses is becoming a serious problem. While many businesses are struggling with this issue, Kentaro Mitsuura has seized the opportunity to take over his family’s business and keep growing the company. Kentaro is the eighth-generation owner of Mitsuura Jozo Co., Ltd., a company founded in 1865 (the first year of the Keio period), which has been making miso and soy sauce at its location in Hofu City’s Daido district for over 150 years.

Kentaro, who grew up watching his grandfather and father working at the company, had no objection to taking over the business one day, and after graduating from an agricultural college, he began working at the family’s brewery. Day after day, he focused on mastering the task at hand with no doubts about what he was doing—but about two years after joining the company, when he began creating its website he started to have some questions.

“When I was making the website, I was stunned,” he recalls. “There was nothing to write about, and I couldn’t even put any photos of the workplace up, because they were embarrassing. All that was listed on the product page was miso and soy sauce for commercial use. I realized that the company had no distinguishing characteristics.”

At that time, he couldn’t do anything about it. It was in 2006, when he got married and had new responsibilities

toward his family, that he began thinking seriously about the future.

“Since we were producing miso and soy sauce for commercial use, we were selling wholesale quantities to our customers,” he explains. “If any of those companies were to terminate its contract with us, the business would be in trouble. I became worried about that. And since our miso and soy sauce had already been perfected, there wasn’t much scope for improvement in terms of commercial use. I envisioned what might happen to us, and began to think seriously about whether it was okay to just keep running the business in the same way. After much struggle, I realized that it was necessary to try something new, like developing our own products for general household use—but that would be hard with my father in charge. I therefore asked him to let me take over the company from him.”

In 2008, aged just 31, Kentaro took over the family business.

◆ **Turning point for the business**
 Making products with no drawbacks and working on developing new products

The first thing that he tackled was to make the company’s miso additive-free.

“At food fairs and the like, I saw customers looking disappointed when they read the product label. At those times, I felt that our products were lacking,” says Kentaro. “So I wanted to create products made with quality ingredients that I could recommend to customers wholeheartedly.”

Of course, if the use of all additives was stopped at once, the taste of the miso would change. In addition, switching to additive-free miso would entail various problems: more active fermentation would make the container more likely to swell and the taste would become saltier, etc. As a result, the company transitioned to additive-free miso over a period of ten years by gradually reducing the amount of additives each year.

“We also changed from foreign soybeans to more reliable domestic soybeans,” adds Kentaro. “Even though it decreased our profit rate, my priority was to make a good product.”

In parallel, Mitsuura Jozo was also trying to develop new products. While it had a long history as a miso and soy sauce brewery, it had not retailed its products on the market, so the brand name “Mitsuura Jozo” lacked visibility. When developing new products, he therefore had no sense of



Miso and soy sauce are produced by fermenting soybeans using traditional techniques



Today, the company has a wide range of product categories and varieties



Lemon Heart tea, currently being sold on a lottery basis

being bound by tradition.

“There are recipes for Western-style dishes that use miso, but the taste of miso always ends up overpowering the other flavors, so I thought of creating a miso that was suitable for Western-style dishes. After experimenting with various beans, I finally arrived at a miso based on chickpeas,” says Kentaro.

Having created it entirely by himself, from naming the product to designing the package, Kentaro is proud of his “*hiyokomame miso*” (chickpea miso), which was perfected after about two years. The company has gone on to develop a series of other products using its own processes, such as a 100% vegetarian chickpea and sesame dressing made using Japanese ingredients, *dashi* soup stock, and *ponzu* dipping sauce.

◆ Leap forward for the business

Spurred by the success of a product with mass appeal, the company’s old products gain renewed appreciation

While Kentaro had succeeded in making products that he could feel proud of, they weren’t selling well. Since they were aimed at people with very specific tastes when it comes to cooking, the number of customers was inherently limited. Even so, products that should have sold well once people learned about them were not selling, and Kentaro began thinking about creating a product with mass appeal.

“A former schoolmate who runs a company that sells drying equipment asked me whether I could use one of his drying machines,” he says. “At first, I wondered whether I could try drying miso and soy sauce with it, but that wouldn’t be interesting. But the company had a sample of orange that had been dried using its equipment—and that’s what gave me the idea for our lemon tea.”

Kentaro thoroughly researched domestic black tea leaves. He then ordered tea online, selected leaves which combined well with dried lemon, and created a new type of lemon tea, Float Lemon Tea, which packaged tea bags together with dried lemon slices. As he had hoped, reaction to the product was positive on the online store and elsewhere.

“I also had the overseas market in mind when I focused on using domestic ingredients,” says Kentaro. “I thought

that calling it ‘made in Japan tea’ would be an advantage.”

He was subsequently introduced to a farmer who makes heart-shaped lemons.

“The moment I saw them, I thought, ‘Those are the lemons for us,’” he recalls.

When Mitsuura Jozo launched its Lemon Heart tea, which has a heart-shaped slice of dried lemon floating in it, it was an instant hit, and at present, production is unable to keep up with demand. Thanks to the attention attracted by its lemon tea, there has also been renewed interest in the company’s older products, such as miso and soy sauce.

◆ Future business and tasks

Expanding the company’s scope and helping to create an appealing community

Spurred by the success of its hit product, demand for other Mitsuura Jozo products is also increasing. The company is planning to expand overseas, starting with Taiwan.

“We had made progress by revising our products, developing new ones, and so on, but I wanted to have some kind of goal for us as a company,” notes Kentaro. “While I was thinking about what I could do, it occurred to me that I’d like to enhance the appeal of this ordinary country town, Daido, where I was born and raised. I therefore wanted to increase the size of the company so that it would become more influential.”

As a first step toward playing a role in community development, Mitsuura Jozo will relocate its head office to a site near Daido Station next year. In order to increase its production capacity, it will also hire more personnel.

“Until now, I’ve handled everything from planning to the production process to creating the packaging myself,” remarks Kentaro. “But that’s not possible if we’re going to grow the company. Going forward, I’d like to divide up my tasks so that employees can share the joys of creating a new product and the satisfaction of receiving positive feedback with me.”

Along with devoting efforts to developing human resources, Kentaro says he also wants to play a role in creating local jobs. It was a bold decision to take over the company and push it forward—but, he says proudly, “It wasn’t a mistake.”

Section 2 Cases of business activities that support the local community

This section presents the following three cases of micro businesses actively involved in initiatives that support the local community.

- Case 3-3-4 Izumo Hostel Itoan (Izumo City, Shimane Prefecture)
- Case 3-3-5 Yumi-chan Store (Tosashimizu City, Kochi Prefecture)
- Case 3-3-6 Office Heart & Co. (Urasoe City, Okinawa Prefecture)

Case

Case 3-3-4: Izumo Hostel Itoan
(Izumo City, Shimane Prefecture)

(Accommodations and food service activities)

<Employees: 0>



Shiho Atsuta, Owner

Offering a unique community space where visitors and local residents alike can gather freely and contribute their ideas to its management and operation

◆ **Background of the business**

Learning about being part of a community through the experience of living in a share house

There are many reasons for quitting a job at a company and starting up your own business. For Shiho Atsuta, who lived the life of a corporate employee in Tokyo and Kobe before returning to her birthplace of Izumo City, Shimane Prefecture, and starting her own business in 2013, there is no simple explanation for what motivated her decision. Fundamentally, though, it may be that the working habits of a “salaryman” did not match her own about work.

“Actually, when I was a university student, I thought I would eventually like to start a business,” says Atsuta. “But I thought it would be better to first gain some experience with a company, so I led the lifestyle of a corporate employee in Tokyo and Kobe. However, I couldn’t accept the fact that I had almost no say over the nature of the work I did. Not having any say meant I had no responsibility either, and for me, it was impossible to feel any sense of purpose in that kind of work.”

Atsuta then decided to pursue a new path that had nothing at all to do with her previous career: running a hostel. The inspiration for this idea came from her time living in a share house in Kobe. It was the experience of living together under one roof and sharing food from the same pot with people of different ages and backgrounds that led her to where she is today.

“Living together with a large number of people really efficient,” she notes. “The benefits go beyond simply sharing a home—the residents also share their respective skills and possessions. It’s efficient and fun, and it allows you to lead a rich life even if you don’t have much money.”

The ideas that Atsuta took away from her experience are amply reflected in the way she runs Izumo Hostel Itoan, which opened in April 2015, and the Tsudoriba-Ro community lounge opened in November of the same year.

◆ **Overview of the business**

Opening a hostel while limiting investment costs by optimizing the value of the existing site

Having experienced the appeal of living in a share house,

Atsuta wanted to run one herself, and when she asked an acquaintance in her hometown of Izumo to look for a property, she soon found an old, small *ryokan* (Japanese-style inn) that had closed. While it was run down, it was the kind of property that is hard to find these days: it had five Japanese-style rooms, each equipped with distinctive decor, windows, and *tokonoma* alcoves, and the skill of workmen with which it had been made was evident in the small details. Needless to say, it could have been used as a share house, but after considering the most effective way to use the property, Atsuta soon changed her mind and decided to run it as a hostel instead.

An application had already been made to use the building as a *ryokan*, so she did not need to change its usage status. Since it was originally an inn, it would require only minimal renovations. The location was also attractive, as it was just a three-minute walk from JR Izumoshi Station—the gateway to the city for visiting sightseers. What’s more, it was just five minutes away from a hot spring resort, which was another advantage if running a hostel.

“From living in a share house, I had learned how efficient it can be when people pool their skills and knowledge, so I’ve created and managed the guest house based on the same approach,” notes Atsuta. “I retained the original advantages of the property, kept renovations to a minimum, and didn’t hire any employees, not even part-time staff. For whatever reason, there have been people around who have been willing to lend a hand, including people who have done carpentry work or minded the front desk for me in exchange for free food and board.”



Inside Izumo Hostel Itoan: the second floor hallway evokes the Showa era (left); the three-person dormitory room retains the decor of the original *ryokan* (right)

◆ Leap forward for the business

Creating a shared space that serves both customers and the local community

Having got Izumo Hostel Itoan on track, Atsuta next set her sights on launching a community space. In addition to providing accommodation, one of the appeals of a hostel is the opportunity to interact with fellow guests so many establishments have a shared lounge area for this purpose. At Itoan, however, the room layout was an issue, so Atsuta put off creating a lounge and instead set up a community space in the nearby Ogimachi shopping arcade. Tsudoriba-Ro was ready seven months after the hostel's opening, and offers an impressively large space for a hostel lounge. After they have checked in, guests are free to stop by the lounge and hang out, eat, use a computer, chat with the staff, and so on.

There is another side to Tsudoriba-Ro: it is also a community space for local residents, including people from the shopping arcade. Users are therefore not limited to hostel guests—it serves as a venue for guests, local residents, and staff to interact with each other. Shopping arcade merchants and customers helped Atsuta set up the space by giving her furniture that they didn't need and so forth. "Almost everything you see here was given to me. Even this big counter was made with scrap wood that I received," she says with a smile. Perhaps that's why she has been able to create a relaxed environment that feels like it has been run this way for decades. The community space is another product of Atsuta's philosophy of efficiency based on sharing what is already there and what people already own.



The Tsudoriba-Ro community lounge is only 30 seconds from the hostel

◆ Future business and tasks

Becoming a community space that grows through users' ideas

Typically, when someone starts up a business, their first goal is to make it more profitable. However, since Atsuta is able to obtain the income she wants by running the hostel, her approach to Tsudoriba-Ro is a little different.

"I need to generate income to maintain this facility as well, but my aim is not to make it more profitable," she explains. "If it were, then it would no longer be a community space, so I'm letting it develop naturally. I don't have any intentions in terms of what kind of people I want to come here or how I want the space to be used. Instead, I want the people who use the space, such as hostel guests and locals, to think about what kind of space it should become. As one of the people who uses it, I will think about what I can do to make it a fun place for both myself and other users."

All over Japan, there are more and more community spaces aimed at reviving the local community, but according to some critics, these facilities are not very user-friendly. Perhaps only a privately run community space like Tsudoriba-Ro can be managed in a flexible way that encourages creative ideas, but it would certainly seem to offer some useful pointers for future community initiatives.



The home-made feel of Tsudoriba-Ro community lounge's decor creates a welcoming atmosphere

Case

Case 3-3-5: Yumi-chan Store
(Tosashimizu City, Kochi Prefecture)

(Retail trade)
<Employees: 1>

A “humble little supermarket” helps to create a community that looks out for its elderly and where people can live comfortably



Yumi Hamada, Representative

◆ **Background of the business**
Helping out local residents by taking over a closed supermarket that was vital to people’s daily lives

Due to the spread of big-box supermarkets and shopping malls, quite a few smaller retailers and supermarkets are now struggling financially. On the other hand, there are some stores which are indispensable to people’s daily lives as the only supermarket in the area. One such supermarket was a farmers’ co-op store in Tosashimizu City, Kochi Prefecture, which was a well-established business in an area with a population of 500-plus people. The building was devastated by a tropical storm that struck south-west Kochi in 2001, but was able to resume operations thanks to the strong requests of residents. However, despite being essential to locals’ daily lives, the store decided to close its doors in 2006 after the farmers’ co-op experienced business withdrawals. It was evident that this would make life much more inconvenient for residents. That was when Yumi Hamada stepped forward.

“It was tough at first, since I had no knowledge of management,” says Hamada, a former employee who had worked at the farmers’ co-op store for eight years. “But the people of this area where I was born and raised, who had looked out for me since I was a child, were in trouble. Plus I didn’t have a job any more, and first and foremost, I had really enjoyed working there.”

After graduating from high school, Hamada worked for a company in Nagoya. She returned home two years later

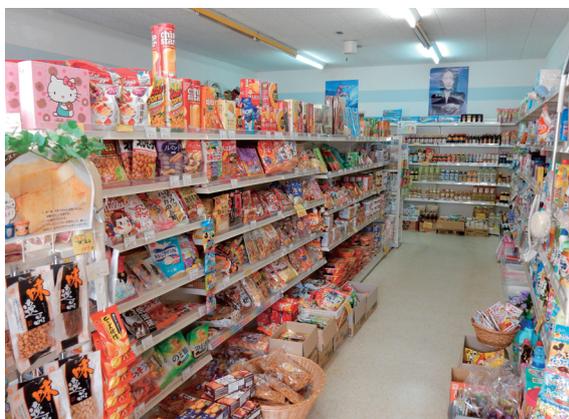
when her father became ill. She subsequently got married and worked at the farmers’ co-op store while raising four children.

“I did everything from buying to stocking the shelves to working at the register, so I understood how the store operated,” she explains. “But I had zero knowledge of accounting or taxes. I consulted the Tosashimizu chamber of commerce and industry, and they taught me everything I needed to know, starting from square one. Without the chamber of commerce and industry backing me up, I don’t think I could have made the decision to manage the store.”

In May 2006, she took over the farmer’s co-op store and reopened it as Yumi-chan Store. She arranged a lease agreement with the farmers’ co-op that owned the building. In order to inherit the existing merchandise, she paid a transfer fee of ¥3 million—but that was her only start-up capital. She was able to borrow that money from the farmers’ co-op as well. She kept everything the same—the exterior, the interior, the selection of products, even the sign with “Farmers’ Co-op Store” written on it. She started off by making just a single change, putting up a small sign saying “Yumi-chan” next to the entrance.

◆ **Turning point for the business**
Making a humble little supermarket an integral part of the community

Since the store already had an established clientele, it did good business soon after opening. However, the community was aging, and there was a growing tendency for non-elderly residents to do all their shopping at big-box supermarkets



Taking into account local residents’ needs, the store stocks some 1,000 products



Hamada says that making small talk with customers is part of what makes her work rewarding

in the city, so sales trended gradually downward over time. Around the time that Hamada was beginning to feel vaguely concerned about the future of the business, the chamber of commerce and industry official who had helped her out when she opened the store stopped by for the first time in a while.

“We considered various issues together, like identifying why sales were down, reviewing the suppliers, and finding ways to receive more business from the elderly residents who are the core clientele,” recalls Hamada. “With the official’s guidance, I put together a business plan for the first time.”

It was necessary to prepare a business plan in order to apply for a micro business support subsidy from the Small and Medium Enterprise Agency, but it also reminded Hamada of both her strong points and the business’s strong points.

“Including the time when I worked as an employee, I’ve been involved in retail at this location for almost 15 years, so I understand a lot about the customers, like who lives where and what they do,” notes Hamada. “And it’s easy to obtain information about which people need what through everyday conversation. The fact that I’m thoroughly familiar with local customs and events is also an advantage. For example, I know that you need to stock different products according to the season, such as having a selection of vegetable seedlings available during the planting season. I set myself the goal of applying these strengths to make my ‘humble little supermarket’ an integral part of the community, especially from the perspective of elderly customers.”

The first result of this was Yumi-chan’s Delivery Service, a system for taking orders by phone and delivering them to people’s homes. Delivery services are already being provided in urban areas, and Hamada realized that the greater the proportion of elderly people in an area, the more dependent it will become on mobile retailing and home delivery.

◆ Leap forward for the business Continuing to look out for elderly customers via in-store service and home delivery

“In the past, we offered home delivery for free when it was requested,” comments Hamada. “But older customers



The back side of this card with the phone number for placing orders provides customers with space to write down emergency contact information

didn’t want to impose, so they wouldn’t request it. I thought that in that case, we might as well switch to a fee-based system, and then they would no longer hesitate to request it.”

The fee is ¥100 per delivery, and the service is free for purchases totaling ¥1,000 or more. Deliveries are offered twice a week, on Mondays and Thursdays, but the system is flexible, and Hamada sometimes makes deliveries when she isn’t busy or when she is on her way home. In order to make it easy for customers to find the phone number when ordering, she created a card that could be placed by the phone. These cards are evidence of Hamada’s heartfelt concern for her elderly customers.

“I thought it would be a waste to leave the back side of the card completely blank, so I designed it so that people could write down the numbers for their family doctor or emergency contacts. That way, if anything happens, once the ambulance arrives, the emergency team members can quickly contact people,” explains Hamada.

By starting the delivery service, she has also provided elderly people living on their own with someone to talk to, and she is able to check on their well-being. There are quite a few elderly customers who do their shopping at the store who also look forward to chatting with Hamada. No matter whether they tell her many times about the same minor health complaints they are suffering, she always greets these customers warmly, with a pleasant demeanor and no hint of impatience on her face.

“I don’t feel that I’m doing anything special for them,” she says modestly, but there’s no question that through her regular retail activities and home delivery service, she is looking out for the elderly and playing her part in creating a community where people can live comfortably.

◆ Future business development and tasks Targeting another 10 years thanks to her caring attitude and agile approach

Hamada’s management philosophy of supporting the community has been embraced by residents, and she has also been able to maintain good sales. However, the reality is that her elderly customers are only going to get older.

“I can’t stop the population from declining, but I take pride in understanding the community and my customers, and I believe that gives me an advantage,” she notes. “As long as I’m always concerned about those around me, I should be able to come up with ideas like the home delivery service. As a small supermarket managed by one person, I can be flexible in my approach.”

When a nearby clothing store closed, Hamada partnered with a clothing store in the city and began selling clothing and underwear for seniors through her store on a consignment basis. Going forward, she wants to continue recognizing her customers’ needs and promptly adapting to them.

Hamada concludes by describing her newest resolution: “This is the store’s tenth year, and my goal now is to keep going for another ten years by adopting an agile approach,” she says.

Case

Case 3-3-6: Office Heart & Co.
(Urasoe City, Okinawa Prefecture)

(Designing and selling toys and miscellaneous goods)
<Employees: 4; capital: ¥1 million>



Yoshiko Tsuchiya,
President

An entrepreneur fulfills her dream of moving to Okinawa and founds a business based on the concept of nurturing children through playing with toys

◆ **Background of the business**
Drawing on experience working at a major toy manufacturer to start up a company in Okinawa

Yoshiko Tsuchiya, founder of Office Heart & Co. in Okinawa, is originally a native of Tokyo. When she visited Okinawa while she was a high school student, she was captivated by its natural beauty. Having discovered the fascination of creating three-dimensional objects while studying sculpture in her fine arts program at university, and having a strong interest in the field of toys, which she had loved since she was a child, she wanted to create fun toys and therefore got a job with a major toy manufacturer after graduating from college.

After first being involved in developing products in the new business division when she joined the company, she later gained experience in other areas, such as branding, store management, and developing new sales channels. This taught her the basics of the toy business. She enjoyed her work and thought about it day and night. Even after getting married and having a child, she was determined to keep working. From her own experience of giving birth and raising a child she realized that there was a lack of Japanese toys that could keep stimulating children’s senses through extended play. At the same time, she was finding her work more stressful and difficult due to the corporate structure, so in December 2007, Tsuchiya founded her own company, Office Heart, in Tokyo. She wanted to put her heart into her work, which gave her the inspiration for the company name.

Subsequently, in January 2010, her family moved to

scenic Okinawa, where she had always wanted to live if possible. While she moved many of her personal effects to her new home, including her collection of German stuffed toys and her wooden toys, she had not yet decided whether to continue running her own business. Upon arriving in Okinawa, however, she discovered that although there were many large families with multiple children, there was a lack of information about child-rearing, and the child-care environment was not really conducive to nurturing children through ample stimulation of their senses.

“I thought it would be good if the information I had about toys could be of help to someone, but in practical terms, I wasn’t sure what to do,” she says, recalling that time.

Ever since the business was founded, Office Heart’s concept has been to nurture children through playing with toys. Realizing soon after moving to Okinawa that there was a need for “wood education” (*mokuiku*), which aims to nurture children through playing with simple, natural wooden toys, she became determined to provide child-care venues with high-quality toys that would cultivate children’s senses.

◆ **Turning point for the business**
Office Heart’s painstakingly crafted wooden toys are well received, and thanks to word of mouth, the number of people using its rental facility grows to over 5,000 people per year

Following her move to Okinawa, Tsuchiya re-started Office Heart. The reputation of her company’s



The Office Heart building (Casa Machilda)



Merchandise display/retail area

painstakingly crafted wooden toys, which were rare in Okinawa at the time, gradually spread via word of mouth and social media. Office Heart's visibility increased and she received more and more commissions for municipal parenting-related events and requests to take part in on-site toy events. The size of the business steadily expanded, and thanks to commissions to take part in events with thousands of attendees or running exhibitions to promote its toys inside permanent facilities, Office Heart strengthened its connections with Okinawan families.

At the same time that she incorporated Office Heart in 2013, Tsuchiya launched a facility where children could play with wooden toys called Casa Machilda ("Casa" is the Spanish word for house, while "Machilda" is a made-up word that combines the first syllables of "mamma," "children," and "daddy"). However, despite the strong demand for wooden toys in Okinawa, it was a struggle due to unstable business performance at this facility. The space could also be rented by mothers who wanted to teach classes, but there were very few people who could attract enough students to cover the rental fees, so revenue from room rentals was less than projected. The business wasn't succeeding as Tsuchiya had expected it to.

Nevertheless, she kept listening to users' feedback and slowly but surely, thanks to the facility's website, word of mouth, and promotion via channels such as social media, the number of visitors started to increase, people started to talk about this new retail and rental business, and the number of users is said to have now risen to over 5,000 per year.

◆ Leap forward for the business Developing original wooden toys, attracting fans, and gaining momentum from the rental business

In terms of the retail side of the business, at first glance it appeared that the store was thriving, with many customers visiting the shop—however, some of these would go to the store, examine a product, and then order the same item online from another seller afterward, so it was proving difficult for Office Heart to make a profit.

"If it's a product that people can also buy online, then ultimately it would just become a price war," recalls



Wooden toy play space inside Casa Machilda

Tsuchiya. "I realized that there was no way I could win in the end unless I created my own original products that couldn't be bought online and provided really high-quality toys that would nurture children's senses."

The wooden toys handled by Office Heart are selected with the utmost care. "I'm able to select high-quality toys thanks to my experience at a Japanese toy maker and by letting children play with toys and watching their reactions," says Tsuchiya, who believed that promoting the possibilities of "wood education" would give her an advantage.

She also worked on attracting fans by seeking the co-operation of wooden toy designers from outside Okinawa, devoting effort to developing original products that are unique to the Okinawa area, and supporting the community by donating a portion of her sales to an NPO that promotes good playing habits.

Office Heart's motto is "providing children with quality toys until the age of 3 and the ability to play until the age of 10." Its mission is to deliver quality play experiences to more children across Okinawa via its own facility as well as by taking part in events where kids can experience playing with wooden toys on site, renting out its toys, and so on.

In 2014, the company launched a service that allowed customers to rent wooden and stuffed toys available at Casa Machilda for a fixed period of time. Customers can let their children play with the toys at home and make sure they enjoy them as much as expected. This toy rental service promotes face-to-face interaction with customers, and in many cases, customers will make a purchase at the end of the rental period, having recognized the quality of the toys. "The toy rental business is a new business model, so I think it's an area where there's still scope for expansion," says Tsuchiya confidently.

◆ Future business and tasks Adopting a system that allows employees to bring children to work and supporting mothers' activities

Okinawa receives many tourists from Taiwan and South Korea, who have a growing interest in lifestyle products such as toys, and Office Heart is already adapting its website and facility information into English and Taiwanese.

For the time being, Tsuchiya's objective is to get the rental business on track. In order to expand the business, it will be necessary to hire more staff—all of whom are working mothers. With lack of spaces in daycares becoming a serious problem, some mothers are unable to work despite having successful careers. Since being forced to stay at home raising children without working at all would be a waste of their ability, Office Heart has adopted a system that enables mothers to bring their children to work with them through an internship program for mothers run by the Small and Medium Enterprise Agency.

"Children's future is precious. I want to nurture children and help build a better society through the power of toys by creating a unique business along with other mothers," says Tsuchiya of her future aspirations.

Section 3 Cases of micro businesses leveraging specialized skills and expertise

This section presents the following five cases of micro businesses in the manufacturing sector that have succeeded through the company applying its in-house skills and expertise, through partnering with external artisans and specialists, or through an artisan starting a business by leveraging his or her own skills and expertise.

- Case 3-3-7 Dento Design Kobo Co., Ltd. (Maebashi City, Gunma Prefecture)
- Case 3-3-8 Aeru Co., Ltd. (Minato Ward, Tokyo)
- Case 3-3-9 Bluing Hearts Co., Ltd. (Hamamatsu City, Shizuoka Prefecture)
- Case 3-3-10 Kamedani Ceramics Co., Ltd. (Hamada City, Shimane Prefecture)
- Case 3-3-11 Nihonto Hocho Seisakusho (Setouchi City, Okayama Prefecture)

Case

Case 3-3-7: Dento Design Kobo Co., Ltd.
(Maebashi City, Gunma Prefecture)

(Retail trade, online store operation)
<Employees: 7; capital: ¥5 million>



Mantaro Takahashi,
President

Making a difference in the world of traditional and local industries by serving as a bridge linking soy sauce breweries to consumers

◆ **Background of the business**
Readily quitting a job at a major company to focus on business involving traditional and local industries

Soy sauce is a staple condiment found on dining tables in households across Japan. Although many people do not realize it, there are some 1,300 soy sauce breweries nationwide. There were around 6,000 in 1955, so the number has shrunk to around one-quarter of that today, but there are still a great many products. However, since many of these producers do not have an established distribution system, few consumers realize that there are so many brands of soy sauce available.

Mantaro Takahashi, president of Dento Design Kobo Co., Ltd., is trying to do something about that. He runs Shokunin Shoyu, a website that retails artisanal soy sauce from across Japan.

“There was no dramatic incident that inspired me to start a soy sauce business,” notes Takahashi. “I was part of the generation that had trouble finding jobs in Japan, which led to a boom in start-ups. It was natural to think about starting my own company. But I couldn’t necessarily start one right away, so I found a regular job first and decided to wait three years.”

In 2003, he found a job with a major manufacturer of precision optical equipment, where he was given a plum assignment in the sales division. By his third year, he was earning over ¥10 million per year. Was there something special he wanted to achieve that led him to casually discard such a successful career? Not at all.

“It was just that I had decided to do work involving traditional and local industries. Other than that, there was no specific plan behind my quitting the company,” he explains. “As for why I chose traditional and local industries, it was because I thought products that had been in use for a long time were likely to be good products.”

He left the company in June 2006—and got married three days later. His honeymoon was a budget trip by car. It actually served as a market research trip as well, and over the course of three months, he met with various people involved in traditional and local industries and evaluated some 300 products across the country. Upon returning home, he analyzed what form his business should take.

“I met with producers who told me that even though they were making quality products, they couldn’t sell them,” recalls Takahashi. “I thought there was a business opportunity to be had from a product that consumers were buying without being aware of whether it was mass-produced or hand-crafted. That product was soy sauce.”

Unlike regional sake breweries, soy sauce breweries do not have their own distribution networks. In addition, since strong regional preferences exist, local distributors believe that even if they were to distribute local soy sauce nationally, it would not sell. As a result, local breweries retail their products only within a limited area so consumers across Japan do not even know they exist much less have an opportunity to buy them.

◆ **Turning point for the business**
Using the ¥1,000 expressway toll system to tour breweries and beginning to sell soy sauce in 100-ml mini-bottles

Having decided to deal in soy sauce, Takahashi visited the soy sauce breweries that were closest to his home at the time.

“First, in order to learn about soy sauce, I went round and visited a number of breweries,” he says. “And as I started to understand it better, I realized that there was no way to tell just from looking at the label whether a soy sauce brand would suit your taste or not. I therefore thought it might be a good idea to make small bottles that would make it easier for people to try and compare different brands, and decided to sell soy sauce in 100 ml mini-bottles.”

The company was founded in 2007, and the Shokunin Shoyu website was launched at the same time. At the start,



Shokunin Shoyu: a specialty website for soy sauce connoisseurs



Products are packaged with care, demonstrating the company's diligent approach



80 soy sauce brands from 41 companies are stocked in the warehouse

it sold just eight brands.

“The website was so poorly done that it was embarrassing,” observes Takahashi. “I thought there must be a way to leverage the quality of soy sauce more effectively, and then I realized that if I were to offer a large selection of different types of soy sauce in one place, that would impress people.”

As of March 2016, the company retails 80 different soy sauce brands made by 41 companies. In order to achieve such a broad selection, Takahashi visited over 400 soy sauce breweries.

“It happened right during the time when the expressway toll discount system was in effect, which made it possible to drive on expressways as much as you wanted on weekends and holidays for ¥1,000,” he recounts. “I would get on the expressway on Sunday night and after I arrived at my destination on Monday morning, I would visit four or five breweries each day until Friday evening. I set a daily budget of ¥5,000, half of which was spent on gas and around ¥500 to ¥700 on *senjo* (public bathhouses). I slept in my car. That enabled me to visit around 30 breweries a week for an outlay of about ¥30,000. I made the rounds of breweries in this way for three years.”

He would show up at a brewery in person without requesting a meeting beforehand. There were breweries that turned him aside angrily several times, but eventually let him have a look inside, and he spent as much as nine hours in breweries where he hit it off with the producer. No doubt the breweries were favorably disposed to this young man in his late twenties who was seriously interested in trying to sell soy sauce. He collected enough free soy sauce to fill a hundred 100 ml mini-bottles.

◆ Leap forward for the business

Rapidly gaining new buyers, especially variety stores, and building up their trust through diligent customer service

As Shokunin Shoyu increased its selection of soy sauces, changes were apparent. The number of buyers steadily increased, and it also received orders from companies that operated variety stores. Shokunin Shoyu's 100 ml mini-bottles of soy sauce attracted the attention of variety store customers, who thought they were cute. What's more, the bottle labels featured the same design as the original brewery's products, so the sight of the various miniature bottles lined up on the shelves appealed to the collector mentality of some customers. One reason that Shokunin Shoyu chose to use labels with the same design as the original soy sauce was so that when customers purchased a

product they liked from the brewery, they would feel like they were receiving the real thing after trying the sample version.

Following the birth of his child in 2010, Takahashi relocated to his family's hometown of Maebashi in Gunma Prefecture. At that time, he converted half of the office space into a retail shop. Since then, more and more breweries have contacted the company, and at present it wholesales soy sauce to some 50 stores nationwide. Its online store is also doing good business, and in February 2016, a second retail shop was opened in Tokyo's Ginza district.

“We haven't done any special marketing,” notes Takahashi. “The one thing that we promote is our company policy of ‘doing things properly’. We take care with the product packaging, of course, and we're very thorough with details such as taping up wholesale packages carefully. We also ask breweries to align the label and the tab for opening the cap at the front of the bottle. In addition, we make the quantity of soy sauce the same for all our products. It isn't easy to make the quantities perfectly consistent, since each brewery is different. But by paying careful attention to every detail, we show customers that we're a reliable company, and earn their trust.”

◆ Future business and tasks

Aiming to open retail shops across Japan in order to connect breweries and consumers

At present, Shokunin Shoyu sells from 15,000 to 20,000 bottles of soy sauce a month through its online store, retail shops, and wholesale business combined. “[The secret of our success] is that we have a rigorous product selection process, and I think conveying that to consumers is very important,” notes Takahashi. “The ideal scenario would be to have retail shops in various regions, staffed by people who are highly knowledgeable about soy sauce, which would connect local producers and consumers. With that in mind, we would like to increase the number of retail shops. Eventually, we'd also like to get involved in condiments other than soy sauce, but for now, the goal is to open more stores in the direction of Kansai.”

Practically speaking, it would be difficult to get many small soy sauce breweries to collaborate with each other. What Takahashi can do, however, is stock a selection of products made by breweries from different areas in one store and offer them to consumers. His aim is to serve as an intermediary in a good sense that helps to connect breweries and consumers, while continuing to accord equal importance to both.

Case

Case 3-3-8: Aeru Co., Ltd. (Minato Ward, Tokyo)

(Developing and selling products using traditional Japanese production techniques)

<Employees: 5; capital: ¥10 million>



Rika Yajima, President

Aiming to turn traditional craft products into everyday items for babies and children by combining the techniques and knowledge of previous generations with contemporary sensibilities

◆ **Background of the business**
Combining the traditional and the contemporary

Every region of Japan has its own traditional craft products. Items such as textiles, dyed products, ceramics, lacquer ware, and woodwork goods have been appreciated as daily commodities for a century or more, and the handicraft techniques used to make them have been passed on from one generation of artisans to the next. Traditional craft products painstakingly made using refined Japanese techniques also enjoy an excellent reputation internationally. Unfortunately, however, these precious cultural traditions are dying out due to a lack of artisans and changes in consumer tastes. If these valuable skills are not passed on, the crafts will disappear one by one.

In light of this situation, one contemporary company has taken on the challenge of reviving traditional craft industries through an entirely new approach. Rika Yajima, president of Aeru Co., Ltd., explains: “I believe that it’s not enough to simply protect the artisans who uphold traditional crafts. We need to apply the techniques and knowledge of previous generations in a way that’s more aligned with our daily living. Aeru proposes designs and uses for traditional crafts that are suited to contemporary lifestyles, so that people will use our everyday items produced using traditional handicraft techniques on a daily basis.”

The company’s name, Aeru, comes from the Japanese word *aeru*, which means to combine different ingredients together in cooking or the like. However, it does not mean blending them together completely, but rather mixing them in a way that retains their individual characteristics, such as when tossing a salad. This is the same approach that Aeru takes to Japanese crafts. Yajima’s idea is that mixing the traditions and knowledge of previous generations with modern-day sensibilities will help pass on Japanese culture to future generations.

◆ **Turning point for the business**
Launching Aeru based on an entirely new concept aimed at making Japanese people more aware of their own culture

When she was in junior high and high school, Yajima was part of the tea ceremony and flower arranging club, and before she realized it, she had become interested in traditional Japanese culture. The depth of her passion was demonstrated in her third year of high school, when she impressively won

a Japanese TV game show that tested girls’ knowledge of culture and etiquette. Having desired to become a journalist since she was in elementary school, she passed the entrance exam and enrolled in the Department of Political Science in the Faculty of Law at Keio University, which has produced many graduates who have gone on to careers in journalism. After entering the university, she spoke to many former students who were actually working as newspaper reporters, newscasters, and so on. As she was doing so, she thought about what area she should specialize in as a journalist; her thoughts turned to her days in the tea ceremony and flower arranging club in junior high and high school, reminding her of her interest in traditional craft goods. She decided that she would like to travel to places that produced traditional goods and write about them. She pitched the idea to some publications, and began her work of promoting traditional industries while she was still in university through writing a series of articles on the topic for the quarterly magazine of a leading travel company and a major weekly magazine. In the process of researching these articles, she met with artisans in various regions across the country, expanding her network of connections with people in Japan’s traditional industries.

Furthermore, in order to see whether her idea of promoting traditional Japanese crafts would be feasible as a business, in 2009, while she was a third-year university student, she took part in a start-up proposal contest for college students run by a newspaper, and her entry won the Association of Japan Industrialists Club Award. What’s more, in 2010, while still in third year, she received an award of excellence in a student entrepreneur championship run by the Tokyo Metropolitan Government. She used the prize money to found Aeru in March 2011, when she was in fourth year.

“I was looking for a job with a company that produced artisanal goods for babies and children, but I couldn’t find any company like that, so I figured I would start one myself,” she notes.

Yajima decided to go on to graduate school and start up the company while pursuing her studies at the same time.

◆ **Leap forward for the business**
Launching the Aeru brand of traditional products for ages 0 to 6 and making more children feel proud of their Japanese heritage

Aeru’s approach to production is as follows: Yajima conceives the overall design, an external designer thinks up



The interior of the Aeru Meguro retail shop, which stocks all Aeru brand products



The interior of the Aeru Gojo retail shop in Kyoto's Shimogyo Ward
Note: Photo courtesy of Aeru Co., Ltd.

a product that would be suited to contemporary lifestyles, and artisans in traditional industries in various regions across Japan then use their skills to create it. The company was founded on the basic concept of passing on the traditions and knowledge of Japan's previous generations to future generations by applying them in a way that's aligned with everyday living, which led to the launch of the Aeru brand of traditional products for ages 0 to 6.

"I thought that exposing people to traditional products lovingly crafted by artisans in different parts of Japan while they were children would provide them with opportunities to discover the country's heritage. Then, once they become adults, they will naturally appreciate the culture's appeal, which means there will be more people to promote Japan's traditions," explains Yajima. "I'll be happy if they simply think 'I'm glad to be Japanese' once they grow up."

The first product produced under the Aeru brand was a gift set for new mothers featuring products made with indigo dye from Tokushima Prefecture. The three-item set included an indigo-dyed baby garment, towel, and socks. It received the 6th Kids Design Award from the Kids Design Association in 2012. Since then, the company has created a series of original products for daily use by babies and



A gift set for new mothers comprising a baby garment, a towel, and socks featuring indigo dye from Tokushima Prefecture

children, including: a line of spill-resistant dishes made with Tobe ware from Ehime Prefecture, Tsugaru ware from Aomori Prefecture, etc.; a line of spill-resistant cups made with Koishiwara ware from Fukuoka Prefecture, Ryukyu glassware from Okinawa Prefecture, etc.; handmade *washi* (Japanese paper) balls from Ehime Prefecture; and blankets from Kyoto Prefecture made using *kusaki* plant-based dyeing techniques. In 2015, Aeru won the Women Entrepreneurs Grand Prize in the 4th DBJ New Business Plan Competition for Women Entrepreneurs sponsored by the Development Bank of Japan.

Aeru runs two retail shops selling its products: Aeru Meguro in Tokyo and Aeru Gojo in Kyoto. It is also possible to purchase products from Aeru's online store.

"The Aeru shops are visited by people of all ages, both men and women," says Yajima. "They're popular even with younger people in their 20s and 30s. People tell me that they choose our products because they want to give a thoughtful gift to someone. That makes me happy."

◆ Future business and tasks

Wanting to raise 'little Aeru' with everyone's help and ensure the vitality of Japan's precious traditional industries

This year, five years after starting the company, Yajima launched two new ventures. One is Aeru Oatsurae, which provides made-to-order traditional craft products. The other is Aeru Room, which converts hotel guest rooms into customized spaces that leverage the appeal of Japan's traditional industries.

"Aeru is a corporation, which means it has its own personality," remarks Yajima. "I think of it as a young boy. He's still 'little Aeru,' because he was only born five years ago, but he's been raised with loving care by his 'family'—me and my employees, designers, artisans, and customers. I hope that when he comes of age at 20 years old, 'little Aeru' will be able to stand on his own two feet and that Japanese traditions and the knowledge of previous generations will be an integral part of his life."

Case

Case 3-3-9: Bluing Hearts Co., Ltd.
 (Hamamatsu City, Shizuoka Prefecture)
 (Manufacturing fishing lures, OEM business)
 <Employees: 18; capital: ¥3 million>



Tetsuo Ito, President

An entrepreneur who believed ‘the future is in your own hands’ motivates staff to improve their skills by adopting the same mindset

◆ Background of the business

The belief that there was no future in what he was doing, no matter how much he tried, motivates an entrepreneur to move forward

Lure fishing, in which fish are caught using artificial bait, is a sport that many people practice for recreation, regardless of age and gender. The lure plays a crucial role, and different kinds are required depending on the conditions, including the type of fish being sought, the height of the waves on a given day, and the murkiness of the water. In accordance with this demand, display cases in fishing gear stores are packed with lures of all kinds. These include the hybrid lures developed by Bluing Hearts Co., Ltd., which are made by combining two different materials, such as resin and balsa wood or lead and aluminum. Sales of these products that reproduce the distinctive movements of fish in water are growing steadily.

“After I graduated from high school, I joined a major automobile manufacturer and assembled cars for a living. Since I’ve always been good with my hands, I worked faster than other people, but no matter how much more work I did than those around me, the amount I got paid didn’t change. At that time, I thought, ‘It doesn’t matter how hard I work—there’s no future for me if I keep doing this,’” recalls the president of Bluing Hearts, Tetsuo Ito.

Two years after joining, he quit the company and got a job with a company that manufactured lures, which he had been interested in for some time. Helped by his innate dexterity and his interest in the product, he soon mastered the techniques for making lures. After one year, he launched his own company, Bluing Hearts.

However, he didn’t have any capital of his own, so for the first three years, he bought the tools and materials by working as many as four part-time jobs and saving up his wages.

In the early days, he visited fishing gear stores around Japan to promote his lures, but few of them agreed to stock his products. However, Ito’s skill at making lures was gradually recognized, and he began receiving subcontracting work from other companies.

◆ Turning point for the business

Moving away from subcontracting work and branding original products made possible by the staff’s excellent skills

“For 13 years after founding the company, we did nothing aside subcontracting work. However, among those companies that subcontracted work to us, there were some that took lures that I had designed and then outsourced production overseas at a lower cost. There were also many who demanded a large discount or made us wait to get paid, so I thought, ‘There’s no future in just doing subcontracting work,’” explains Ito.

He therefore resolved to refuse all subcontracting work, and in 2008, the company launched its own brand of lures, Sea Falcon.

Ito explains the concept behind these lures: “Naturally, the point of lures is that you’re able to catch fish with them, so even though it’s obvious, you have to make that one of your selling points. But I wanted to offer something more, so I considered what I could do to attract customers’ interest and make them pick up my lures. I thought that I needed to approach it from that perspective in order for fishing gear shops to accept the products.”

One product that embodies Ito’s approach is a lure covered with lame. Flashy lame-covered lures may catch the eye when displayed alongside other products in fishing gear stores, but normally, the lame makes the lure’s surface



Even now, Ito continues to work in the factory and make lures with his own hands

uneven and detracts from the appearance rather than enhancing it.

“In the case of our lures,” says Ito, “our highly skilled staff cover each lure with lame individually and then polish it. Thanks to this process, which takes time and effort, we are able to create lame-covered lures with a smooth surface. I don’t think that major manufacturers who mass produce lures would be able to make a product like this.”

Thanks to the staff’s skill in making attractive lures, the company is able to sell its hand-made lures at prices comparable to products made by major manufacturers.

◆ Leap forward for the business

Seeking employees who will learn quickly thanks to having a passion for learning new skills and motivating them with a merit-based payment system

How does Bluing Hearts train its skilled employees?

“At the lure manufacturer where I used to work, I learned how to do the job from my mistakes,” says Ito. “So, while we do our best to train new employees, ultimately, you have to let them learn from practical experience. What’s important is that they are passionate about what they do, whether it’s because they like Bluing Hearts’ lures or because they want to take their future into their own hands. People who have that passion will learn the job faster and continue doing it for a longer time.”

Moreover, Ito has established a policy to keep the company’s skilled employees motivated.

“At the automobile manufacturer where I first worked, I felt that my situation was hopeless, because no matter how much I tried, my efforts weren’t reflected in my salary,” he notes. “If you don’t receive any recognition no matter how hard you try, you can’t maintain a high level of motivation. That’s why I’ve adopted an entirely merit-based payment system. I want to compensate people for their efforts, so that the more someone works, the more it will be reflected

in their wages.”

In 2010, Ito incorporated the company, with ¥3 million in capital. In 2012, it received approval for a business innovation plan from Shizuoka Prefecture, and the subsidy it received covered part of the costs of acquiring a new cutting machine. Since then, the company has continued to leverage government assistance to grow further.

◆ Future business and tasks

Setting up one distribution outlet in each country to reduce middleman costs

Eight years have passed since Sea Falcon was launched. The product lineup, which originally consisted of one metal jig (a lure made of metal) and one plug (a floating lure), has been expanded until today there are 19 types of metal jig and 11 types of plug. What’s more, the company also produces eight types of rod. The company aims to leverage the brand to expand overseas in future.

“Going forward, we want to devote effort to OEM business domestically. In future, it would be good if we could provide support to individuals who want to launch their own lure-making companies, covering everything from manufacturing to sales channels to our expertise in applying for government assistance. Another goal is expanding internationally. At present, we do business in 20 countries, but middleman costs are high overseas, which is an obstacle that makes it difficult to grow our sales. But in some countries, like Thailand, we’ve been able to keep prices down by dealing directly with retail stores, and our sales figures are growing steadily. Our target going forward is to have one distributor per country. If we can keep prices down by doing that, I’m confident that our sales figures will grow further.”

It may not be long before the skills honed by Bluing Hearts’ employees—thanks to the motivation provided by the company’s merit-based payment system—will remake the global fishing lure landscape.



One of Bluing Hearts’ original lures, which includes balsa wood and perfectly mimics the movement of small fish when floating on the surface of water

Case

Case 3-3-10: Kamedani Ceramics Co., Ltd.
(Hamada City, Shimane Prefecture)

(Producing and selling roof tiles, tiles, tile tableware, etc.)
<Employees: 9; capital: ¥8 million>



Norio Kamedani,
President

Transforming traditional *Sekishu-gawara* roof tiles into modern-style dishes and opening up new sales channels, including the international market, by combining technical skill with creative ideas

◆ Background of the business

A company boasting 200 years of tradition and technical skill struggles as the market for roof tiles shrinks

Shimane Prefecture’s *Sekishu-gawara* roof tiles are one of Japan’s three famous styles of roof tile, along with Aichi Prefecture’s *Sanshu-gawara* tiles and Hyogo Prefecture’s *Awaji-gawara* tiles. Due to being fired at a higher temperature than other tiles, they are resistant to shock and frost damage, and their distinctive reddish-brown appearance is an integral part of the scenery in the Izumo and Iwami regions.

However, since the start of the Heisei era (beginning in 1989), demand for roof tiles has been trending steadily downward, and the size of the market seems to be shrinking. Additionally, the industry is highly susceptible to fluctuations in fuel prices, and it is currently facing hard times, leading to a series of major tile-making companies going out of business within the past decade.

Amid this environment, one tile-making company has succeeded in diversifying its business by exploring new possibilities for its roof tiles. Located in Hamada City, Kamedani Ceramics Co., Ltd. was founded in 1806 (the third year of the Bunka period), and over the years, it has maintained its traditional process of firing tiles at a temperature surpassing other companies (1,350 degrees Celsius), using a glaze made from all-natural kimachi stone.

The current ninth-generation president, Norio Kamedani, entered the trade in 2006, when he was 36 years old. He quit his job as a medical representative for a pharmaceutical company, which he had held for 13 years,

and joined Kamedani Ceramics—which was his wife’s family business—as a managing director. That was the very same year that the company reached the milestone of 200 years since its founding.

He was a complete novice when it came to traditional industries. He first learned everything about the tile-making trade, which includes more than ten different processes, and then, in order to make up for his relative inexperience, he collected extensive data on the firing process, whose success is usually based on workers’ instincts and rules of thumb, and quantified it. In this way, he built up his own manufacturing expertise, and worked hard to avoid making mistakes as much as possible.

Nevertheless, demand for roof tiles was on the wane. He wondered if simply preserving the company’s traditional method would be enough. As he continued his training, Norio became more conflicted with each passing day.

◆ Turning point for the business

Tiles that emphasize texture over uniformity prove more attractive to end users

A key turning point for the company came around one year after Norio joined. Grippled by a sense of impending crisis, he came up with a bold new idea for tile-making.

“Fundamentally, the average person doesn’t know much about roof tiles, not even what they’re made of,” says Norio, reflecting back on that time. “I thought, ‘Why not make something that people will have more direct contact with?’ so I suggested manufacturing regular tiles. I figured that people might be more interested in those than roof tiles.”



Kamedani Ceramics has preserved traditional tile-making techniques throughout its 210-year history



Reddish-brown *Sekishu-gawara* roof tiles can be seen here and there across Shimane Prefecture

During the two centuries since Kamedani Ceramics was founded, it had made almost nothing except roof tiles, and it had no expertise whatsoever in making regular tiles. His idea was opposed by all the employees, but Norio immersed himself in developing the new product by making time outside of regular business hours and working on regular tiles until after midnight. In the process, he noticed an advantage of the company's products based on traditional roof tile-making techniques.

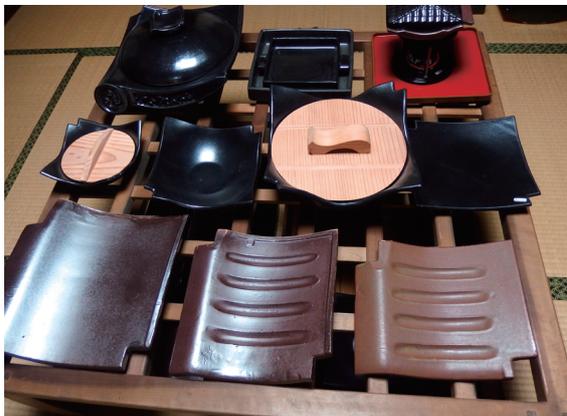
"Regular tiles mass produced by major companies have a uniform size due to the manufacturing process, which uses vitrified clay. On the other hand, if you make regular tiles using the same process and materials as *Sekishu-gawara* roof tiles, the firing temperature is so hot that no matter what you do, there are liable to be qualitative differences such as warping and variations in size. In other words, there's more risk involved. But on the other hand, when I showed people samples, more and more of them remarked that they liked their hand-made feel and texture."

This favorable response came not from people in related fields such as construction and building materials, but from regular business owners, people in the restaurant industry, and the like. Industries with which Kamedani Ceramics had never had dealings and end users who had never been interested before began to show an interest in these stylish tiles. Since then, orders have been received from customers far from Shimane Prefecture, such as a hotel in central Tokyo and an Italian restaurant in Kochi Prefecture.

◆ Leap forward for the business

After the company's heatproof tile tableware is used by a famous *kyodo-ryori* restaurant, it rapidly makes a name for itself in the restaurant industry

After suggesting regular tiles, Norio next came up with the idea of producing tableware, which the company has been doing since 2010. The inspiration for this came during a trade show, when a restaurant owner told Norio that he wanted to serve food such as meat and seafood that was grilled on top of a tile dish and asked whether it would be possible to create tile tableware that was resistant to



The diverse product lineup includes heatproof tile tableware, plates, and pots

cracking even when exposed to direct flame.

Sturdy though they might be, even *Sekishu-gawara* roof tiles would expand and crack if direct flame was applied to them. Norio therefore began research and development in collaboration with the Shimane Institute for Industrial Technology. Following repeated tests, he created the ideal dish, which met the elution standards for lead and cadmium and leveraged the properties of roof tiles to prevent the transfer of odors and food burning and sticking.

The painstakingly created tile tableware, which does not crack even when burned, was regularly used at a famous *kyodo-ryori* restaurant serving *kawara soba*, a local specialty in Shimonoseki City, Yamaguchi Prefecture. Since then, Kamedani Ceramics' name has gradually become known within the food industry.

"In the past, there was no real thought of opening up new sales channels. We would exhibit our normal roof tiles at trade shows for building material companies, and no one paid them any attention," notes Norio. "But when we tried bringing our tile tableware to gourmet food- and dining-related trade fairs and gift shows, everyone stopped by our exhibit and showed an interest in our products. Maybe people are intrigued by the idea of dishes made by a tile maker."

Kamedani Ceramics now produces a truly diverse array of products beside the heat-proof dishes for use with direct flame: sashimi plates, wasabi grating dishes, cups, saucers, chopstick rests, and even accessories. It has maintained a repeat business rate of around 90% for its dishes.

◆ Future business and tasks

Vitalizing the region through business diversification and collaboration and answering the key question of how to create added value

Through its regular tiles and tile tableware, Kamedani Ceramics has continued to expand into new markets. With the economic situation still far from rosy, the company is now focusing on building connections with local businesses.

"To take just one example, in the case of our wasabi grating dish, we collaborated with a local wasabi producer to create a recipe using a particular brand of pork," says Norio.

Furthermore, he is also looking toward the international market. In 2016, Shimane Prefecture's *Sekishu-gawara* roof tiles were selected for the Ministry of Economy, Trade and Industry's The Wonder 500 project, which is designed to discover exceptional local specialty products and promote them around the world. In recent years, Kamedani Ceramics has also had the opportunity to exhibit at design festivals in Europe and Asia. However, the immediate goal is not to make short-term profits but to develop the company's brand.

"For a small company without much capital like us, it's all about how we can add value to our products. Increasing our visibility internationally is simply one way of doing that. Going forward, we want to do things that other companies in our field are not doing," concludes Norio.

His words will no doubt resonate with many micro businesses and future inheritors of companies specializing in traditional crafts.

Case

Case 3-3-11: Nihonto Hocho Seisakusho
(Setouchi City, Okayama Prefecture)

(Manufacturing and selling Japanese sword-knives made using the same process as Japanese swords)

<Employees: 1>



Norihito Ueta,
Representative

Applying sword-making techniques to knives to meet contemporary needs while passing on traditional Osafune techniques

◆ Background of the business

A salaryman quits his job, visits the Mecca of Japanese swords, and turns his growing interest into a career as a swordsmith

The Osafune district, where Nihonto Hocho Seisakusho can be found, is located on the northern edge of Setouchi City, bordered on the northeast by Bizen City and on the west by Okayama City, from which it is divided by the clear stream of the Class A Yoshii River. It is a suburban neighborhood blessed with abundant nature: the water of the Yoshii River, rural landscapes that evoke the essence of Japan, and verdant hills. There are many traces of old kilns, which testify to the fact that the area once produced Sue ware pottery, known as the predecessor of Bizen ware, while from the Heian era to the Muromachi era, it flourished as a center of Japanese sword-making. Bizen Osafune is widely recognized as the Mecca of Japanese swords (*nihonto*).

The owner of the Nihonto Hocho Seisakusho smithy, Norihito Ueta, had an unusual career path: a native of Kochi Prefecture, he worked as a salaryman for a road construction company for four years, then quit his job to become a swordsmith.

“I’ve always loved Japanese martial arts like *jujitsu*, *bojitsu*, *iai*, and *suemonogiri* [cutting straw posts, *tatami* matting, etc., with a sword], so I had a strong desire to try making my own sword, and I ended up becoming a swordsmith 40 years ago,” he explains.

Typical knives are made by purchasing alloy cutting steel, but Ueta makes his products from start to finish by manufacturing his own cutting steel using the ancient

Japanese process known as *tatara* ironworking.

Tatara ironworking refers to a technique whereby iron is obtained by feeding sand and charcoal into a furnace, blowing in air, and combusting the material at high heat. A *tatara* is a type of bellows used to feed air into the furnace. In western-style steelworks, the temperature inside the smelting furnace is 1,500 degrees or more, which exceeds the melting point of iron, so impurities are absorbed into the material as well, but in the case of *tatara* ironworking, the temperature inside the furnace is around 1,200 degrees, so impurities are not absorbed. Then, by repeatedly folding heated steel in half and hammering it, the components are made consistent and the strength is enhanced. The result is a blade with a fine edge that does not bend or curve which will last for a thousand years.

◆ Turning point for the business

Developing “Japanese sword-knives” to generate revenue and driving sales through interest in open-house events at the smithy

“There are places that hammer steel with a machine, but when you’re seeking a fine edge and strong blade, you really have to use a hammer,” declares Ueta. “Since I practice *suemonogiri*, I’ve learned that from experience.”

Ueta acquired his sword-making skills by apprenticing under the likes of Mitsutoshi Imaizumi, who helped revive sword-making in Osafune, has received numerous prizes at events such as the Exhibition of Newly Made Swords, and has been designated an honorary citizen of Osafune and an important cultural property of Okayama Prefecture, and Kunisuke Kawachinokami, a master swordsmith who is the inheritor of a 400-year-old tradition.

“Sword-making has been in decline since the Meiji period. My family was pretty opposed to me becoming a swordsmith, because they said I wouldn’t be able to make a living from it. Since I had no alternative, I earned money to live by doing odd jobs, such as replacement driver, welder, and heavy machinery operator,” says Ueta, recalling the hardship of his apprentice days.

Japanese swords are expensive and not many are sold. Therefore, 20 years ago, in order to generate income while honing his skills, Ueta began making “Japanese sword-knives” using the same techniques as Japanese swords. Their price was relatively cheap for knives, so it was easy for customers who wanted quality knives to afford them, and Ueta figured he would be able to earn enough revenue for himself with them. Since the knives were made using the same method



A fire bed for *tatara* ironworking

as Japanese swords, they were resistant to rust and had an extremely fine edge, and the response was highly favorable.

Another of Ueta's creative ideas was to hold one-day open-house events during which interested people could get a first-hand taste of sword-making. Admission is free, and attendees can take photos inside the smithy. Numerous groups have visited, and many people have purchased items made by Ueta's apprentices afterward.

The business also has a comprehensive website, which provides some information in English. Since the technique of forging by repeated folding is rare, there are many foreigners who are interested in seeing the smithy as well.

◆ Leap forward for the business

Japanese sword-knives enjoy good sales online while more and more foreigners want to visit the smithy

The price for a knife forged with Ueta's own hands is high at around ¥100,000 per blade. Machine-forged knives sell for around ¥50,000. However, the company sells around 100 of its blades each year.

"Most of my sales are through the Internet. Many of the blades are purchased by foreigners. There are also more and more visitors from overseas taking part in the open-house events. One time 20 people came and I had to divide them up into a morning group and an afternoon group. Next week, there will be a group coming from Australia. Before they leave, people will buy a knife as a souvenir, so it increases sales," says Ueta happily.

One factor that had a significant impact on the increase in foreign visitors was a video offered during international flights by a major airline for one year, ending in September 2015, which showed Japanese swords being made.

Recently, a university professor came to speak with



Forging a blade by hand



A Japanese sword-knife created using the technique for making Japanese swords

Ueta in order to research sword-making techniques. Ueta has also been traveling to give talks on *tatara* ironworking.

Today, he continues sweating away in his smithy as he works on his blades with all his might, in order to ensure the traditional sword-making techniques of Osafune will be preserved in future.

◆ Future business and tasks

Dealing with the key issue of training apprentices and creating new demand with commemorative knives

Becoming a swordsmith involves at least five years of study under a master swordsmith and requires the completion of a training course given by the Agency for Cultural Affairs. In Ueta's case, after the initial five years of study, he supervises apprentices for about another three years, until they are able to make a flawless sword featuring a *hamon* (blade pattern). Upon passing the "Ueta test," they are formally recognized as swordsmiths in their own right. To date, however, only three apprentices have reached that point. It is said that only about one in ten apprentice swordsmiths go on to complete their training and earn a living from the trade.

"Training apprentices is the hardest thing," notes Ueta. "There are few people anywhere in Japan training ten or more apprentices, but I'm training 13. The problem is that it doesn't leave me much time for my own development."

Recently, Ueta has developed a new product called a "commemorative knife": this is made in secret by a fiancé for his wife-to-be, with the couple's names engraved on it. Many people who make these knives take a video of the process, which is then shown during the wedding reception. The response has been positive.

"I'd like to research iron further and make swords in the same way as in the Kamakura era, which is when the most national treasure-class swords were produced. Of course, I also want to double sales of Japanese sword-knives. And with that money, I'd like to train more apprentices. In that way, I hope to pass on the traditional technique of making knives from iron sand," concludes Ueta.

It seems that Ueta's development as a swordsmith is not done yet.

Chapter 4 Developing a system for supporting micro businesses through community-wide collective efforts

This chapter introduces a total of nine cases—cases of success through support from business advisors from societies and chambers of commerce and industry and those of support through support bases partnering with other support institutions—from the perspective of developing a system for supporting micro businesses through community-wide collective efforts.

Section 1 Cases of success through support from business advisors from societies and chambers of commerce and industry

This section introduces the following seven cases of micro business owners succeeding through support from business advisors from societies and chambers of commerce and industry.

- Case 3-4-1 Sanriku Ocean Co., Ltd. (Sendai City, Miyagi Prefecture)
- Case 3-4-2 Eijudou Ltd. (Takahagi City, Ibaraki Prefecture)
- Case 3-4-3 Komatsu Art Design Co., Ltd. (Okegawa City, Saitama Prefecture)
- Case 3-4-4 Atelier May Co., Ltd. (Hirakata City, Osaka Prefecture)
- Case 3-4-5 Tsutsui Farm (Shoo Town, Katsuta District, Okayama Prefecture)
- Case 3-4-6 Takashi Glass Materials Ltd. (Kamiita Town, Itano District, Tokushima Prefecture)
- Case 3-4-7 Yame Gibier Co., Ltd. (Yame City, Fukuoka Prefecture)

Case

Case 3-4-1: Sanriku Ocean Co., Ltd. (Sendai City, Miyagi Prefecture)

(Marine produce processing/sale)
<Employees: 2; capital: ¥10 million>

“I want them to fall in love with my hometown’s sea squirts”—A sea-loving Sanriku seller helps revitalize the community



Tatsuo Kimura, President

◆ Background of the business Passionate about sea squirts, he becomes an evangelist for their exotic flavor

In Sendai lives a man passionate about sea squirts and engaged in developing and selling sea squirt products. His name is Tatsuo Kimura and he’s the president of Sanriku Ocean Co., Ltd.

Also called sea pineapples, sea squirts are attached to the ocean floor and look plants but are actually a type of chordate. They are mainly eaten in Tohoku and Hokkaido as an exotic alcohol accompaniment but are also said to be consumed overseas in places like South Korea, France and Chile. However they are also disliked outside of Tohoku and Hokkaido for their unique smell. So why was Kimura drawn to them?

“Sea squirts have been eaten since the Heian period as rich nourishment because they contain sweet, salty, sour, bitter and savory flavors. I’m sure that people that don’t like sea squirts have never eaten fresh ones,” Kimura enthuses.

Kimura is from Ishinomaki, Japan’s leader in the sea squirt industry. As a child he used to eat it almost every day. The thing is he says he didn’t like them very much. So how did Kimura come to be so taken with sea squirts that he is now known in the area as Mr. Sea Squirt?

◆ Turning point for the business Developing and selling sea squirt product after product, for a time, the business looked like it would continue to grow steadily

Kimura used to be an employee of a life insurance company. As a branch manager he was transferred all over the country, which may have caused some longing for Sanriku as he recalls, “Working all over the country made me realize the quality of Sanriku seafood.” Then at age 52 when the company was acquired by a foreign firm, he took this as an opportunity to quit. He says he made the decision on his own without even consulting his family. He explains, “You could say I saw my future as a salaryman and I really wondered if that was what I wanted the rest of my life to be. I think I wanted to really feel alive.”

Seeking to do something that spread joy among his



Harvesting sea squirts grown in Sanriku

friends and community, he founded Sanriku Ocean Co., Ltd. in 2005 and began processing and selling Sanriku’s marine produce.

Around that time a friend suggested, “What if you tried to make Sanriku’s sea squirts more popular across the country?” The challenge of a lifetime, with seafood processing centering on sea squirts. “This is it,” Kimura thought, and from that moment pursued this goal unwaveringly.

“Neither my wife, who’s from Yokohama, nor my kids like sea squirts, so they gave me some strange looks,” he says.

Freshness is imperative when dealing with sea squirts. Early each morning he would go down to the harbor to procure them, immediately remove the husks and complete other pre-processing before freezing them to preserve



Grilled sea squirt jerky, great for first-timers

freshness. Using these incredibly-fresh sea squirts he was able to develop a variety of processed products.

“Raw sea squirt is good but quickly loses its freshness. I knew that to popularize them nationwide I needed to process them to be easier to eat,” Kimura explains.

Grilling them, boiling them in their husks, making them into jerky, salting them, pickling them in miso, soy sauce and more, he developed and, by outsourcing, produced over 10 different types of products and distributed them nationwide by introducing them at exhibitions and offering mail-order delivery. His devoted efforts bore fruit as sales channels such as expressway rest stops and major hotels gradually opened up and repeat customers multiplied.

However, just as he was beginning to think that business would continue to expand at this rate, the Great East Japan Earthquake tsunami of 2011 hit Sanriku.

◆ Leap forward for the business

Almost eradicated by the Great East Japan Earthquake, kept alive only by the will to protect his hometown

This unimaginable tsunami wiped out fishing boats, sea squirt aquaculture rafts, workshops, the food processing plant in Onagawa to which he outsourced production, everything.

“I lost both my stock and all my processed products in an instant. Not only that but the sea squirts themselves were gone. I felt helpless and sure I’d have to close up shop,” he reveals.

But the despondency of the fishers who’d lost their boats, rafts and very homes was even worse.

Kimura says, “When I saw the desperation of the fishers I thought, Sanriku’s marine industry needs to be protected. Business must go on. I have no choice but to continue.”

Using his existing repertoire of distribution channels and proactively participating in trade fairs put on by the Sendai Chamber of Commerce and Industry and other opportunities, he began to expand sales of Sanriku marine



Their most popular product, sea squirt boiled in its husk

produce. He also sent product flyers to friends all over Japan.

Amidst this, his passion for sea squirts did not falter. Sea squirts usually take three to four years from mating to harvest. When thinking about what to do until Sanriku’s sea squirts were revived, he was reminded of an exotic Gifu Prefecture dish, excellent with alcohol, made by pickling sea peaches (related to sea squirts) and trepang entrails. He immediately reached out to procure a share of the sea peaches from Nemuro, Hokkaido, and made salted sea peach. This product is even served by major airlines and is said to be a favorite of businessmen.

Kimura says he could not tolerate his products running out when he’d already worked so hard to popularize the flavor of sea squirt.

After the earthquake, Sanriku’s sea squirt aquaculture slowly recovered and shipping resumed in 2014. Sanriku Ocean was somehow able to ride out the crisis and take its business to a new level.

◆ Future business development and tasks

His passion for sea squirts only gets hotter as he continues to create new products

The company now offers a lineup of sea squirt-based seasonings, including sea squirt rock salt, dried sea squirt, grilled sea squirt broth, powder, stewed broth and the husks for soup stock. And still Kimura continues to develop, using Zao cheese to make sea squirt cheese, mincing them to make sea squirt burgers and Hamburg steaks and collaborating with a major food company to make sea squirt rice, as well as sea squirt soy sauce, miso, madeleines, pies, arare, rusk, gyoza and more and more.

“If I think of something, I try making it myself. If it’s good, I give the recipe to the processing company and entrust production to them. I want people to know the strange and wonderful taste of Sanriku sea squirt, so my job is never burdensome to me. I do worry that I’m not making very much money. But I find joy in doing my own thing, something I never had as a salaryman,” Kimura says.

Recently, he says, even his family, still not fond of sea squirt, have begun to appreciate his efforts to share knowledge and help out the community.

Having overcome the Great East Japan Earthquake, Sanriku Ocean is now in its 11th year. President Kimura’s passion for sea squirts shows no signs of waning.

Case

Case 3-4-2: Eijudou Ltd.

(Takahagi City, Ibaraki Prefecture)

(Japanese sweets manufacturing/sale)

<Employees: 12; capital: ¥3 million>

Tatsuzo Numano,
Representative Director

A traditional Japanese sweets shop raises its sales and employee awareness by developing new products from a female perspective

◆ Background of the business

Taking over the traditional sweets business but seeing sales drop with local decline and a great earthquake

Located in northeastern Ibaraki Prefecture, Takahagi City thrived as a coal mining town from the Meiji period onward and now revolves around its lumber processing industry. Takahagi's famous sweet, Yachiyo Okoshi, was born when Eijudou representative director Tatsuzo Numano's grandfather, a businessman in Osaka, moved to Takahagi and founded the company in 1913. The "yachiyo" in Yachiyo Okoshi comes from the lyrics of Kimigayo, the Japanese national anthem.

Eijudou was a Yachiyo Okoshi specialty shop until World War II but diversified into bread and Japanese and Western sweets after the war due to ingredient shortages.

"My father told me to support myself so I apprenticed at a school acquaintance's Japanese sweets shop in Yokohama for about a year, but then when my grandfather passed away I was called back to Takahagi to help out the family business," Numano says.

Then in 1988 his father passed away and he became president in his forties.

He goes on, "In Takahagi, until about 1955, there was a tradition of going to school on the first day of the year, and I would take our Yachiyo Okoshi to give out on that day. That was part of what kept Yachiyo Okoshi popular in Takahagi."



Eijudou's flagship store, famous for its Yachiyo Okoshi

What makes Yachiyo Okoshi unique is its lightness on the tongue. The secret is stretching out the rice-cake rice, contract-farmed in the prefecture, while being careful never to exert too much pressure on it. It won the top "Honorary President Prince Takamatsu Award" at the 19th National Confectionery Exposition in 1977.

Eijudou is located in the downtown area that developed around Takahagi Station on the JR Joban Line. This area declined when a prestigious Takahagi paper manufacturer went bankrupt in 2002 and the population dropped significantly.

Problems were compounded by the Great East Japan Earthquake in March 2011 when the store, rebuilt after the 1923 Great Kanto Earthquake, was destroyed. "It lasted us from great earthquake to great earthquake," Numano laughs dryly. Fortunately the factory was intact and by purchasing the adjacent land that just happened to be vacant, they were able to rebuild a store and residence and resume operation. However, falling sales due to the decline of the downtown area and economic recession were still a concern.

◆ Turning point for the business

Ideas from a female perspective lead to certification as a recommended Takahagi brand product

Takahagi City encourages development of new special products and Eijudou's Yachiyo Okoshi and Takahagi rice crackers had been certified as recommended Takahagi brand products.

To increase sales, rather than rely on its current products, it needed to develop new products. Good ideas proved elusive, however.

"Around that time my eldest daughter came back, saying she would take on the family business. As soon as I gave her responsibility, all kinds of ideas began to emerge. Maybe one could call it the female perspective. It all felt very novel to me," recalls Numano.

Then in 2009, his eldest daughter becoming president put even more impetus behind product development. One of these was waffles featuring the image of the Takahagi brand character Hagimaro.

"Until then we'd only made dry products that kept for

a long time, but my daughter's change in thinking led us to make raw products that only kept for two or three days. These were quite popular and 'Hagimaro Waffles' were certified as a recommended Takahagi brand product. I was surprised," says Numano.

The ideas continued to flow. Another was Matsukaze *manju* pies, made by wrapping Eijudou's long-popular smooth bean paste in Western pie dough. The Matsukaze name calls to mind the row of pine trees that once stood along Takahagi's coast. This product was actually not a new one but Numano's daughter believed more could be sold if it was better promoted. This meant capital to invest in marketing and promotions. For this reason they consulted their Takahagi Society of Commerce and Industry business advisor Takao Kawashima.

◆ Leap forward for the business Using the micro business sustainability subsidy to redo product package design

"Mr. Kawashima suggested making use of the Small and Medium Enterprise Agency's micro business sustainability subsidy. This required preparing a business plan to clearly lay out our future objectives," explains Numano.

Kawashima recalls, "Consumers tend to pick souvenirs based more on packaging than taste. So I suggested redoing the package design, preparing flyers and strengthening PR. With that in mind we set about refining the business plan."

They then entered into discussion with a design company introduced by Kawashima and solidified their packaging ideas. The result was a "Japanese-modern" theme incorporating the imagery of the traditional bean paste and more modern pie. As they redid the individual and outer packaging to be cuter and softer, they were able to fashion a unified image. Finally, they created flyers to highlight this new design to consumers.

This led to increased inquiries and purchases from young women in particular, boosting sales of Matsukaze *manju* pies by around 20%, Numano says.

His hope is that Matsukaze *manju* pies will "become a

signature product of Eijudou like Yachiyo Okoshi, Takahagi rice crackers and Hagimaro Waffles."

◆ Future business and tasks A new generation of leadership brings in new customers

In addition to its flagship store, Eijudou apparently sells its products in supermarkets and convenience stores in Takahagi City and throughout Ibaraki Prefecture.

Numano says, "We are gaining a new type of customer thanks to my daughter's new-generation leadership. I'm proud to say that Hagimaro Waffles and Matsukaze *manju* pies are enjoyed by all ages, from young people to senior citizens, so I hope it continues to gain popularity as a famous Takahagi sweet."

Eijudou's business momentum is catalyzing its employees' activity as well. This can be seen in the low turnover rate and number of employees who've come back since quitting.

"My hat's off to my daughter. Or maybe I'm just being taken for a ride," remarks Numano with a joyful laugh.



A flyer highlighting the new product imagery



The new Matsukaze *manju* pie packaging

Case

Case 3-4-3: Komatsu Art Design Co., Ltd.
(Okegawa City, Saitama Prefecture)

(Sign design)
<Employees: 4; capital: ¥10 million>



Shigeo Komatsu,
President

Overcoming numerous management hardships to attempt a new noise-related problem-solving business

◆ **Background of the business**
Forced to give up going to university because of an accident, he trained in lettering and started a company at age 30 instead

“When I was in high school and preparing to go to university, I had an accident that forced me to give up on this. That led to me choosing my current job,” says Komatsu Art Design Co., Ltd. representative director Shigeo Komatsu. When he gave up on going to university he decided to refine his skill in lettering, which he’d started as a hobby, and pursue it as a career. That put him on a path of self-studying and honing his craft while working. He says his skill improved by leaps and bounds when he joined a local outdoor advertisement company introduced to him by an acquaintance and encountered the techniques of professionals. This gave him the confidence to start his own business.

He says a number of locals helped him start his business, leasing an office to him at extraordinary terms and offering collateral for a ¥3 million startup loan when he was initially unable to borrow from the bank and unsure of what to do. Blessed by such good fortune, he was able to establish an outdoor (sign) business at the age of 30.

◆ **Turning point for the business**
Business got off to a flying start with annual turnover of over ¥100 million, but then ran into difficulties

With the mantra of never failing to come through on a job, he worked frantically after starting the business. He was blessed with customers, turned a profit in the first year and quickly returned the bank loan after receiving micro business improvement funding.

The sign business continued to grow and with jobs such as designing and installing signs for a funeral company with 300 locations throughout the prefecture, the company enjoyed smooth sailing and achieved an annual turnover of ¥100 million.

Company management was not that easy, however. When a client’s management changed and resulted in a change in business policy, sales the company has been

counting on plummeted to half of what they had been. They were then hit by economic recession induced by the global financial crisis and the Great East Japan Earthquake and fell into dire straits.

Komatsu recalls, “Employees had to take pay cuts or delayed payment, but because the entire staff pulled together, we were somehow able to make ends meet.”

President Komatsu says that at the time he was constantly thinking about how to stop business without causing problems for customers. He implored banks and other support institutions for help but ultimately came away with the impression that the road to business revitalization was closed to micro businesses.

“I thought that bankruptcy was inescapable, but that would force me to let down those that had helped me so much. So in the end I decided to keep going,” he says.

He was caught between a rock and a hard place, and buffeted by the turbulent economy. Days of hardship went on for quite some time for President Komatsu.

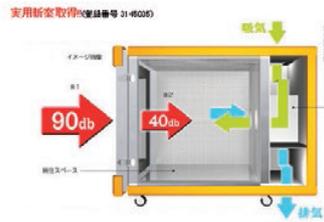
◆ **Leap forward for the business**
Questioning what tools were available to him, he settled on sound-damping know-how cultivated over many years

Determined to find some way out, he began to think about the tools available to him. He’d always loved making things. More than a decade earlier he’d realized the prevalence of noise-related problems and, between sign jobs, begun to develop and attempt to produce sound barrier products.

He first attempted to make a one-person karaoke box that reduced noise by 50 decibels, and successfully created a product in about two and a half years, but the change of a client’s management unfortunately resulted in the karaoke box business being halted. Using that know-how, the company developed sound-reducing pet capsules for small and mid-sized dogs that barked a lot and even obtained a utility model right, but because the structure was fully enclosed and pet owners felt like it shut in their pets, only about 10 units were ordered and produced. “Still, we attempted something demanding advanced technology and retained the know-how,” says Komatsu, refusing to be



A pet capsule



A sound-damping pet capsule

pessimistic. To the contrary, through 10 years of trial and error, the company arrived at a business model for a “noise-related problem-solving business.”

As the company launched this business, Okegawa Society of Commerce and Industry business advisor Takashi Kamiya suggested it apply for the Small and Medium Enterprise Agency’s 2013 micro business sustainability subsidy. It devised a sound-absorbing sensory booth and applied, had it accepted and exhibited it at an office furniture exhibit. The response was superb and a number of inquiries were received. Taking these inquiries and exhibit comments on board, it invented a sound-absorbing box, an improved version of the booth, applied for the agency’s 2014 subsidy and was accepted. The company steadily improved the product’s viability along with its sound-damping capability, but despite accumulating noise-related problem-solving know-how, it has thus far been unable to move forward with negotiations.

It was at this point that the company realized it needed to develop products with the product’s market firmly in mind from the outset.

Consulting with Kamiya once more, they drew up a



A sample sound-damping phone booth

plan to receive business reform support from Saitama Prefecture, obtained approval in March 2016 and are working to develop products with clear target customers. At present they are creating samples of soundproof rooms for people practicing instruments, spaces for banks to hold loan meetings and other potential products.

◆ Future business and tasks

Aiming to expand business into sound-damping partition materials, etc.

The current challenge is undoubtedly exterior design. The product designs and colors need to match their surroundings, whether offices or otherwise.

“Going forward I want to transform the know-how we’ve accumulated into intellectual property and proactively share the information. Furthermore I want to expand the scale of our business from the made-to-order model so far to development of materials for sound-damping office partitions and other products,” says Komatsu.

In fact, his son’s work is related to interior design.

Komatsu is thinking about entrusting the future of his sound-damping business to his interior designer son.



Takashi Kamiya, Okegawa Society of Commerce and Industry business advisor

Case

Case 3-4-4: Atelier May Co., Ltd. (Hirakata City, Osaka Prefecture)

(Japanese reed and bamboo paper design)
<Employees: 4; capital: ¥3 million>

Original products made of Japanese reed and bamboo paper based on a desire to show off precious local resources as art



Mayumi Shiota, President

◆ Background of the business

Encountering *washi* led to realizing her childhood dream to be a designer

Hirakata City is located almost exactly midway between Osaka and Kyoto in northeastern Osaka Prefecture, around 20km from Osaka on the way to Kyoto and along the left bank of the Yodo River. The name Hirakata is an old one and town extremely historic, appearing in Japan's oldest writings including the Records of Ancient Matters, Nihonshoki and Fudoki. Atelier May Co., Ltd. is engaged in business using resources native to Osaka such as reeds from Udono along the Yodo River and bamboo from Hotani, Hirakata. This includes the design and sale of lampshades, stationery, chopsticks and other products made of reed paper and bamboo paper.

Its president, Mayumi Shiota, wanted to go to art school because she loved to draw but her family situation forced her to instead work for a bank for four years. Still, she did not give up on drawing, working hard to become proficient in Yuzen dyeing and later entering a design office to study design.

Soon after that she got married, gave birth, quit her job and did illustration work from home while raising her child. She says, "Around that time, an interior design teacher was looking for sales staff for a large-scale *washi* (Japanese paper) architectural showroom in Kyoto, so I applied. That was my first encounter with *washi*. I began to work for a large-scale *washi* manufacturer and art galleries in Kyoto but thought that I'd one day like to do it on my own."

Shiota opened a mini-café called May, a Japanese art café, in Katano City, which is next to her birthplace of Hirakata City. She chose the name May because she was born in the month of May and because of the Roman goddess of growth (Maia). The café is decorated with *washi* lamps and small Japanese ornaments and a banner reads, "Café time by *washi* light."

Not long after, the second floor of a building in front of Hirakata Station managed by a tax accountant classmate came on the market and she opened a *washi* gallery called Atelier May there. They shared the space; her classmate using it for inheritance tax seminars and Shiota using it as a *washi* gallery.

◆ Turning point for the business

Launching original *washi* designs and exhibiting at Osaka Styling Expo

"But my goal was not to run a café or gallery," says Shiota. "What I really wanted to do was design original *washi*."

It was around this time that the Osaka Chamber of Commerce and Industry put out a call for exhibitors at its Osaka Styling Expo. She prepared in full and applied, and was selected to exhibit from among around 60 companies. Exhibiting at Osaka Styling Expo meant appearing on local Osaka television and in newspapers and magazines, which focused attention on paper made from reed. This took place just as management of the gallery was becoming difficult, so Shiota handed that over to her classmate's wife and turned her own home into an office.

Through the expo she also joined the Osaka Chamber of Commerce and Industry and drew up a plan to receive business reform support for two businesses, lighting and stationery using reed, and this plan was approved.

She comments, "However, doing both design and housework was too much for one person. On top of that I was also involved in volunteer efforts to protect reeds. I was at my wit's end."

On the advice of Kita-Osaka Chamber of Commerce and Industry business advisor Yusuke Enami, from whom she'd received much help in the past, she leased an office



The interior of Atelier May, with various lights made of *washi*

in 2014 and reopened Atelier May, incorporating it at the same time and hiring part-time staff to help launch a design business in earnest.

◆ Leap forward for the business Starting a stationery business using subsidies

Raising capital is also important to get a business rolling. To this end, Shiota decided to apply to the Osaka Foundation for Trade and Industry's Active Osaka Promotion Fund.

"I had to work really hard to prepare a business plan, prospectus and other documents, but a lot of people around me helped me out and somehow I made it through," she recalls.

She used this capital to produce a variety of reed designs.

Her company's products can broadly be grouped in two. One is lights with shades made of reed and bamboo paper. The other is miscellaneous goods such as stationery and paper fans made of reed paper and chopsticks made by combining reed with plastic.

These began to draw attention as examples of effective use of local resources, even reaching the point of being exhibited on their own at the events of major department stores.

"Lights using *washi* or bamboo paper, with their Japanese softness, seem to fit in establishments such as *ryokan* [Japanese inns]. Inquiries about the chopsticks, ornaments, stationery, etc. as gifts or souvenirs are on the rise. We've also recently started selling online, and we're even thinking about trying to expand overseas," Shiota says.

◆ Future business and tasks A need to review the business model, a desire to both profit and protect the reeds

Although Shiota has gained name recognition for her original designs using reed and bamboo—local resources—



Miscellaneous goods made of reed

the business nevertheless faces challenges.

She says that while transactions with department stores do help win customer trust, high material costs, labor costs and distribution costs cut deep into profits. In addition, the target consumer is different between the lights and the stationery and the manufacturing process is different for made-to-order products and mass-produced ones. This is a huge burden for one person.

"I think we need to divide into a department that takes reed design orders, a department that brands and sells lighting and a department that mass-sells stationery. I'm still involved in volunteer work to protect the reeds, so it's also important to distinguish between non-profit and for-profit activities. I also want to make our website easier to navigate," she says.

These reeds help prevent global warming by trapping CO₂ and purify the water of Yodo River by absorbing nitrogen and phosphorus from the water and soil to use as nutrients. Shiota is proud to be engaged in business that uses them effectively and helps protect the region's natural environment.

"I hope to increase profits and continue this as a business rather than as volunteer work. Also, by valuing designs based on feminine senses, I'd like to provide more of a place for women of the region to work," Shiota says of her dreams for the future.



"Heian" lights made of reed

Case

Case 3-4-5: Tsutsui Farm
 (Shoo Town, Katsuta District, Okayama Prefecture)
 (Production of grapes (pione), etc.; development/sale of processed food)
 <Employees: 0>



Norio Tsutsui, Representative

Going from department store employee to grape farmer in his twenties, increasing profits with dried fruit products

◆ Background of the business
 Almost 30, a salaryman-turned-farmer launches processed food sales to achieve profitability

Shoo is a nature-filled town south of Mount Nagi, the highest peak in the Chugoku mountain range, in northeastern Okayama Prefecture, with rolling hills in the northern part and the north-south rapids of the Taki River flowing out through the south/central part.

Norio Tsutsui, a farmer in Shoo, was born in Osaka. He lived in Tokyo through high school, graduated from a university in Kansai and began working in charge of selling women's clothing at a department store in Osaka. He didn't find it very interesting, however.

"I wanted to produce something with my own two hands," he recalls. "That's why I started wanting to become a farmer."

He remembered the flavor of piona grapes he'd eaten in Mimasaka, Okayama Prefecture, and decided to move to Shoo and begin the hard life of a grape farmer at the tail end of his twenties.

He used the prefecture and national government's support systems for migrants from the city to the country to make the move and then received technical guidance from the prefecture and other bodies to learn agriculture.

He adds, "Neighboring farmers were also quick to lend a hand, so I had few problems on the technical side of things."

Tsutsui now grows five kinds of grapes—piona being predominant—as well as blackberries and other crops on one hectare of farmland. He says he initially grew in greenhouses as well but quit that after four or five years because of the cost.

However, he says, "That meant there'd be nothing to do during the half-year-long off-season. So I decided to make processed products. This would also put non-regulation agricultural produce to good use."

Tsutsui, who had always liked food processing, first tried making peach, blackberry, strawberry and other sweets. But because they didn't keep, his only business opportunity was sample sales at events. As a side business this would've sufficed but, wondering how to turn it into a proper business, he went to the Mimasaka Society of



Koji Okaguchi, Mimasaka Society of Chamber and Commerce business advisor

Commerce and Industry for advice and there met business advisor Koji Okaguchi.

◆ Turning point for the business
 Extending shelf life by drying the fruit but losing part of the harvest to lack of sunlight

He first took pudding to the society. However this too only had a shelf life of three days from manufacture and so, despite being popular at direct-sale and sample sale events, was tough to distribute. Then he thought of dried fruit logs, a traditional Italian food made by kneading and hardening dried fruit into a salami-like shape. He dried piona grapes and kneaded them together with nuts, chocolate and other ingredients. Even without cooking, the dried grapes keep, making dried fruit logs an easy product for buyers and consumers, he thought.

He developed the product in around eight months and did the processing at a plant next to his house. He then test-marketed it at Saisai-jaya, a rest stop in Mimasaka City, and the response was superb. According to Okaguchi, "We informed Mr. Tsutsui of the results of the society's market research and tried to quantify the response to make it easy to understand by quantitatively analyzing financial statements, etc. I think that by doing this we were able to reduce discrepancies between the side giving support and the side receiving it, at least a little."

By including this quantified data in a business plan, in May 2014, the operation was certified under the Ministry of Agriculture, Forestry and Fisheries' sixth-order industrialization- and local production/local consumption-based integrative business plan.

However, the piona harvest fell by 30% in 2014 due to insufficient sunlight. Unable to secure the necessary ingredient quantity, sales were delayed and profits were unrealized.

“I’d already been planning new products, so not being able to get enough ingredients was a double whammy,” reflects Tsutsui.

◆ Leap forward for the business

Finding a collaborator to secure raw ingredients, increasing profits by developing a product for wine lovers

Determined to do something, he decided to recruit collaborators to secure the raw ingredients. This led to meeting a like-minded grape farmer. In 2015 they formed a corporation with the aim of strengthening raw ingredient acquisition, productivity and marketing, establishing a limited liability company called Nofu with Tsutsui at the helm. The name takes the first part of Tsutsui’s name, Norio, and the second part of his partner’s name, Raifu.

Using this firmer structure and based on the results of the test marketing at rest stops and other places, Tsutsui decided to review the previous year’s business plan and narrow down the target market of his products. In January 2015 they processed cultivated fruits into sweets, moving into the manufacture and sale of six flavors of piona and chocolate dried fruit logs for wine lovers. Through this they were also certified for business reform support from Okayama Prefecture, improving their social trustworthiness and media exposure. Furthermore, in April they used the Small and Medium Enterprise Agency’s micro business sustainability subsidy to design the packaging for a new ice cream product and gained recognition by being featured in



Piona grapes grown by Tsutsui

the newspaper.

These tailwinds allowed them to launch dried fruit log manufacturing in earnest in September 2015. Their clients are gradually multiplying and they forecast a 70% year-on-year increase in annual processed food sales for fiscal 2015.

◆ Future business and tasks

Enhance products, improve processed food sales

They say that through use of the expert dispatch system, they were also able to extend the shelf life of the pudding that originally garnered them support.

“It was surprisingly easy. If we’d done it from the start we wouldn’t have needed to struggle so much,” says Okaguchi ruefully.

It’s hard to expand farmland to enlarge the harvest, but with processed foods it’s possible to innovate to enlarge profits.

“The lack of similar products works in our favor. That’s why it’s important for us to take surveys at sampling events, gathering data and listening to customers. I hope to continue to enhance our products while at the same time addressing the needs of department store buyers,” says Tsutsui, his appetite as big as ever.



A flyer for the dried fruit logs

Case

Case 3-4-6: Takashi Glass Materials Ltd.
(Kamiita Town, Itano District, Tokushima Prefecture)

(Fixtures construction—residential renovation)
<Employees: 1; capital: ¥5 million>



Akio Takashi,
Representative Director

Shifting from a corporate- to a consumer-oriented business, innovating with flyers to multiply consumers and boost performance

◆ Background of the business
Quitting as a salaryman to take on the family business but struggling as the bubble burst

Takashi Glass Materials Ltd. in Kamiita, northeastern Tokushima Prefecture, was started by current representative director Akio Takashi's father in 1966 when he left the Tokushima Prefecture glass wholesale store he'd worked at until then, and was incorporated in 1978. During this first generation, the business sold glass materials wholesale to contractors and construction companies.

Takashi, on the other hand, began working for a transport company in Kochi Prefecture at the age of 18. In those days you could earn a lot of money doing transport if you worked long hours. When overtime restrictions were tightened to improve compliance with labor standards, however, it became a less lucrative job. It was then that an invitation came from his father and he returned to Tokushima after three years to help out with the family business. In the first generation the business involved inserting glass into wooden frames and selling this product wholesale but as aluminum sliding window frames became more popular, the glass materials wholesale business grew.

However, when his father passed away in 1998, Takashi became bogged down in coordinating with partner vendors and struggled to build relationships with new clients. Then the economic bubble burst and, after a few years, the industry began to change to one in which sliding window frame manufacturers assigned vendors. To make matters worse, prices fell to around 40% of what was established. Global economic crises compounded problems and Shikoku glass companies fell into hardship.

Takashi reflects, "We used to get work through parties and 'golf marketing' but now, unless you know the management at a major, established construction company, it's very hard to expand sales."

◆ Turning point for the business
Switching to renovation in a desperate attempt to bring the business back from the brink, it becomes an "all-purpose consultancy" for residences

Now, major sliding window frame manufacturers



Hiroyuki Fukuda, Kamiita Society of Commerce and Industry business advisor

have expanded the scope of their businesses to handle a wide range of constructions materials including those for interiors. Small wholesalers like Takashi's company were even more hard-pressed. It was then that Takashi decided to seek salvation in renovating the entryways and windows of older properties rather than compete against major manufacturers that specialized in new properties.

"I do get renovation jobs from construction companies and contractors but the number of inquiries directly from consumers has increased. I'm sure the fact that our office is on the main street and easy for people to find also helps," Takashi says.

When you deal directly with consumers, you gain a good understanding of their needs. By switching to the renovation business, the company was able to shed its image as a glass business and be reborn as a small but comprehensive renovation business, an all-purpose consultancy for residences, so to speak.

Having seen the path to renewed business, the next challenge was figuring out how to advertise this new business to consumers. Distributing flyers being standard practice, he promptly went to Hiroyuki Fukuda, a business advisor at the Kamiita Society of Chamber and Commerce, where Takashi was deputy chairman, and Fukuda recommended he apply for the Small and Medium Enterprise Agency's micro business sustainability subsidy.



A flyer with illustrated menu and coupons



Preliminary inspections need to be prompt and careful

◆ Leap forward for the business Innovative flyers with illustrations and coupons become a hit

He wanted to convey through the flyers that the company could offer renovation construction, but this was difficult to express through words alone. So he decided to illustrate his business instead.

“People planning renovation in the near future look at flyers but those who don’t feel any need barely glance at them. So we tried illustrating a menu of renovation work in high demand and adding lines to tear along. We also made people feel like they were getting a special offer by attaching coupons,” Takashi explains.

The plan proved to be right on the mark.

Despite flyers being an advertising method with an extremely low rate of success, maybe a handful per every thousand, 40 inquiries came in over the week following just the first distribution.

“It was unexpected for sure. When I visited these customers, I’d see our flyer menus torn out and pinned up next to the telephone, just as we’d hoped,” says a pleased Takashi.

Even now he continues to devise campaigns such as attaching coupons for replacing screens for ¥500 a piece to try to attract new customers regardless of profit.

He says that through these efforts he became better-known and even featured in a Tokushima Prefecture newspaper. Also taking part in a joint exhibition at the Tokushima New Business Conference’s Tokushima Business Challenge Messe, he is innovatively spreading awareness of his business and his new services.

At the behest of certain clients, he has also begun taking on barrier-free jobs such as eliminating level differences and installing handrails for walking.

Making the switch from wholesale to construction company to construction work directly for consumers has stabilized performance and now consumer work accounts

for around 50% of sales and total sales are up.

◆ Future business and tasks Gain customer trust through prompt, careful response as a general maintenance business

Takashi is grateful that inquiries have increased, but it’s still just him and his younger brother carrying out work checks, inspecting sites to prepare estimates and other tasks.

“We try to visit within a week but sometimes we can’t get out to a location very quickly, which is a concern. I want to build people’s trust in us by developing a system for prompt and careful handling,” he says.

Therefore the next step is to develop this system as a general maintenance business able to promptly handle a wide range of needs.

Typically consumers don’t know where to go for house or fixture repairs after the warranty has expired. This is a business opportunity for the company.

Takashi explains, “Gaining customers’ trust by talking to them directly and getting a good understanding of their needs, then promptly and carefully addressing these needs—that’s the most important. Dealing directly with consumers allows us to make a number of other suggestions for renovation and this can lead to more business. In the future I’d like to set up a consultation space in the shop.”

Case

Case 3-4-7: Yame Gibier Co., Ltd.

(Yame City, Fukuoka Prefecture)

(Wildlife preparation—mainly boar, deer; manufacture/sale of meat, processed products)

<Employees: 0; capital: ¥300,000>

Yoshifumi Ideguchi,
Representative Director

A change in thinking from wild animal damage prevention to new business creation turns Yame's wild boar into the Yame Gibier brand

◆ Background of the business

Worsening wild animal damage due to depopulation and graying demands a solution

Nation-wide damage caused by wild animals is on the rise in recent years, amounting to some ¥20 billion in total. The main reason for this is said to be reduced human activity in mountainous areas due to depopulation and societal graying. Increased animal fertility due to global warming and a decline in hunting due to graying and fewer hunters also appear to be connected. Yame City in Fukuoka Prefecture, famous for its excellent green tea, is one such place where damage to crops by wildlife—boar, specifically—has become too large a problem to ignore. The boars are clever about finding ways around the numerous measures to stop them and the damage is proving hard to prevent.

“Up until elementary school I rarely saw boar near civilization but after that it became more common,” recalls Yame Gibier representative director Yoshifumi Ideguchi, who grew up in the mountains.

“Plus,” he goes on, “even though boar usually give birth in the spring and fall, lately you see sows with piglets year-round. You even see deer coming out, which never used to happen.”

Boars are omnivores and will eat anything. They also have no natural enemies in the region. What could be called their natural enemy, humans, are on the decline and with the comfortable environment created by global warming, if they can access the rich nourishment near civilization they can reproduce explosively.

“Most mountain dwellers such as my father owned hunting rifles and would go out in the winter, boar hunting season, to hunt boar. Each hunter would prepare the boar he killed and share it with his neighbors. At that time raw meat wasn't really circulated commercially, so eating meat meant eating wild boar. It was delicious,” Ideguchi says.

Indeed it appears a primary determinant of boar population is hunting by humans.

◆ Turning point for the business

A public-private project to turn Yame's delicious wild boar into a specialty product

Having grown up surrounded by hunters, Ideguchi too got his hunting rifle license when he was 21 and hunted boar.

“Not many people know this, but wild boar has actually been sold in specialty shops as a luxury food since long ago. You need a certain amount of know-how to hunt and prepare boar, so that knowledge and expertise has been handed down from generation to generation of hunters,” explains Ideguchi.

Boar meat also has an image of being smelly and tough, so more than a few consumers keep their distance.

“It depends on the region, season, food and other factors, but there are boars that are very smelly” he admits. “I discard any boar meat I eat that smells. Also, sometimes other hunters want to sell their wild boar to me but I decline because I don't know how they were hunted or what condition the meat is in.”

A health center license is required to prepare and sell wild boar. Ideguchi complies with this to the letter, and it is this integrity that has long made him a respected hunter and Yame wild boar so highly thought-of.

Meanwhile the Yame Chamber of Commerce and Industry, which was supporting the industrial regeneration of Yame City, began conducting surveys on commercial use of wild boar in 2011 in an effort to counter damage by wild animals and create new industries.

“We thought, maybe we could make wild boar a

Kazumasa Ikeuchi, Yame Chamber of Commerce
and Industry head of business support

specialty product of Yame. That was why we reached out to Mr. Ideguchi, a skilled and respected hunter, to ask for his cooperation,” says Yame Chamber of Commerce and Industry head of business support Kazumasa Ikeuchi.

Through the chamber’s support, Ideguchi founded Yame Gibier Co., Ltd. in 2013 and began to focus on projects to develop wild boar products and open up sales channels.

◆ Leap forward for the business

High praise for Yame’s boar meat boosts the Yame Gibier brand

First, a hunting group was formed around Ideguchi, who gave instruction in hunting and meat preparation techniques to ensure the quality of the boar meat. Then PR was done in Fukuoka Prefecture and cities, including through use of the media, to inform people about the state of wild boar population control activities and the delicious flavor of quality Yame wild boar.

They expanded sales of Yame boar meat through exhibitions and tasting events. Then in 2012, the first annual “Yame Gibier Week” was held in Yame City and Fukuoka City, inviting customers to try Yame boar dishes in numerous restaurants.

The response has been positive, according to Ideguchi. “At tasting events, even people that initially avoid the boar meat are surprised by how much they like it when they try it. The delicious boar flavor comes through especially well in simple shabu-shabu.”

He also processes the meat into sausage, ham, bacon and more, expanding Yame Gibier brand’s product lineup. One extremely popular product is the Yame Gibier wild boar curry packs, developed together with Fukuoka City chefs and restaurant managers, which received special mention at the 2014 Food Action Nippon.

“Praise from restaurants and chefs serving gibier in Tokyo and Fukuoka gives us great confidence. We’ll keep working to strengthen the Yame Gibier brand through its wild boar and other products,” says Ikeuchi enthusiastically.

◆ Future business and tasks

Exploring uses for boar hide, placing great expectations in Yame’s wild boar

Ideguchi continues to hunt around 50 wild boars per year, prepare and sell the meat raw as well as develop processed products, all alongside his main job in construction.

He says, “Yame boar meat has been recognized as high quality so the question now is how far we can expand sales. Volume isn’t high right now but I intend to grow to the point where I can hire others. Recently I’ve also been thinking about using the hide as well as the meat. I’m testing the durability and color retention of bags made from hide that I’ve skinned and tanned. They’re wild animals, after all, so there are a lot of cuts, but I think this adds character and could make for an interesting product.”

Opportunities to think about historical nutrition, such as local production/local consumption events at Fukuoka Prefecture elementary schools are also increasing, bringing the region together.

Raised in the mountains hunting wild boar, Ideguchi’s knowledge of wild boar and passion for their products is the real thing.



Samples made of wild boar hide
Potential new brand products?



Yame Gibier's processed products
Its goal is to unify the brand

Section 2

Cases of support through support bases partnering with other support institutions

This section introduces the following two cases of support through the coordinators at support bases throughout all 47 prefectures partnering with other support institutions.

Case 3-4-8 Kimuraya Sweets Shop (Murata Town, Shibata District, Miyagi Prefecture)

Case 3-4-9 Mita Foods Ltd. (Kiryu City, Gunma Prefecture)

Case

Case 3-4-8: Kimuraya Sweets Shop
(Murata Town, Shibata District, Miyagi Prefecture)

(Sweets manufacturing/sale)

<Employees: 1>

Stimulating the historic and cultural warehouse town of Murata by developing popular sweets to save an old sweets shop



Masataka Kimura, Representative (right), and wife Atsuko (left)

◆ Background of the business

Taking on a generations-old sweets shop in Murata, a town of former glory

About 30 minutes along the expressway from Sendai, in southern Miyagi Prefecture, is a town called Murata. From long ago until the start of the Meiji period, trading of safflower, used for dyeing, flourished in the area. It was also a juncture on the road from Edo to Sendai or Yamagata, making it an important town for merchants transporting their wares. Wealthy merchants stored their riches here and remnants of this can be seen in the many resplendent warehouses dotting the town. Because the gentle terrain is reminiscent of Kyoto, it's also called Miyagi's Little Kyoto.

From the middle of the Meiji period, however, modernization of dyeing technology and the opening of a coastal railroad caused Murata's glory to slowly fade away, replaced by depopulation and graying that continue today.

On one corner of this historic town's warehouse-filled streetscape stands Kimuraya Sweets Shop. Founded in 1904, this longstanding sweets shop is over 100 years old. The store itself is not that big but is loved by its regular Murata customers and manufactures and sells a variety of Japanese sweets such as *manju*, rice cake sweets and sweet bean jelly. One specialty in particular is its homemade sweet bean paste, which skilled hands devotedly prepare.

Fourth-generation owner Masataka Kimura says, "We open at 7 a.m. for our early-rising elderly customers. And even if we're closed, we always serve any customers that come. There are four sweets shops like ours in Murata but each has their own regulars, so there's no competition."

◆ Turning point for the business

Developing original products to match the season or event

Kimuraya Sweets Shop's main products are Japanese sweets such as plum-flavored sweet bean jelly, which is endorsed as a prefectural product, but it is also moving into original products capturing the charm and history of Murata.

These include "Hotei no Taiko," which relates to the Japanese orchestra at the Hotei Festival, an 800-year-old

tradition that fills the warehouse-dotted town and blocks its roads each fall. Others are Jafuji *manju*, Keyaki shortbread and ginkgo pastries, which all relate to the trees at Shiratori Shrine that are said to be over 300 years old. Still another is "Soramamekun," in which powder made of broad beans, another specialty, is kneaded into sweet bean paste. This lineup speaks to Kimura's aspirations to develop new products.

He adds, "On top of these, I hope to use specialties such as *soba* and Mirai brand corn to create some Murata classics corresponding to the season or various events. We're also trying to think up a packaging design featuring Kurarin, Murata's mascot.

In addition to Hotei Festival, Murata also has an event in which over 80 porcelain artists gather to exhibit their works in vacant shops and warehouses. Each year numerous attendees come from inside and outside the prefecture to Murata, so Kimura wants to introduce these tourists to his original products and multiply the number of repeat customers.

He elaborates, "Every month approximately 2,000 people come through the Murata rest stop and around 200 of them visit Murata to tour its warehouse-filled townscape. In light of those numbers, I believe we have a huge chance of success if we can just develop appealing products."

Then a formidable competitor emerged, however. A famous Miyagi Prefecture sweets chain was planning to open a store near the Murata road station.

◆ Leap forward for the business

A famous sweets chain coming to Murata spurs Kimura to register product trademarks

"I wouldn't call it a shock, but we were alarmed. So we went to consult with Mr. Akama at the Murata Society of Commerce and Industry," says Kimura.

Kimura was in fact on the society's board and had once been the head of the youth department. He saw the arrival of the famous chain as a town-wide issue.

Murata Society of Commerce and Industry business advisor Toshiaki Akama, with whom Kimura consulted, felt that Kimuraya Sweets Shop needed to turn its original products into a brand as quickly as possible and



Toshiaki Akama, Murata Society of Commerce and Industry business advisor (left), and Koji Tanaka, Miyagi Prefecture support base coordinator (right)

recommended registering a trademark. However, because this required special expertise, he reached out to Miyagi Prefecture support base coordinator Koji Tanaka for help and, partnering with a Miyagi Prefecture invention association, began to support Kimuraya Sweets Shop.

They first asked the association to look into registering trademarks for two of the shop's flagship products, Keyaki shortbread and ginkgo pastries. The response was that because Keyaki shortbread is the combination of two common words, making it difficult to register, it would be better to go with a graphic. But they were of the opinion that the ginkgo pastries, on the other hand, called "Icho no Mai," could be registered by name. They've just completed the trademark registration request and plan to move on to the next step, figuring out application timing and cost-effectiveness.

"I wasn't even thinking about registering trademarks for my products. The effectiveness remains to be seen but because I have more opportunities to discuss this with my family, it's at least a chance to think about the future of the store," says Kimura of the support.

Up until now he had thought it could continue to serve the people of Murata in much the same way as it had for hundreds of years. These developments made him realize that the future of the business might be called into question if they didn't create products more proactively and go on the offensive in branding and marketing.



Kimuraya Sweets Shop, located amid historic warehouses

◆ Future business and tasks

Taking Kimuraya Sweets Shop into the future with the conviction that protecting it is protecting the town

"I think our top priorities right now are solidifying store management and strengthening sales. First and foremost, that means steadily expanding sales channels. Next, we need to increase our productive capacity. With only two workers at the moment, we have our hands full, so it would be good if we could improve this through things like automating packaging. Some leeway would allow for more product development or package design ideas," Kimura says.

The Murata Society of Commerce and Industry and the Miyagi Prefecture support base will also continue to support Kimuraya Sweets Shop through use of subsidy programs.

Alongside managing the shop, Kimura is also on the executive committee for the Hotei Festival, on the board of Murata Warehouse Warashi, an NPO promoting urban development using Murata's warehouses, and a young leader in revitalizing the town. Clearly, he has a great love for Murata.

"I think that in order to protect Murata's culture and history, we who own businesses in the town need to have a strong vitality. Protecting Kimuraya Sweets Shop means to protect Murata. We cannot lose," he says determinedly.

Perhaps one day soon, Kimuraya Sweets Shop will be the first thing people think of when they think of the town of Murata.



Hotei no Taiko, Keyaki shortbread and Soramamekun, all original products

Case

Case 3-4-9: Mita Foods Ltd.
(Kiryu City, Gunma Prefecture)

(Dining)
<Employees: 5; capital: ¥5 million>



Tomoya Mita,
Representative Director (left),
and wife Sachiko (right)

The third-generation owner uses government support to renew a locally-loved Western restaurant and pursue a dream of restaurant management

◆ **Background of the business**
The young couple take on the father's well-established restaurant

Since the Nara period, Kiryu City has produced silk goods second to only the Nishijin silk of Kyoto. Sometimes called “Shokuto” (fabric city) for its agglomeration of textile industry technology, it stagnated after World War II due to a loss of interest in Japanese clothing and pressure from emerging countries, but numerous historic buildings can still be seen. The area also has a strong entrepreneurial spirit and has turned out a large number of successful entrepreneurs in the pachinko and auto parts industries.

Current representative director Tomoya Mita's grandfather also founded a textile factory here but Mita's father switched to the restaurant business due to the stagnation of the textile industry, opening a southern European restaurant called La Veille that is now well-established and much-loved in the community.

Tomoya Mita, the third generation, went to Tokyo for university but, dining being the family business, gradually grew more interested in cooking. After graduating he trained at an Italian restaurant. Finally, at the age of 27, he returned to Kiryu City to help at La Veille, ran by his parents, and two years later took on the business even as he married his long-time sweetheart Sachiko.

◆ **Turning point for the business**
The frustration of seeing things that need improving but not being able to do anything

La Veille had plenty of regulars and thus a reasonable amount of business, but with few new customers, business gradually began to taper off and sales to decline.

His wife, a Yokohama native, comments, “From the perspective of a city dweller, the interior and menu did leave a little to be desired.”

With no discernible issues with the flavor or service, where should improvements be made?

Prices were reasonable at around ¥1,000 but the menu had too many items. The regulars tended to be senior citizens and new customers tended to be women and young people, and this had produced the lengthy menu.

They offered the entire menu regardless of time of day, making the periods of concentration extremely busy. On the other hand, because the teatime menu was so sparse, few customers came between lunch and dinner.

The interior and exterior were another problem. A parking lot between the restaurant and road kept it from standing out. The interior furnishings felt cluttered, cancelling out the spaciousness of the facility for those entering. The toilets were also Japanese style.

“We didn't have the money to remodel. We wanted to do something but couldn't. It was frustrating,” recounts Mita.

◆ **Leap forward for the business**
A new sign to be seen from the road and an overhaul of the menu

It was Kiryu Chamber of Commerce and Industry business advisor Yuki Takahashi that expressed a desire to somehow support this longstanding restaurant. Enlisting the help of Gunma Prefecture support base coordinator and designer Naoto Furukoshi, they together reviewed La Veille's interior and exterior.

First, they boosted the roadside appearance of the place by installing a new sign. Then, using mostly the existing furnishings and tables, they rearranged the interior to clarify customer and employee paths of movement and improved the atmosphere by adding tablecloths and other elements to make the high-ceiling interior feel more spacious and relaxing.



Yuki Takahashi, Kiryu Chamber of Commerce and Industry business advisor (left)
Naoto Furukoshi, Gunma Prefecture support base sub-coordinator (middle)
Tamoshi Saito, Gunma Industry Support Organization assistant to head of consulting (right)

Next was the menu. They made it easier to decide by replacing the item-laden, text-heavy menu with one with pictures. They also created meal sets to make lunch feel more discounted and added a side menu for dinner with items such as pizza and fondue, throwing some variety into the daily menu makeup. Because there was no centerpiece dish, they made this the Japanese-style sliced steak, marking it as the number-one top seller.

They developed set menus and wedding menus for parties and installed a projector to display video. According to Mita, La Veille catered to two weddings last year.

“Of course, our regulars are still very important to us, so at noon it’s not really just the lunch menu. We make any item off of any menu if someone requests it. We also deliver box lunches. My parents start early in the morning and have them ready by noon. One time we prepared 150 meals in a day, but then we’re short on help so my father delivers them. It gets really busy but these are our valued customers so we keep doing it,” remarks Mita.

He says that redoing the menu to suit customer wishes and improving the interior and exterior, on top of the already reputed cooking and quality of service, has borne fruit and sales are up 20-30%.

◆ Future business and tasks

With plenty of things left to improve, the young couple will continue to pursue their dreams

“We are making progress in improving La Veille but we still have a long way to go,” says Mita, who this year (2016) assumed the position of representative director.

One remaining issue is that the toilets are still Japanese style. This will apparently be changed through the support of the Kiryu Chamber of Commerce and Industry.

Another is development of the teatime menu from 3 p.m. A menu with a complete array of teas and coffees as well as lighter foods such as handmade sweets and pizza is in the works.

The position of the box lunch delivery business that

currently accounts for about 30% of sales is another issue. They may divide it into a separate business.

“My interest lies more in restaurant management than cooking,” says Sachiko, “so I dream of how we can expand the business beyond just this one restaurant.” She appears to be using her experience as an apparel store manager to analyze current sales and manage interior changes.

“We’re at a turning point—restaurant expansion or business diversification—and this is something that will require a lot of thought. But the most important thing for me right now is making La Veille a restaurant that’s loved more and more by the community. We celebrate 30 years this May so first I intend to come up with a plan for that,” says Mita.

Kiryu Chamber of Commerce and Industry’s Takahashi says, “The vitality of established restaurants is also important to the development of the region. I can really relate to the Mitas, and I plan to continue to offer support in the form of advice on restaurant improvement, finance analysis, sales channels and more as well as through use of external advisors.”

Mr. and Mrs. Mita’s work, and fulfillment, has only just begun.



La Veille’s southern European façade



La Veille’s relaxing interior with high ceiling and white walls

Conclusion

This year's review of trends, business activities, and other aspects of Japan's 3.25 million micro businesses may be summarized as follows.

Between 2012 and 2014, micro businesses declined in number by about 91,000, but their sales increased by approximately ¥0.2 trillion. In addition to the large number of startups that occurred during this period, the number of micro businesses that became medium businesses exceeded the number of medium businesses that became micro businesses. Thus while micro businesses declined in number, their sales increased and there was considerable turnover in their ranks.

This white paper analyzed micro businesses' actual conditions and approaches to business from a variety of angles.

The analysis of micro businesses' sales areas revealed that a large proportion of their sales are generated nearby, either in the municipalities in which they are located or in neighboring ones. It was also shown that micro businesses whose sales are rising tend to have growing sales areas too, pointing to the importance of sales area growth to growth in sales.

The analysis of IT use among micro businesses investigated usage of IT according to function. It was demonstrated that the proportion of orders received via the Internet correlates with rising sales, which suggests that skillful use of IT can open up new business avenues for micro enterprises.

In the analysis of preparation of business plans, it was revealed that producing such plans yields a number of benefits, including clarification of business policy and targets. It was also shown that businesses that had prepared business plans in the past were more likely to report current sales growth than businesses that had never prepared such plans. As it was found that about one in two micro businesses have never prepared business plans, however, such businesses need backing to help them do so.

Micro businesses were also analyzed from the perspective of the support agencies that receive consultations from micro businesses and help them to tackle the issues that they face. The business advisors who provide support to micro businesses at commerce and industry associations and chambers of commerce and industry throughout the country see the "development of sales channels," "business

successions," and the "development and revision of business plans" as being among the most important issues facing micro enterprises. These overlap closely with the areas of action that micro businesses consider to be important in the medium to longer term. As micro businesses have limited human resources at their disposal, it is important that support agencies assist micro businesses' sustained business development by providing solid support to plug their deficiencies and enable them to tackle issues that they would not be able to address on their own.

The relationships between micro businesses and their communities were analyzed from angles including their contributions to their local economies, and it was found that micro businesses' shares of local sales and employment increase as population decreases. Through their business activities, micro businesses generate jobs and value added at the local level. Looking ahead, there are concerns that population decline, the falling birthrate, and demographic aging will pose deepening, more diverse challenges. Given that they are a major presence in more rural areas, it is hoped that micro businesses will continue to play an important role in their local economies.

In the analysis of the sizes of enterprises at which women work, it was demonstrated that, in comparison with new female graduates, a higher proportion of women who return to the workforce after having or caring for a child work at SMEs and micro businesses. Given that the Japanese population is in decline, ensuring sustained economic growth will depend heavily on creating opportunities for women and their employers to get the most out of their skills. Micro businesses will therefore have a major role to play as sources of employment for women.

Following on from last year, this year's white paper examined "freelancers," who earn a living by relying on their own skills and expertise rather than by attaching themselves to a specific organization. It was shown that freelancing is a style of work that, despite some dissatisfaction with certain aspects such as income, offers all kinds of potential and imposes few constraints on when or where its practitioners work. Among freelancers, some who are expanding their sales are taking active steps to provide better products and services to customers by, for example, improving

their skills and technologies. In recent years, advances in IT resources and practices have also made it possible to obtain work through crowdsourcing. For freelancers who deliver high-quality products and services but have limited opportunities to receive orders, these advances have opened up more ways of obtaining work. Looking ahead, it is hoped that both clients and people in employment will become aware of freelancers and what they and their work styles have to offer.

Putting a human face to some of these micro businesses, this year's white paper also presented 44 specific examples of dynamic micro businesses with close local ties. Through the positive approaches that they illustrate, these examples highlight various important ways in which businesses can leverage their strengths to succeed despite their small size.

Because of their constrained human, financial, and other business resources, their more limited sales areas and ranges of products and services, and weaker price

competitiveness and ability to cope with risk, micro businesses are considered particularly susceptible to the effects of structural change. As this white paper has shown, however, it is perfectly possible for micro businesses with limited business resources to expand their sales by taking steps to, for example, expand their sales areas, make use of IT, and prepare business plans. It is also important that when micro businesses tackle challenges that are hard for them to solve on their own, support agencies should put them on the path to finding appropriate solutions by supplementing the resources that they lack.

On a concluding note, more active engagement in areas such as the development of sales channels in order to better meet demand will be crucial to micro businesses' sustainable development in the future, and it is hoped that the micro businesses that are the bedrock of Japan's regional economies will continue to develop in the years ahead.

Policies for small enterprises implemented in fiscal 2015

Policies for small enterprises implemented in fiscal 2015

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Policies for small enterprises implemented in fiscal 2015

The Basic Act for Promoting Small Enterprises approved 20 June, 2014 prescribes four basic policies for taking measures regarding the promotion of small enterprises in accordance with the basic principles for the sustained development of micro businesses.

Basic policies

1. Promote sales of products and provision of services that respond to diverse domestic and foreign demand, and promote the development of new businesses.
2. Facilitate effective use of management resources by small enterprises and the fostering and securing of personnel required by small enterprises.
3. Facilitate business activities of small enterprises that contribute to invigorating regional economies, improving the lives of local residents, and promoting exchange.
4. Develop a support system to provide appropriate support to small enterprises and devise other necessary measures.

Toward realizing these four basic policies, the Basic Plan for the Promotion of Small Enterprises (Cabinet decision of 3 October, 2014) sets the following four goals.

- (1) Promoting business management that should be implemented for future demand
- (2) Promoting business renovation
- (3) Facilitating business activities contributing to regional economies
- (4) Developing a system for supporting micro businesses through community-wide collective efforts

The following chapters introduce the measures for small enterprises implemented in fiscal 2015 toward achieving these four goals.

Goals of the Basic Plan for the Promotion of Small Enterprises (1)

(1) Promoting business management that should be implemented for future demand

— Creating and discovering demand for micro businesses by more proactively taking advantage of their conventional face-to-face relationships with customers —

Small enterprises are facing reduced demand from structural factors in the Japanese economy and society including population decline and lifestyle changes. Moreover because of limitations on funds, personnel, product development capacity and other management resources, small enterprises have weak price competitiveness and sales abilities, and are easily influenced by structural changes.

On the other hand, because of their strengths in transactions based on face-to-face relationships of trust, small enterprises have the potential to develop new demand inside Japan and overseas by grasping needs to which large enterprises cannot respond, and developing and providing various products and services that are not caught up in price competition. Additionally, with the spread of IT, the potential for activities beyond existing business regions is expanding even for enterprises that are small scale. To maximize such potential response of small enterprises to structural changes, promote systematic management anticipating demand which grasps enterprise strengths, creates and cultivates demand, makes greater use of IT, and develops and provides new products and services.

Section 1 Enhancement of technological capacity

1. Strategic Core Technology Advancement Program [Fiscal 2015: Included in ¥12.87 billion]

Support was provided for research and development activities by SMEs and micro businesses with plans approved under the SME Technological Advancement Law conducted in collaboration with universities or research institutes such as publicly funded laboratories.

2. Program to support collaboration to strengthen competitiveness of commerce and services [Fiscal 2015: Included in ¥990 million]

This program supports the development of new business models implemented as industry-academia-government collaboration by SMEs and micro businesses in accordance with plans for development of new businesses through collaboration in different business fields certified based on the SME New Business Activity Promotion Act.

3. Program to promote bridge research and development to second-tier companies and SMEs [Fiscal 2014 supplementary budget: Included in ¥1.42 billion]

Even when second-tier companies and SMEs have specific superior technologies, by themselves these are sometimes insufficient for commercialization.

For that reason, it is important for organs with superior basic technologies to promote commercialization through mediation of their technologies to second-tier companies and SMEs.

Toward those ends, New Energy and Industrial Technology Development Organization (NEDO) certified 144 publicly funded laboratories and other institutions nationwide as organs with “bridge” functions that bring innovative technology seeds to commercialization, and provided subsidies (assistance rate of up to two-thirds, maximum assistance of ¥100 million) to second-tier companies and SMEs implementing joint research using the abilities of these organs

4. Program for National Institute of Advanced Industrial Science and Technology (AIST) mediation to second-tier companies and SMEs [Included in AIST operating expenses subsidies]

Under this program “Innovation Coordinators” from National Institute of Advanced Industrial Science and Technology (AIST) who were assigned to publicly funded laboratories which grasp the needs of regional second-tier companies and SMEs to build a nationwide-scale coordination system worked to strengthen the “bridge” function leading to commercialization of innovative technology seeds held by regional companies, and supported the research and development of second-tier companies and SMEs.

5. Comprehensive support for enhancement of core manufacturing technologies of SMEs

Comprehensive support was implemented for SMEs and micro businesses with approved specific R&D plans formulated in accordance with the advancement guidelines under the SME Technological Advancement Law by such means as the Strategic Core Technology Advancement Program, financing, and special exemptions for guarantees.

6. R&D promotion tax system (for strengthening the technological bases of SMEs) [taxation scheme]

Measures were devised for research and development investment by SMEs and micro businesses whereby they can take a tax credit equivalent to 12% of testing and research expenses (up to a maximum of 25% of the corporation tax) or a tax credit equivalent to 20% or 30% of special testing and research expenses (testing and research jointly conducted or consigned to universities etc. or for setting or receiving consent to use intellectual properties held by SMEs) (up to a maximum of 5% of the corporation tax).

In addition, a measure was provided whereby enterprises can choose either (1) in cases where their expenditure on testing and research has increased by a rate of at least 5% from the average over the past three years, a tax credit equal to the amount of the increase in testing and research expenses times the percentage of the increase (up to a limit of 30%) or (2) in cases where their expenditure on testing and research exceeds 10% of average sales, a tax credit equal to a fixed portion of the amount exceeding 10% of average sales (not exceeding 10% of the total corporation tax for the concerned period; until the end of fiscal 2016).

7. Support under the Small Business Innovation Research (SBIR) Program

The provision of central government-allocated research and development spending for SMEs and micro businesses continued to be expanded and the commercialization of the results of technological development activities continued to be promoted, for example, by designating specific subsidies for the development of new technologies leading to the creation of new industries, setting targets for expenditures, and formulating policies for measures to support the commercialization of development results achieved using specified subsidies. Additionally, to promote the commercialization of technology development outcomes, SMEs and micro businesses were informed and encouraged to take advantage of the available commercialization support, such as the database of the technological capabilities of enterprises granted specific subsidies and the low-interest loans offered by the Japan Finance Corporation (JFC). At the same time, the multistage selection process for the allocation of special subsidies was introduced and expanded.

8. Program for the development of new businesses through collaboration in different business fields [fiscal investment and loan program]

This program provided authorization under the SME New Business Activity Promotion Act for business plans for developing markets and developing new products and services through collaborations between SMEs and micro businesses in different sectors and the effective combination of their management resources (such as technology and markets). Support was provided to SMEs and micro businesses with authorized plans through the Program to Support Collaboration to Strengthen the Competitiveness of Commerce and Services. The program also provided wide-ranging support through grants and subsidies and through financing and special exemptions for guarantees.

9. Program to assist the development of new manufacturing, commerce and services [Fiscal 2015 supplementary budget: Included in ¥102.05 billion]

This program provided support for plant and equipment investment by SMEs and micro businesses developing innovative services, developing prototypes, and reforming manufacturing processes in collaboration with approved support agencies, to create new services and manufacturing businesses responding to domestic and foreign needs.

10. Program to promote business creation through medical-engineering collaborations [Fiscal 2015 budget: Included in ¥3.19 billion]

This program advanced a medical equipment development support network, and implemented escort-type consulting on about 250 cases with seamless support from the initial development stage through to commercialization. Also, to promote the development of medical equipment through collaboration between manufacturing SMEs and medical institutions, assistance was provided to 52 medical equipment commercialization verification projects.

11. Enterprise vitality enhancement funding [fiscal investment and loan program]

JFC provided loans for the funds necessary to advance the modernization of management and rationalization of distribution systems of small and medium merchants and service businesses, upgrade the core manufacturing technologies of SMEs, and promote subcontracting SMEs.

Section 2 Support for developing markets and demand

1. Project to advance measures for micro businesses [Fiscal 2015 budget: ¥4.65 billion]

This project advanced escort-type assistance to micro businesses by commerce and industry associations and chambers of commerce and industry in line with “Management Development Support Plans” authorized based on the Small Business Support Act, assisted micro businesses in the preparation of business plans for future demand and the development of markets, and supported the development of special products engaging entire regions and the development of their markets, etc.

Also, to encourage business expansion by regional micro businesses aiming to target nationwide markets, commerce and industry associations and chambers of commerce and industry cooperated with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets (survey & research businesses: 123; production businesses: 56 (year 1) and 31 (year 2)).

2. Project for micro businesses support packages [Fiscal 2015 supplementary budget: ¥10.0 billion]

While making use of chambers of commerce and industry which are rooted in their regions and have nationwide networks, this project provided aid to micro businesses for their efforts to prepare management plans and for their expenses to develop markets based on those management plans, and supported micro businesses developing wide-area markets going beyond their existing marketing areas by arranging product exhibitions and business fairs, and assisting sales through “antenna shops” inside and outside Japan and via the Internet.

Also, to boost the management abilities of micro businesses, support was given for the dispatch of supervisors from organizations nationwide to provide guidance and education toward upgrading the support abilities of business advisors.

3. Support for cultivation of markets through exhibitions, business fairs, and other events [Included in SMRJ subsidy program]

The Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ) provides support for the development and expansion of markets for products and services developed by SMEs and micro businesses through agricultural-commercial-industrial collaborations or through using local resources, by organizing exhibitions, business fairs and other events.

4. Market Development Coordination Program [Included in SMRJ subsidy program]

Under this program market development experts with experience working at trading companies, manufacturers and other firms (market development coordinators) assigned to the SMRJ assisted SMEs seeking keys to new markets by conducting test marketing of new products, technologies and services in the Tokyo Metropolitan region and the Kinki region, and also gave SMEs the strengths to develop markets.

5. Project to support market development [Included in SMRJ subsidy program]

SMRJ promoted matching by inviting buyers and providing market development advice to enterprises exhibiting at shows sponsored by SMRJ and exhibitions held at the same time, and supported the development of markets for small and medium venture businesses.

6. Support for the creation of new businesses [Included in SMRJ subsidy program]

Experts in marketing and other areas of business were stationed at the 10 branches and offices of the SMRJ across Japan and provided detailed, integrated support to SMEs and other entities undertaking new businesses by drafting business plans based on the SME New Business Activity Promotion Act, the SME Regional Resource Utilization Promotion Act, and the Agricultural-Commercial-Industrial Collaboration Promotion Act.

7. J-Good Tech [Included in SMRJ subsidy program]

The SMRJ posted information about Japanese SMEs with superior niche top and only-one technologies and products on a website, and connected them with major domestic manufacturers and overseas firms, supporting the development of domestic and overseas markets by SMEs.

Section 3 Support for overseas business development**1. Support for overseas business development and commercialization by SMEs and micro businesses [Fiscal 2015 budget: Included in ¥2.5 billion]**

To support the development of overseas markets by SMEs and micro businesses, the Japan External Trade Organization (JETRO) and SMRJ collaborated in providing strategic assistance with measures in response to the needs of various stages of overseas development from providing information on overseas market trends and regulations, feasibility studies, and enterprise development by construction of export systems through to supporting the development of overseas markets via support for exhibiting at domestic and foreign trade fairs and inviting overseas buyers and providing support after enterprises advance overseas. Help drafting business restructuring plans and other support was also given to enterprises which have overseas subsidiaries facing management issues.

2. Program to support regional specialties [Fiscal 2015 supplementary budget: Included in ¥3.0 billion]

This program provided support to SMEs and micro businesses in the development of new products and services for domestic and foreign markets and the development of markets through the use of regional resources and collaboration with agriculture, forestry and fishery businesses. Assistance was also given to efforts by general incorporated associations to provide information on consumer preferences and matching support to businesses developing products using local resources, or in collaboration with agriculture, forestry or fishery businesses.

3. JAPAN Brand Development Assistance Program [Fiscal 2015 budget: Included in ¥1.61 billion]

This program provided assistance to facilitate the development of overseas markets by SMEs by supporting measures such as the formulation of strategies built on collaboration among multiple SMEs and their respective strengths in raw materials, technologies, etc., product development based on those strategies, and exhibition at overseas trade fairs.

4. Program for promoting global agricultural-commercial-industrial collaborations [Fiscal 2015 budget: Included in ¥800 million]

This program supported 16 verification projects aiming at commercialization within three years toward the creation of overseas demand by agriculture-commerce-industry consortia utilizing the technologies and expertise of commercial and industrial businesses to construct advanced production systems (plant factories, etc) and unified value chains covering production, processing, distribution and sales.

5. Funding for overseas development and business restructuring [fiscal investment and loan program]

The JFC (SME Unit and Micro Business and Individual Unit) provided loans to assist the cash flow of SMEs that for business reasons need to expand overseas to adapt to structural economic changes or need to restructure their overseas business.

6. Support for overseas subsidiaries to obtain capital, etc.

Based on the SME Business Capabilities Enhancement Support Act, the JFC provided loan guarantees for loans from local financial institution to the overseas subsidiaries of SMEs with management innovation plans approved under the New Business Activity Promotion Act.

7. Global Niche Market Top Support Lending Facility [Fiscal 2015 budget: Included in ¥18.0 billion]

To support strategic overseas expansion by second-tier companies and SMEs that are or are aiming to make a global impact by excelling in a specific field (global niche leader enterprises), the Shoko Chukin Bank, Ltd. (the Shoko Chukin Bank) provided long-term, lump-sum repayment and successful-payment type loans through the Global Niche Market Top Support Lending Facility (126 loans for ¥13.8 billion in fiscal 2015; as of the end of February 2016).

8. Support for development of human resources to cultivate new markets [Fiscal 2015 budget: Included in ¥810 million]

To support economic growth in developing countries and assist overseas business expansion by Japanese enterprises, managers, engineers and other personnel from developing countries engaged in management, manufacturing and operations were brought to Japan for training, while Japanese experts were dispatched to developing countries. In fiscal 2015, training was provided to 799 personnel and 41 experts were dispatched to developing countries.

9. Trade investment promotion project [Fiscal 2015 budget: Included in ¥1.4 billion]

The following three programs were implemented to secure markets in developing countries where rapid growth is anticipated in the future:

- (1) Trainings were held and specialists dispatched to promote awareness of the superiority of Japanese technology with the aim of increasing the rate of infrastructure orders placed. In fiscal 2015, seven trainings were conducted and two specialists were dispatched.
- (2) Overseas internships were provided to young Japanese workers to foster “international industry-ready personnel” with the aim of securing infrastructure business and developing overseas markets for SMEs. In fiscal 2015, 124 young Japanese workers were dispatched to 22 countries.
- (3) Support was provided to Japanese enterprises working jointly with local universities, research institutes, NGOs, enterprises and other bodies in developing countries for the development of products and services to resolve social issues facing developing countries. In fiscal 2015, assistance was provided to 11 initiatives.

10. Use of the private-sector partnership volunteer program and matching of returned JICA volunteers [Fiscal 2015 budget: Included in ¥160 million]

In an effort to develop personnel capable of active involvement in the global community, the Japan International

Cooperation Agency (JICA) made use of the private-sector partnership volunteer program to dispatch employees as Japan Overseas Cooperation Volunteers (JOVC) senior overseas volunteers, in line with the needs of each enterprise. Also, as part of efforts to support the employment of returned JICA volunteers, JICA promoted matching of personnel who are very familiar with specific developing countries with the personnel requirements of enterprises.

11. Reduction and waiver of fees for credit checks on SMEs using trade insurance

To support the use of trade insurance by exporting SMEs, Nippon Export and Investment Insurance (NEXI) continued arrangements to bear the cost of providing credit information on business partners required when using trade insurance. The number of business partners covered by these free credit checks was increased from three in fiscal 2008 to eight from fiscal 2015. The credit checks were provided to 503 enterprises in fiscal 2015 (as of 25 January, 2016).

12. Activities to expand and publicize use of trade insurance by SMEs (seminars, consultation events, etc.)

To promote the use of trade insurance by SMEs, the website for SMEs was revised, and NEXI continued hosting seminars and face-to-face consultation events in locations around Japan, and also sent instructors to lecture at seminars hosted by SME-related organizations and at staff training sessions by affiliated regional banks. A total of 72 instructors were dispatched.

By accompanying SMEs on visits to their customers, efforts were also made to raise awareness and encourage wider use of trade insurance at 141 SME customers.

As a result of the above efforts, a total of 48 companies that are customers of SMEs and second-tier enterprises began to use trade insurance. *(Number of visits and number of companies are both as of 25 January, 2016).

In fiscal 2015, a video and an informational pamphlet were prepared. The video was uploaded to the website, and shown at various exhibitions and information sessions. The pamphlet was distributed to companies and at various venues.

13. Improvement of access to trade insurance

In December 2011, NEXI launched the “SME Overseas Business Support Network” in collaboration with 11 regional banks to provide support for overseas business expansion by SMEs. The number of banks has expanded year by year, and collaboration with credit unions was initiated from fiscal 2013 creating a credit union network. In fiscal 2015, 27 additional banks and credit unions were added, forming a network of 105 financial institutions nationwide.

Furthermore, the Trade Insurance and Investment Act was revised in fiscal 2014, making it possible for NEXI to receive reinsurance from domestic casualty insurance companies with broad domestic networks, so NEXI held discussions with casualty insurance companies and concluded reinsurance contacts with two companies.

The formation of this network with financial institutions and casualty insurance companies has made trade insurance more accessible and easier to use for local SMEs.

14. Support for security export control

Support was provided for the improvement of voluntary management systems for security export control at SMEs exporting goods and providing technologies by holding information sessions to improve the efficacy of security export control based on the Foreign Exchange and Foreign Trade Act and dispatching experts in collaboration with the one-stop general support program for SMEs and micro businesses.

15. Promotion of BOP business [Fiscal 2015 budget: Included in JETRO grant]

To promote the BOP/volume zone business, JETRO provided sustained support to individual enterprises in accordance with the business phase, using local coordinators and other resources.

Furthermore, domestic consultation events were held for Japanese enterprises considering the BOP business in countries such as India and Bangladesh, and domestic business fairs were held and local trial sales conducted for Japanese enterprises aiming to develop the BOP/volume zone market in Myanmar and Kenya. JETRO also conducted

acceptance surveys in Nigeria and Bangladesh, and a business verification project in Africa.

16. ODA match-up program for SME products, technologies, etc. [Fiscal 2015 budget: Included in ¥4.56 billion; fiscal 2015 supplementary budget: Included in ¥1.74 billion]

- Through ODA, the superior products and technologies of Japanese SMEs are being used for the development of developing countries. The goals are to both advance the development of developing countries and invigorate the Japanese economy.
- In fiscal 2015, 130 projects were adopted.
 - 4 needs surveys
 - 22 basic studies
 - 66 proposal surveys
 - 38 distribution and demonstration programs

17. Support for the overseas development of SMEs (provision of SMEs' products) [Fiscal 2015 budget: Included in ¥160.5 billion]

Providing products made by Japanese SMEs based on the requests of governments and the development needs of developing countries not only supports the development of the developing countries but also boosts recognition of the products of the SMEs. Specifically, lists of products from SMEs (not lists of individual brand names) are drawn up based on the development needs of the developing countries and presented to those countries in the form of packages for each of the various sectors, such as medical services, agriculture and job training, and products are provided in accordance with the requests from the developing countries.

18. Program to support smooth use of Economic Partnership Agreements [Fiscal 2015 budget: Included in ¥30 million]

To promote trade taking advantage of the merits of Economic Partnership Agreements (EPAs), help desks for business owners were established in May 2015 and consultations provided regarding the procedures concerning the rules of origin, certificates and other items required when using EPAs (with approximately 1,700 consultations given through February 2016). Seminars were also held in major cities throughout Japan (a total of 12 seminars at 10 locations nationwide) to promote understanding of these procedures.

19. Program to support development of overseas markets by regional second-tier companies and SMEs [Fiscal 2015 budget: Included in ¥1.49 billion]

This program promoted the development of overseas markets by second-tier companies and SMEs by subsidizing part of the expenses incurred (specialist employment expenses, consigned registration expenses, etc.) when second-tier companies, SMEs and micro businesses work at advancing businesses into newly industrializing countries, etc.

Chapter 2 Promoting business renovation

Goals of the Basic Plan for the Promotion of Small Enterprises (2)

(2) Promoting business renovation

—Developing and creating business by providing diverse and new human resources with opportunities for success in the workplace—

Small enterprises are going out of business at an increasing rate as their proprietors and employees grow older and face a shortage of successors. On the other hand, small enterprises are providing diverse working style options based on various values to diverse people including women, youths, and seniors, and contributing to expanded employment in the nation as a whole.

Promote the formation of small enterprises and secondary startups which provide diverse working style options, self-realization, contribute to society, and otherwise create a worthwhile life. Prevent the dispersion of valuable management resources for Japan's economy and society by business succession, and link this to the development of the local economy and society. In cases with no prospects for business succession, prepare the environment for a stable livelihood and for entrepreneurs who have previously experienced business failure to try again by arranging smooth closure of business. Further, reinforce measures to secure and foster small enterprise personnel and prepare an environment where diverse new personnel can manifest their abilities toward realizing a local society where it is easy for anyone to work at small enterprises.

Section 1 Support for startups and secondary startups

1. Subsidies for promotion of startups and secondary startups [Fiscal 2015 budget: Included in ¥760 million]

Partial assistance for shop rental expenses and equipment and other expenses (including the costs of business closure for secondary startups) was provided to female entrepreneurs and young entrepreneurs and to secondary startups closing an existing business and starting in a new field upon business succession.

2. New Startup Loan Program [fiscal investment and loan program]

Under this the program, the JFC provides unsecured, unguaranteed loans to persons embarking on new ventures and persons who have just started a business.

3. Loan Program for Supporting Female, Young, and Senior Entrepreneurs [fiscal investment and loan program]

To support the creation of new businesses by diverse entrepreneurs, the JFC (through its SME Unit and Micro Business and Individual Unit) provides low-interest loans to women, young people under the age of 30 and older people aged 55 or older who have started a business within the past seven years or so. Between the establishment of the program in 1999 and the end of December 2015, the program has made 135,455 loans totaling ¥679.8 billion.

4. Funding for renewed startups (lending-support schemes for renewed startups) [fiscal investment and loan program]

By assessing entrepreneurs with failed businesses to determine factors such as their qualifications as managers and their business prospects, the JFC provided loans to candidates who faced difficult circumstances in re-launching their businesses.

5. Guarantees for founders

This program provided credit guarantees from credit guarantee corporations to individuals who are starting a business or who started their business less than five years ago, to boost lending to entrepreneurs by private financial institutions.

6. Improving supply of “risk money” needed when starting a business

Innovation Network Corporation of Japan (INCJ) invested ¥186.1 billion in 74 venture businesses through January 2016. Funds were also supplied to support ventures requiring “risk money” during startup or commercialization, making use of Development Bank of Japan Inc. and the Shoko Chukin Bank.

7. Fund Investment Program (Startup Support Fund, SME Growth Support Fund)

The creation of investment funds operated by private-sector investment companies was promoted through investment by SMRJ (up to one-half of the total value of the fund concerned) to stimulate private funding, with the aim of expanding the range of opportunities for investment in ventures (SMEs) at the startup or early growth stage and in SMEs pursuing growth through the development of new business. The Startup Support Fund has committed a cumulative total of approximately ¥150.8 billion in 91 investment funds investing in a total of 2,381 companies (as of the end of March 2015). The SME Growth Support Fund has committed a total of approximately ¥435.6 billion in 75 investment funds investing in a total of 801 companies (as of the end of March 2015).

8. Regional Startup Promotion Support Delegation Program [Fiscal 2015 budget: Included in ¥440 million]

“Business Startup Schools” were held nationwide to uncover a reserve of potential startups and to assist people hoping to launch a new business in everything from acquiring basic knowledge through to formulating a business plan. The program also worked to expand the range of persons with the “entrepreneurial spirit” of creativity and positivity by spreading entrepreneurship education at universities and other institutions, and advancing “entrepreneur education” through exchanges with local entrepreneurs and businesspeople at primary schools and middle schools.

9. Venture business creation support program [Fiscal 2015 budget: Included in ¥340 million]

Under this program, entrepreneurs and candidate in-house entrepreneurs responsible for developing new businesses at large enterprises were sent to Silicon Valley, which produces many leading global venture companies, and to other locations to foster personnel who can create new businesses with the high perspective of advancing into global markets and resolving social problems. Also the Venture Business Creation Council which comprises entrepreneurs, venture support staff, large enterprises and other parties held business matching events, provided a venue for forming wide-area networks, presented the Prime Minister’s Award to celebrate venture businesses that have made great contributions to innovation, and worked to form foundations for the creation of new businesses. (New)

10. Angel tax system [taxation scheme]

The purpose of this system is to assist in the financing of newly founded ventures by individual investors (“angels”) by allowing a concessional income tax rate when the individual investor invests in the SME and shares in that enterprise are transferred, provided the enterprise meets certain requirements. From the establishment of the system in 1997 through to the end of January 2016, the scheme has been used to invest a total of around ¥13.3 billion in 635 companies.

11. Taxation measures to promote venture investment in enterprises [taxation scheme]

When companies invest in venture enterprises through venture funds approved by the Minister of Economy, Trade and Industry based on the Industrial Competitiveness Enhancement Act, they are permitted to accumulate reserves for losses of up to 80% of the amount invested and to write off that cost as an expense.

12. Management Innovation Support Program

Assistance was provided under the New Business Activity Promotion Act for new business activities undertaken by SMEs by providing support through mechanisms such as low-interest loan programs and special credit guarantees for the implementation of approved management innovation plans prepared by SMEs planning to engage in new business activities to improve their business performance.

13. Construction of startup support system in the regions

Under the Industrial Competitiveness Enhancement Act, municipal governments worked with private-sector enterprises that assist with business startups to formulate plans for programs assisting business startups in order to encourage startups in the regions. Business founders who received startup assistance under plans approved by the national government were supported through measures such as improved credit guarantees and tax incentives (reduced registration and license tax imposed on the registration of incorporation of a stock company), and support measures such as credit guarantees were also provided to enterprises that assist with business startups.

14. SME and micro business management enhancement loan/guarantee program [Fiscal 2015 budget: Included in ¥1.1 billion]

On the premise that support is being provided by approved support agencies, the JFC provided low-interest loans (0.4% below the standard rate, or 0.65% below the standard rate for women, young people and senior business startups) to SMEs and micro businesses that are business startups or are diversifying their management or changing business.

15. Subsidies for businesses generating regional economic activity [Fiscal 2015 budget: Included in ¥2.31 billion]

Subsidies were granted for expenditures by local governments to assist with costs such as the initial startup funding required by private-sector businesses in the establishment phase to promote the “Local 10,000 Project,” which constructs regional roundtables from industry, academia, financial institutions and government, uses regional assets and funds (drawn from regional financial institutions, etc.), and launches local-based enterprises that can absorb large employment.

Section 2 Business succession support

1. Revision of Small Enterprise Mutual Relief System

The Small Enterprise Mutual Relief System, which pays retirement benefits to the proprietors of small enterprises, was revised to strengthen the function of facilitating regeneration of management, for example, by increasing the reasons for providing mutual relief concerning business transfer to relatives.

2. Program to spread businesses that resolve regional issues [Fiscal 2015 budget: Included in ¥60 million]

To promote the business activities of social businesses, community businesses and other businesses that use business methods to resolve regional issues, a guide for financial institutions to arrange the funding environment and a guide for business owners were prepared, and symposiums were held at 10 locations nationwide to support their distribution.

3. Business succession support [Fiscal 2015 budget: Included in ¥4.48 billion]

The “Business Succession Help Desks” established at approved support agencies in each of the 47 prefectures provided information and advice on business successions to SMEs and micro businesses facing problems such as the lack of a successor, and “Business Succession Support Centers” which provide matching support between proprietors facing succession issues and enterprises that want to use their management resources to expand business were established in regions that have a well-developed capacity to deliver support.

In fiscal 2015, Business Succession Support Centers were developed nationwide.

4. Expansion of the system of deferral and exemption of payment of inheritance tax and gift tax on non-listed shares (business succession taxation scheme) [taxation scheme]

The business successor tax schemes are designed to help successors acquire shares and other assets in non-listed companies approved by the Minister of Economy, Trade, and Industry from their predecessors, whether through inheritance, gift, or testamentary gift by allowing deferral of payment of inheritance tax and gift tax and, in certain circumstances (e.g., the death of a successor), exemption from payment of deferred taxes, provided the successor continues the business. Approvals to qualify for this scheme commenced in fiscal 2009, and 827 approvals for inheritance tax and 431 approvals for gift tax had been granted as of the end of December 2015.

The following expansions to the business successor tax scheme were approved in the fiscal 2015 tax system reforms (enforced from 1 April, 2015),

The following is an example where shares are given from the 1st generation to the 2nd generation to the 3rd generation. (1) When the 2nd generation gives shares to the 3rd generation (the 3rd generation must also receive a grace period) after the management succession period, the 2nd generation's deferred taxes are exempted. (2) Even during the management succession period, when the 2nd generation resigns as representative due to unavoidable circumstances* and gives shares to the 3rd generation (the 3rd generation must also receive a grace period), the 2nd generation's deferred taxes are exempted. (3) In cases (1) and (2) above, if the 1st generation dies, the 3rd generation's deferred gift taxes are converted to inheritance taxes (however, these are not converted to inheritance taxes if the 2nd generation dies).

* Unavoidable circumstances mostly refer to the following:

- Receipt of a mental disability certificate (limited to class 1 disability)
- Receipt of a physical disability certificate (limited to class 1 or class 2 physical disability)
- Receipt of a nursing care needs certificate (limited to nursing care needs category 5)

5. Comprehensive support under the Management Succession Facilitation Act

The Act on Facilitation of Succession of Management of Small and Medium Sized Enterprises incorporates comprehensive support for business successions, involving special treatment under the Civil Code to resolve the constraints on legally secured portions of successions. By the end of December 2015, 108 confirmations of qualification for this special treatment had been granted by the Minister of Economy, Trade, and Industry.

6. Support to facilitate business successions [Included in SMRJ subsidy program]

Business succession support networks for providing wide-ranging and in-depth support for SME business successions were developed throughout Japan, and trainings and business succession forums were held to raise the awareness of SME proprietors.

Section 3 Cash-flow assistance and business revitalization assistance

1. Highly detailed cash-flow assistance and business revitalization assistance

Under the fiscal 2014 supplementary budget passed 3 February, 2015, lending systems at the JFC and the Shoko Chukin Bank were established and expanded. Specifically, in-depth cash-flow support including management support were provided to businesses suffering cash flow difficulties from increased raw materials and energy costs and businesses promoting investment in energy conservation, and financing was promoted for startups by women and others, for smooth business succession, and for other forward-looking efforts in regions, and for NPOs and other new business that can absorb substantial employment.

Regarding the credit guarantee system, under the same supplementary budget credit guarantee corporations in each region will strengthen their management support efforts in collaboration with regional financial institutions, and provide cash-flow support unified with management support by promoting refinancing guarantees with management strengthening guarantees. Also safety-net guarantee No. 4, which is a credit guarantee system against natural disasters,

was given more flexible operating standards such as coming into force from the time the Disaster Relief Act is invoked, for faster and more flexible support to SMEs and micro businesses that suffer disasters.

Additionally, regarding business revitalization support, the same supplementary budget strengthens the support system of SME Revitalization Support Councils in each region, and accelerates assistance with the preparation of radical business revitalization plans at SMEs and micro businesses.

2. Safety net loans

The safety net loan program provides loans worth up to a total of ¥720 million (from JFC's SME Unit and the Shoko Chukin Bank) and ¥48 million (from JFC's Micro Business and Individual Unit) to SMEs and micro businesses that have experienced, for example, a temporary decline in sales or profits caused by the effects of changes in the social or economic environment. The fiscal 2014 supplementary budget included concessionary interest rates to support SMEs and micro businesses facing cash flow difficulties from high raw materials prices and energy costs and those in difficult situations and receiving management support from approved support agencies, etc. In fiscal 2015, 150,000 loans were provided with a total value of ¥3.1 trillion (as of the end of January 2016).

3. Loans to improve the management of micro businesses (Marukei Loans) [Fiscal 2015 budget: ¥3.98 billion] [fiscal investment and loan program]

In order to provide financial support to micro businesses, the JFC provided unsecured and unguaranteed low-interest Marukei loans to micro businesses which are receiving management guidance from commerce and industry associations, chambers of commerce and industry and prefectural federations of societies of commerce and industry. In fiscal 2015, measures extending the term of loans from five to seven years for working capital and from seven to 10 years for capital expenditure, measures extending the deferment period from six months to one year for working capital and from six months to two years for capital expenditure, and measures raising the ceiling on loans from ¥15 million to ¥20 million continued to be implemented. Between April 2015 and the end of January 2016, a total of 36,200 loans were provided with a total value of ¥207.8 billion. (Cited earlier)

4. Micro businesses management development support lending [Fiscal 2015 budget: ¥20 million] [fiscal investment and loan program]

To support micro businesses working at sustainable development, the JFC provided low-interest loans to micro businesses with approved "Management Development Support Plans" receiving management guidance from commerce and industry associations and chambers of commerce and industry. Between April 2015 and the end of January 2016, a total of 34 loans were provided with a total value of ¥210 million. (Cited earlier)

5. Promotion of subordinated lending [Fiscal 2015 budget: Included in ¥15.0 billion]

The subordinated lending program is a JFC financing system that solicits joint financing from the private sector to stabilize the financing of SMEs and micro businesses by providing them with high-risk, long-term, "bullet loans" (capital funds) to enhance their financial underpinnings. In the fiscal 2014 supplementary budget, this program was expanded at the JFC to provide new financing for business succession and overseas development. A total of about 1,000 subordinated loans were provided in fiscal 2015 with a total value of approximately ¥59.8 billion (as of the end of February 2016).

(Note) Loans under this program are limited bullet loans. In the event that the SMEs or micro business taking out the loan enters legal bankruptcy, its repayment precedence is subordinated to other claims. By designing the program so that the interest rate is tied to the success rate for loan repayments in each period, these subordinated loans can be viewed as equity in financial inspections.

6. SME and micro business management enhancement loan/guarantee program [Fiscal 2015 budget: Included in ¥1.1 billion]

On the premise that support is being provided by approved support agencies, the JFC provided low-interest loans (0.4% below the standard rate, or 0.65% below the standard rate for women, young people and senior business

startups) to SMEs and micro businesses that are business startups or are diversifying their management or changing business. (Cited earlier)

7. Encouragement of refinancing guarantees [Fiscal 2015 supplementary budget: Included in ¥1.0 billion]

Refinancing guarantees were promoted with the aim of encouraging credit guarantee corporations to consolidate multiple outstanding debts and relieve the repayment burdens at hand. In fiscal 2015, 161,831 refinancing guarantees were approved totaling ¥3 trillion (as of the end of February 2016).

8. Safety-net guarantees No. 4 and No. 5

Credit guarantee corporations provide guarantees separate from ordinary guarantees to SMEs and micro businesses facing hindrances to management stability from natural disasters under safety-net guarantee No. 4 and from structural industry recessions under safety-net guarantee No. 5 (100% guaranteed for up to ¥80 million for unsecured loans, and up to ¥280 million for other loans.)

In fiscal 2014, the administration of safety-net guarantee No. 4 was made much faster and more flexible considering the increase in the frequency of short-term strong rains and the greater damages caused and other changes in disaster risk. In fiscal 2015, 288 safety-net guarantee No. 4 guarantees were approved, totaling ¥4.7 billion (as of the end of February 2016).

Safety-net guarantee No. 5 continued to be actively provided to designated industry types when average monthly sales for the latest three months fall by a set proportion or more compared with the same period in the previous year. In fiscal 2015, 24,773 safety-net guarantee No. 5 guarantees were approved, totaling ¥5,792 trillion (as of the end of February 2016).

9. Expansion of SME credit insurance to NPOs responsible for regional economies and employment

In recent years, NPOs have been boosting their presence as parties responsible for new employment and businesses that support regions, and sparking new demand in regions by resolving regional problems, and are becoming recognized as bodies that work for vitalization of regional economies. The state of their business activities is becoming essentially the same as that of present SMEs, so the required measures were taken to make them eligible for SME credit insurance, including revision of the Small and Medium-Sized Enterprise Credit Insurance Act. From October 2015, NPOs became eligible for credit insurance in an effort to further smooth the cash flow of NPOs engaged in business activities such as healthcare, welfare and childcare.

10. Programs to assist with formulating management reform plans by approved support agencies

For SMEs and micro businesses that cannot formulate their own management reform plans, support agencies approved based on the Act for Facilitating New Business Activities of Small and Medium-sized Enterprises (certified public tax accountants, lawyers, financial institutions, etc.) provided assistance in formulating management reform plans as well as follow-up for those plans. These programs bear part (2/3) of the costs involved. Between April 2015 and the end of February 2016, there were 9,283 consultations with 3,097 new cases accepted. From the time the program was established (March 2013) through the end of February 2016, there have been a total of 31,211 consultations with 10,621 new cases accepted.

11. SME Revitalization Support Councils [Fiscal 2015 budget: Included in ¥4.48 billion + ¥1.8 billion carried over from fiscal 2014 supplementary budget]

The SME Revitalization Support Councils established at chambers of commerce and industry and similar entities in each prefecture provided SMEs and micro businesses that had profitable businesses but faced financial problems with advice on solving their problems through consultation services, and assisted with the drafting of revitalization plans that also included coordination with concerned financial institutions, etc. Between April and the end of December

2015, the councils provided 1,374 consultations and completed the drafting of 786 revitalization plans. From the time the system was established up to the end of December 2015, 36,516 consultations have been provided and 10,518 revitalization plans have been drafted.

Additionally, advice programs were implemented to strengthen the support system of each council and accelerate the preparation of radical revitalization plans for SMEs and micro businesses.

12. SME Rehabilitation Plan through Succession (secondary companies)

Measures were implemented to reduce the tax burden and support financing, along with special provisions for approval of succession, when an SME rehabilitation plan through succession is authorized under the Industrial Competitiveness Enhancement Act and business succession occurs as set out in that plan. Between April 2015 and the end of February 2016, eight plans were authorized, bringing the total number since the system was established under the Act for Special Measures on Industrial Revitalization (June 2009) to 31.

13. SME revitalization funds

In order to deliver the funds needed by SMEs to implement their revitalization plans and provide them with cash-flow and management support, the SMRJ, regional financial institutions, and credit guarantee corporations worked in unison to promote the formation and use of regional funds to assist local SME revitalization efforts and national funds to assist SME revitalization efforts over a wide area. By the end of February 2016, 43 funds had been established with total funding amounting to ¥136.4 billion. Up to the end of January 2016, the revitalization funds had invested approximately ¥68.6 billion in 332 enterprises.

14. Promotion of the use of “Guidelines for Personal Guarantees Provided by Business Owners” [Fiscal 2015 budget: Included in ¥100 million]

To promote the use of the “Guidelines for Personal Guarantees Provided by Business Owners” published on 5 December, 2013 the help desks set up at the regional headquarters of SMRJ in fiscal 2013 and the system for dispatching specialist advisors for people who want to use the guidelines were continued. The financing and guarantee systems independent of business owner guarantees by public sector financial institutions created or enhanced in fiscal 2013 also continued to be implemented. From the perspective of spreading and establishing these personal guarantees as funding practices, approaches that should be widely implemented were published as a collection of examples. Moreover, guideline information sessions primarily for SMEs and micro businesses were held at 50 locations nationwide from September 2015 through December 2015.

15. Enhanced management support in financial administration for micro businesses

To advance the support of enterprises and industries by financial institutions through financial administration and the management reform, improved productivity, and stronger constitution of small enterprises, based on the Financial Monitoring Policy, financial institutions were encouraged to provide finance that appropriately evaluates the business contents and growth potential of the borrower (feasibility assessment) without relying excessively on collateral and guarantees, and to support the management reform of small enterprises by manifesting consulting functions.

16. Promotion of the liquidity of SMEs’ export receivables covered by trade insurance

To advance the provision of funds to SMEs, NEXI constructed a scheme which transfers export receivables with trade insurance from SMEs to financial institutions in collaboration with the Shoko Chukin Bank and three megabanks, and is working to promote its use by SMEs.

17. Financial measures for SMEs in Okinawa

In support for SMEs in Okinawa delivered via the Okinawa Development Finance Corporation (ODFC), ODFC operated the same range of programs as JFC and also expanded its own system of lending tailored to meet the specific needs of businesses in Okinawa.

18. Adoption and application of “Basic procedures for SME accounting”

The adoption and application of the “Basic procedures for SME accounting” was promoted to encourage SMEs and micro businesses to clarify their business conditions, improve the ability of proprietors to explain their business, and enhance their capacity to obtain financing. As a policy to spread these procedures, the system whereby SMEs and micro businesses who adopt the accounting rules provided in the “Basic procedures for SME accounting” receive a 0.1% discount on their credit guarantee rates was continued in fiscal 2015 as well.

Section 4 Human resources and employment programs

1. Human resource countermeasures program for SMEs and micro businesses [Fiscal 2015 budget: Included in ¥1.61 billion]

To assist SMEs and micro businesses with sparse management resources to secure human resources, this program grasped the needs of regional SMEs and micro businesses, discovered personnel required by regional businesses from among women, youth and seniors and other diverse human resources inside and outside the region, and provided end-to-end support from introduction through to retention.

2. Human resource development at the Institute for Small Business Management and Technology [Included in SMRJ subsidy program]

Trainings were provided at nine Institutes for Small Business Management and Technology around Japan in improving the abilities of SME support personnel, as well as trainings for SME proprietors and managers designed to lead directly to the solution of business issues.

3. Regional producers development program [Fiscal 2015 supplementary budget: Included in ¥3.0 billion]

This program supported efforts to develop personnel who can serve as the core of efforts to involve communities, develop regional branding of attractive products using regional resources, and develop sales with a view to overseas markets.

4. Measures to maintain workers’ employment [Fiscal 2015 budget: Included in ¥19.27 billion]

Employment Adjustment Subsidies were provided to assist employers who were forced to downsize due to fluctuations in business conditions or other economic reasons but who have kept workers on by allowing workers to take temporary leave from work or enter training, or by transferring workers. Active steps were also taken to prevent fraudulent receipt of these subsidies and efforts made to ensure more appropriate disbursement by such means as actively carrying out on-site checks and publishing the names of employers who have committed fraud.

5. Support for improvement of employment management toward the creation of attractive employment [Fiscal 2015 budget: Included in ¥4.84 billion]

To support initiatives by companies to improve employment management and create attractive employment, subsidies were provided to fund SME organizations (business cooperatives, etc.) in priority sectors with improvement plans approved by the governor of the prefecture, based on the Act on the Promotion of Improvement of Employment Management in Small and Medium-sized Enterprises for Securing Manpower and Creating Quality Jobs, that implemented projects to improve the working environment. Subsidies were also provided for SMEs and micro businesses in priority sectors that introduced a new employment management system and decreased worker turnover by changing their workplace regulations and labor agreements.

6. Program to promote improved employment management to secure human resources in fields facing personnel shortages [Fiscal 2015 budget: Included in ¥1.01 billion]

This program provided support for the introduction of employment management systems and the creation of

“attractive workplaces” in cases where proprietors operating businesses in fields facing personnel shortages implemented improvements to employment management such as improving employee compensation and workplace environments to secure human resources.

(1) Model research course

This program provided highly detailed consulting to business owners facing employment management issues in fields where the contents of the employment management that should be pursued are unclear, with the introduction and administration of various model employment management systems that contributed to resolving those issues.

(2) Practical education course

Among fields with personnel shortages, in the nursing field which is expecting more and more demand in the future and the construction field, the program provided consultation assistance to business owners facing issues in the implementation stage of employment management improvement, and promoted the implementation of employment management improvement by entire industries and employment management improvement by entire regions through regional networks centered on business owners actively advancing employment management reform.

7. Regional employment development fund [Fiscal 2015 budget: Included in ¥5.04 billion]

To create and provide stable regional employment, employers who build or establish an office in regions where employment opportunities are lacking and who employ regional job seekers were offered regional employment development funding in accordance with the cost of their facilities and the number of workers they employ.

8. Project for employment creation in strategic industries [Fiscal 2015 budget: Included in ¥9.21 billion]

To promote initiatives aimed at creating high quality and stable employment opportunities, a strategic industry employment creation project was implemented for manufacturing and other strategic industries to support voluntary employment creation projects in conjunction with industrial policy.

9. Extension of the tax system to promote employment [taxation scheme]

A tax measure was implemented that provides a tax credit of ¥400,000 for each employee receiving ordinary employment insurance at enterprises that satisfied requirements that include an increase in staffing of at least 10% and that employed at least 5 people (at least 2 people for SMEs) who received ordinary employment insurance in each fiscal year starting between 1 April, 2011 and 31 March, 2016.

10. Promotion of employment shifts with no loss of employment [Fiscal 2015 budget: Included in ¥34.94 billion]

Through funds to assist workers changing employment (re-employment assistance payments), aid was provided to business owners who take measures, such as commissioning private-sector employment agencies to support the reemployment of employees who unavoidably lose their jobs due to business downsizing, etc. Through funds to assist workers changing employment (accepted personnel training support subsidies [personnel training support]), aid was provided to business owners who conduct training for workers taken on as a result of transfers or workers employed who are eligible under a re-employment support plan. Additionally, from fiscal 2015 under the funds to assist workers changing employment (accepted personnel training support subsidies [early acceptance support]) assistance was given to business owners who employ workers as workers hired for an unspecified term under re-employment support plans within three months after they lose employment.

11. Regional human resources development program

While working to expand employment by promoting the active involvement of women, youth and the elderly, the program promoted wage increases and other improved treatment, and implemented projects to support human resources development in accordance with regional conditions.

12. Welfare Worker Recruitment Project [Fiscal 2015 budget: Included in ¥1.46 billion]

To ensure a stable supply of high-quality personnel capable of supporting services in the welfare sector (nursing, healthcare and day care), support was provided through services such as in-depth vocational counseling, job placements and counseling and advice for employers at “Welfare Worker Corners” set up in key “Hello Work” centers throughout the country.

13. Promotion of Youth Support Declaration projects [Fiscal 2015 budget: Included in ¥510 million]

SMEs that take a positive stance toward employing and training youth and that actively disclose corporate information were given support in sending out information as “Youth Support Declaration Enterprises.”

14. “Youth Yell” certification system based on the Youth Employment Promotion Act [Fiscal 2015 budget: Included in ¥510 million]

Under this system, based on the Youth Employment Promotion Act (Act No. 98 of 1970), the Minister of Health, Labour and Welfare certifies SMEs with outstanding youth employment management as “Youth Yell” certified enterprises, and support is given for the dissemination of information by SMEs to assist the smooth employment of personnel sought by these enterprises.

15. Grant for employment and retention of graduates within three years

To promote the expansion of employment application opportunities for and retention of individuals who attended or graduated from school, grants for employment and retention of graduates within three years were paid to businesses who conducted new recruitment for new graduates for which persons who have already graduated can apply, and retained them for a certain period.

16. Support for SMEs and micro businesses in raising the minimum wage [Fiscal 2015 budget: Included in ¥2.41 billion]

Three initiatives were provided to support SMEs and micro businesses in raising the minimum wage: (1) The establishment of “Comprehensive Minimum Wage Advice and Assistance Centers” in 47 locations throughout Japan to provide a one-stop portal for consultation on management reforms and work condition management for free; (2) Aid for measures toward raising wages by industry-specific SME organizations (grants of up to ¥20 million to industry-specific organizations); and (3) Subsidies for expenses (job reform subsidies of up to ¥1 million, subsidy ratio of 1/2 in general; 3/4 at enterprises with 30 or fewer employees) at SMEs and micro businesses which conduct capital investment to boost efficiency and increase the wages of workers inside the workplace making less than ¥800 per hour.

In fiscal 2015, a “National Comprehensive Minimum Wage Telephone Consultation Center,” which provides telephone and e-mail consultations, was established to improve the convenience of business owners using (1).

17. Regional Youth Support Station Program [Fiscal 2015 budget: Included in ¥3.72 billion]

To assist young people who are “NEET” (Not in Education, Employment or Training) or in similar circumstances, funds were allocated for “Regional Youth Support Stations” that provide a diverse employment assistance menu, including expert consultations by career consultants and the implementation of all types of programs. In fiscal 2015, while continuing to implement this program nationwide, assistance to step up to job retention and more stable employment was expanded nationwide, and efforts made to strengthen employment assistance toward occupational independence.

18. Career-oriented personnel training program (universities, etc.) (Promotion of career education, etc.) [Fiscal 2015 budget: Included in ¥10 million]

In an initiative targeting career consultants and core staff in career centers at universities and other institutions, courses were held to deepen understanding of information available from the Ministry of Health, Labour and Welfare

regarding employment and labor, the tools that are helpful for employment assistance and career education, and the knowledge of career consulting and the career consultants who are responsible for career consulting, as well as the methods for using that knowledge, and career education was promoted and efforts made to promote the use of career consultants at universities and other institutions.

Chapter 3 Facilitating business activities contributing to regional economies

Goals of the Basic Plan for the Promotion of Small Enterprises (3)

(3) Facilitating business activities contributing to regional economies

—Increasing the public awareness of certain regions to create brands so as to invigorate regional economies—

Boosting the vitality of small enterprises that conduct business rooted in their local communities requires not only support to individual proprietors, but also efforts to invigorate the entire region. At the same time, there is also the aspect of bringing renewed vitality to the region by invigorating the business of small enterprises. So promoting small enterprises and invigorating the regional economy are like two sides of the same coin. To maintain and bring vitality to regional communities with diverse functions, it is important to bring forth the attraction of the region, grasp the potential of the entire region with creative thought and approaches, and make a broad internal and external appeal to the attraction of the region. This advances regional branding and invigorates regional economies. Forming appropriate ties with the concerned national ministries and agencies and regional public bodies and other institutions makes these efforts more effective.

Through these efforts, advance sustainable regional development together with small enterprises.

Section 1 Utilizing regional resources

1. Approval of management development support plans under the Small Business Support Act

Approval was granted to 326 “Management Development Support Plans” (from 357 chambers and associations) prepared by commerce and industry associations and chambers of commerce and industry nationwide under the Small Business Support Act in collaboration with municipalities and regional financial institutions to advance the preparation of systems to support micro businesses uniting all efforts of communities.

2. Project to advance measures for micro businesses [Fiscal 2015 budget: ¥4.65 billion]

This project advanced escort-type assistance to micro businesses by commerce and industry associations and chambers of commerce and industry in line with “Management Development Support Plans” authorized based on the Small Business Support Act, assisted micro businesses in the preparation of business plans for future demand and the development of markets, and supported the development of special products engaging entire regions and the development of their markets, etc.

Also, to encourage business expansion by regional micro businesses aiming to target nationwide markets, commerce and industry associations and chambers of commerce and industry cooperated with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets (survey & research businesses: 123; production businesses: 56 (year 1) and 31 (year 2)). (Cited earlier)

3. Program to support regional specialties [Fiscal 2015 budget: Included in ¥1.61 billion]

This program provided support to SMEs and micro businesses in the development of new products and services for domestic and foreign markets and the development of markets through the use of regional resources and collaboration with agriculture, forestry and fishery businesses. Assistance was also given to efforts by general incorporated associations to provide information on consumer preferences and matching support to businesses developing products using local resources, or in collaboration with agriculture, forestry or fishery businesses. (Cited earlier)

4. JAPAN Brand Development Assistance Program [Fiscal 2015 budget: Included in ¥1.61 billion]

This program provided assistance to facilitate the development of overseas markets by SMEs by supporting measures such as the formulation of strategies built on collaboration among multiple SMEs and their respective strengths in raw materials, technologies, etc., product development based on those strategies, and exhibition at overseas trade fairs. (Cited earlier)

5. Designation of traditional crafts

Surveys and investigations were conducted on craft products for which designations were requested under the Act on the Promotion of Traditional Craft Industries (referred to hereinafter as the Traditional Craft Industries Act), and the three items listed below were designated as traditional craft products after hearing the views of the Industrial Structure Council.

Miyagi Prefecture: “Sendai Tansu,” Tokyo area: “Edo Bekko” and “Tokyo Antimony Products”
Designated on 18 June, 2015.

6. Traditional Craft Product Subsidy Program [Fiscal 2015 budget: Included in ¥1.36 billion]

(1) Based on the Traditional Craft Industries Act, the following support was provided to promote traditional crafts industries.

1) Subsidization of the following programs undertaken by local manufacturing cooperatives and associations:

- Successor training programs
- Raw materials sourcing programs
- Design development programs
- Partnership development programs
- Local producer programs, etc.

2) Subsidization of the following programs undertaken by general incorporated associations and incorporated foundations under Article 23 of the Traditional Craft Industries Act:

- Programs to secure human resources and ensure transmission of skills and techniques
- Production district guidance programs
- Promotional programs
- Demand development programs, etc.

(2) The following support was provided to assist the reconstruction of government-designated traditional crafts in three prefectures (Iwate, Miyagi and Fukushima) devastated by the Great East Japan Earthquake:

- 1) Programs implemented for the three affected prefectures to revitalize areas of production, including the training of successors, development of demand, development of designs and provision of information
- 2) Establishment and strengthening of the production base, including the development of facilities and the sourcing of raw materials, with a view to restoring traditional craft production in the three affected prefectures to its original level before the Great East Japan Earthquake

7. Program to promote the spread of traditional crafts

To promote public awareness of traditional crafts, November every year has been designated Traditional Crafts Month, and activities such as the national convention of the Traditional Crafts Month National Assembly are being held to spread and increase awareness of traditional crafts. In fiscal 2015, the national convention was held in Toyama

Prefecture.

Section 2 Revitalization of shopping districts and central urban districts

1. Comprehensive support for the revitalization of local shopping districts

Pursuant to the Local Shopping District Revitalization Act, support was provided to shopping districts and other entities with shopping district revitalization plans approved by the government.

2. Development of human resources by the Japan Shopping District Support Center

Support was provided in the form of personnel training and transfer of expertise by the Japan Shopping District Support Center, an organization jointly established by four SME associations.

3. Program to support the operation of Councils for the Revitalization of Central Urban Districts [Included in SMRJ subsidy program]

In establishing and operating councils for the revitalization of central urban districts and similar organizations, support was provided for all types of advisory services, the provision of information via websites and e-mail newsletters, and the development of networks through organization of exchange events, centered on support centers for councils for the revitalization of central urban districts established in the SMRJ.

4. Program to dispatch advisers to assist city center and shopping district revitalization [Included in SMRJ subsidy program]

Experts in a range of fields related to commercial revitalization registered with SMRJ were dispatched to help tackle various challenges faced by councils for the revitalization of central urban districts and similar organizations.

5. Consultation and support for commercial revitalization in city centers [Included in SMRJ subsidy program]

In order to assist commercial revitalization initiatives being undertaken in city centers by councils for the revitalization of central urban districts and similar organizations, seminar planning support and instructors were provided and advice, analyses, assistance with identification of issues, and information given to raise the efficacy of individual projects using the SMRJ's specialist know-how.

6. Special deduction for income from land transfers [taxation scheme]

The measure whereby persons transferring land and similar assets to shopping center promotion associations and similar organizations approved under the Local Shopping District Revitalization Act for use in projects based on approved shopping district revitalization plans and similar initiatives are granted a special deduction of up to ¥15 million for income from such transfers was continued.

7. Program to promote independence in regional commerce [Fiscal 2015 budget: Included in ¥2.3 billion]

Support was provided for measures aimed at the formation of the regional communities that are the bedrock of activity in regional economies, such as community spaces, and for measures designed to rejuvenate shopping districts in line with the needs of regional residents, such as attracting shops and providing incubation facilities that serve to promote regional economic activity. In fiscal 2015, 60 survey and analysis projects and 53 assistance projects were adopted.

8. Strategic program for central urban district restoration [Fiscal 2015 budget: Included in ¥600 million]

This program provided intensive support to selected projects for central urban districts which play an important role in regional economies. Specifically, the program supported private projects (improvement of commercial facilities,

etc.) with a strong commitment from local residents and government bodies which boost the economic vitality of not only the concerned central urban district but also the surrounding areas. The program also supported non-facilities projects and the use of experts for the formation of attractive central urban districts suitable as regional bases.

9. Taxation measures to revitalize central urban districts [taxation scheme]

Two measures were provided under the “specific private-sector central urban district economic activity improvement program” set up under the revisions to the Act on Vitalization in City Centers: (1) special depreciation of 30% over 5 years for acquisitions of buildings, incidental equipment, or structures and (2) a 50% reduction in the registration and license tax payable when real estate ownership is registered.

Section 3 Other regional revitalization

1. Support to encourage enterprises to locate in regional areas [Fiscal 2015 budget: Included in ¥800 million]

Partial subsidies were provided for the preparation of industry related facilities and other expenses for actions by regions to attract enterprises using their local features and to revitalize regional industries under the Act on Formation and Development of Regional Industrial Clusters through Promotion of Establishment of New Business Facilities, etc. (Act No. 40, 2007). Support was also provided by special provisions under the Factory Location Act, low-interest loans to SMEs from the JFC, and tax allocations to local governments taking steps to attract enterprises to their regions.

2. Subsidies for businesses generating regional economic activity [Fiscal 2015 budget: Included in ¥2.31 billion]

Innovation Network Corporation of Japan (IN CJ) invested ¥186.1 billion in 74 venture businesses through January 2016. Funds were also supplied to support ventures requiring “risk money” during startup or commercialization, making use of Development Bank of Japan Inc. and the Shoko Chukin Bank. (Cited earlier)

3. Strategic industry support foundation preparation program [Fiscal 2015 budget: Included in ¥800 million]

This program advanced matching between large enterprises and candidate core enterprises by appointing multiple strategic field coordinators in each strategic field, providing wide-ranging information to candidate core enterprises based on the needs of large enterprises, providing information on superior technologies held by candidate core enterprises to large enterprises, and supporting the promotion of collaboration with regional support organs and other bodies. This program also supported the arrangement of enterprise clusters and collaboration bases in strategic fields with human resources development, market development and other support functions, which led to promoting the foundation and growth of candidate core enterprises rooted in regions and surrounding enterprises, and innovation.

4. Expanded taxation system for strengthening enterprises’ regional bases [taxation scheme]

For regional revitalization, it is necessary to correct the unipolar centralization in Tokyo and generate quality employment in the regions. To those ends, to promote the transfer of enterprise head office functions from the Tokyo area to regions and efforts toward regional expansion, the fiscal 2015 tax system revisions allow enterprises to choose special depreciation of 15% of the acquisition price (in the case of relocations, 25% of the acquisition price) or a tax credit of 4% of the acquisition price (in the case of relocations, 7% of the acquisition price) of buildings for enterprise offices with plans that have been approved. Measures were also devised for special tax treatment under the employment promotion tax system for employees hired at those regional bases, as well as measures under taxes allocated to local governments to strengthen the regional bases of companies.

5. New fields advancement support program [Fiscal 2015 budget: Included in ¥1.67 billion]

Under this program, skillful project managers provide core enterprises with activities deeply rooted in regions and their candidate business partners (second-tier companies and SMEs) with end-to-end support from new business advancement concepts, collaboration with industry and academia during development and discovery of business partners through to development of markets.

6. Promoting new wide-area linkages by forming core coordination metropolitan areas [Fiscal 2015 budget: Included in ¥200 million]

Assistance was given to efforts to form core coordination metropolitan areas which are bases to maintain a vibrant society and economy with a certain population by networking core cities with a substantial scale and centrality in regional areas with nearby municipalities and developing compact cities. From fiscal 2015, to support efforts that contribute to leading the economic growth of entire regions, accumulating and strengthening high-level urban functions, and improving living-related functional services, measures using taxes allocated to local governments were implemented to support efforts by municipalities that concluded cooperation agreements and drafted visions. By the end of February 2016, core coordination metropolitan areas had been formed in five areas.

7. Enterprise vitality enhancement funding [fiscal investment and loan program]

JFC provided loans for the funds necessary to advance the modernization of management and rationalization of distribution systems of small and medium merchants and service businesses, to upgrade the core manufacturing technologies of SMEs, and to promote subcontracting SMEs. A total of 10,315 loans for ¥89.0 billion were disbursed in fiscal 2015 (through the end of January 2016).

8. Tax measures to expand and increase the convenience of duty-free shops with no consumption tax [taxation scheme]

The fiscal 2015 revision to the tax system established a scheme whereby tax exemption procedures at shopping districts and shopping centers can be consigned to businesses operating “tax exemption procedures counters.” This makes it possible to set the minimum purchase as the total of the amounts purchased at multiple shops in the same shopping district, etc.

9. Regional core enterprise support loan system [Fiscal 2015 budget: fiscal investment and loan program amount of ¥8.0 billion]

The Shoko Chukin Bank provided long-term, lump-sum repayment, success-type loans to core SMEs that have a certain influence over their regional economies as cores of their regions which implemented efforts at innovation to enter new fields or efforts for strategic management improvements. In fiscal 2015, 52 loans were provided with a total value of ¥6.6 billion. (as of the end of February 2016)

Goals of the Basic Plan for the Promotion of Small Enterprises (4)

(4) Developing a system for supporting micro businesses through community-wide collective efforts
—Providing meticulous measures to address challenges that business operators are facing—

It requires great efforts for small enterprises to maintain employment and just remain in business amid population decline and other structural changes.

Considering these conditions, it is most important for various support agencies to approach assistance by taking the viewpoint of small enterprises and providing highly refined and thorough help while moving forward together. In providing support, it is also essential to provide assistance on an ongoing basis, not just temporary aid. Furthermore, it is very important to link the government, regional government bodies and support agencies to develop new domestic and foreign demand, so small enterprises seeking to go beyond their prior markets can accurately project demand and gain new customers.

To effectively provide such support, the government will aim at constructing a support system that resolves the issues facing small enterprises and generates results by uniting all efforts of communities.

Section 1 Strengthening management support systems

1. Project to advance measures for micro businesses [Fiscal 2015 budget: ¥4.65 billion]

This project advanced escort-type assistance to micro businesses by commerce and industry associations and chambers of commerce and industry in line with “Management Development Support Plans” authorized based on the Small Business Support Act, assisted micro businesses in the preparation of business plans for future demand and the development of markets, and supported the development of special products engaging entire regions and the development of their markets, etc.

Also, to encourage business expansion by regional micro businesses aiming to target nationwide markets, commerce and industry associations and chambers of commerce and industry cooperated with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets (survey & research businesses: 123; production businesses: 56 (year 1) and 31 (year 2)). (Cited earlier)

2. Program to foster personnel and support personnel for micro businesses [Fiscal 2015 budget: ¥450 million]

This program matched small-scale service business operators and persons responsible for the revitalization of regional service industries with successful enterprises (including those in different industries) and successful regions, arranged internship-type trainings that go beyond classroom learning, and subsidized expenses related to such matching and internships.

Additionally, trainings were conducted in regions nationwide so that business advisors who support micro businesses could analyze the strengths of individual micro businesses and propose and implement measures based on those strengths, and opportunities were also provided for especially advanced support agencies to absorb management support and other know-how.

3. Integrated micro business database maintenance program [Fiscal 2015 budget: ¥200 million]

A system was arranged to examine support measures and provide support information in accordance with the management issues facing micro businesses by combining the integrated database prepared by SMRJ with information held by support agencies and other bodies and analyzing the results.

4. Programs promoting measures for cooperative SME organizations [Fiscal 2015 budget: Included in ¥710 million]

For partnerships and other associations working on management innovation and/or reforms through the National Federation of Small Business Associations, which is a dedicated agency assisting cooperative SME organizations, support was provided including partial subsidies for the costs of implementing those innovations or reforms, along with training for instructors. The programs also supported the normalization of associations (supervisory groups) that organize the receipt of foreign technical interns.

5. Support for capital investment by upgrading integrated with management support

The SMRJ and prefectural governments collaborated to provide diagnoses and advice on business plans together with long-term, low-interest (or interest-free) loans to fund the required capital expenditures in cases where business cooperatives and other entities worked together for SMEs to shore up their administrative platforms and improve their business environment,

6. One-stop comprehensive support programs for SMEs and micro businesses [Fiscal 2015 budget: Included in ¥3.9 billion]

“Yorozu Support Centers” were established in each prefecture as one-stop consultation windows to respond to all types of problems facing SMEs and micro businesses. Experts at these centers provided advice that goes a step further, and specialists were dispatched to deal with particularly high-level specialized management issues.

7. Setting local benchmarks

Local benchmarks are set as tools for so-called “health examinations” to grasp the management conditions of enterprises.

Local benchmarks are a basic framework so that enterprises managers, financial organs, support agencies and other bodies can grasp enterprise conditions and hold discussions from the same point of view, and are expected to be used as an “entrance” for feasibility evaluations. Specifically, “reference tools” provided on an Excel sheet are used to input data concerning “financial information” (six indices)*¹ and “non-financial information” (four perspectives)*² which makes it possible to grasp enterprise management conditions, notice changes in conditions early, leading to early discussions and advice.

*1. The six indices: (1) sales growth rate (sales sustainability), (2) operating margin (profitability), (3) labor productivity (productivity), (4) EBITDA, debt-to-capital ratio (soundness), (5) working capital turnover period (efficiency), (6) capital ratio (safeness).

*2. The four perspectives: (1) attention to managers, (2) attention to related parties, (3) attention to business, (4) attention to internal management systems.

Chapter 5 Other measures for the promotion of small enterprises

Section 1 Measures for SMEs and micro businesses in disaster areas

1. Expansion of loan ceilings and lowering of interest rates on Managerial Improvement Loans (Marukei loans) and Managerial Improvement Loans for Environmental Health Business Loans (Eikei loans) [fiscal investment and loan program]

Measures raising the loan ceilings for unsecured, unguaranteed, low-interest Marukei and Eikei loans provided by the JFC to micro businesses affected directly or indirectly by the Great East Japan Earthquake (¥10 million separate from ordinary loans) and lowering interest rates (by an additional 0.9% from the normal interest rate for each ¥10 million loaned separately, limited to 3 years from when the loan is taken out) were continued. Between April 2015

and the end of January 2016, 547 Marukei loans were made with a total value of ¥1.81 billion and 11 Eikei loans were made with a total value of ¥30 million.

2. Great East Japan Earthquake Recovery Special Loan [Fiscal 2015 budget: Included in ¥20.5 billion]

The Great East Japan Earthquake Recovery Special Loan program has been provided by the JFC (SME Unit and Micro Business and Individual Unit) and the Shoko Chukin Bank on an ongoing basis since May 2011 to assist SMEs and micro businesses affected by the Great East Japan Earthquake with their cash-flow issues. Between the start of this program's operation on 23 May, 2011 and the end of January 2016, a total of around 288,000 loans have been made with a total value of around ¥6 trillion. Also, the measures that were established in fiscal 2011 (measures as of 22 August, 2011) for implementation by prefectural-level foundations and similar institutions to effectively eliminate the burden of interest payments on loans received by SMEs and micro businesses with business establishments located in restricted areas or similar zones following the nuclear accident in Fukushima, and for SMEs and micro businesses with business establishments and other assets that were completely destroyed or swept away by the earthquake or tsunami, were continued in fiscal 2015.

3. Great East Japan Earthquake Recovery Emergency Guarantee

A new guarantee system separate from the existing general guarantees, disaster-related guarantees, and safety net insurance was established in fiscal 2011 to assist SMEs and micro businesses which suffered damages in the Great East Japan Earthquake. This guarantee system was implemented in fiscal 2015 as well, providing 100% guarantees for up to ¥80 million for unsecured loans and up to ¥280 million for other loans in designated disaster-affected areas. From the time this system began on 23 May, 2011 through the end of January 2016, guarantees were provided for around 123,000 loans with a total value of around ¥2.5 trillion.

4. “Special Finance for Small and Medium Enterprises in the Specified Area” affected by the nuclear disaster

Long-term, interest-free, unsecured loans were provided to SMEs and micro businesses with business establishments in the specified area affected by the nuclear disaster for necessary business funds (working capital and capital expenditures) required to continue or to resume business in Fukushima Prefecture.

5. Revival assistance from Industrial Recovery Consultation Centers and Industry Reconstruction Corporations [Fiscal 2015 budget: Included in ¥3.06 billion]

In fiscal 2011, support for the revitalization of SMEs and other enterprises damaged by the Great East Japan Earthquake was strengthened by enhancing the SME Revitalization Support Councils and establishing Industrial Recovery Consultation Centers in the affected prefectures, and by establishing Industry Reconstruction Corporations to buy receivables, etc. Up to 26 February, 2016, 4,989 consultations from business owners had been handled by Industrial Recovery Consultation Centers in each prefecture, including 4,859 consultations that were carried through to completion. A key achievement was the 902 cases where organizations such as financial institutions agreed to provide financial support, including 324 cases of debt-factoring.

6. Business revival assistance from the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake

To cope with the overlapping debt problems of earthquake-affected businesses, the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake provided assistance such as helping to relieve the repayment burdens for existing debts. Since it began operating on 5 March, 2012, the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake has so far received 2,416 consultations and in 662 of those cases decided to support business owners to revive their businesses through measures such as debt-factoring (as of the end of February 2016).

7. Reduction of interest burden during assessment of the potential for business regeneration [Fiscal 2015 budget: Included in ¥ 18.4 billion]

This is a program for the early realization of business recovery by reducing the interest burden when SMEs and micro businesses whose business operations have been impeded by the Great East Japan Earthquake or the nuclear power plant accident in Fukushima are working with Industrial Recovery Consultation Centers to rebuild their businesses. Specifically, a subsidy is provided to businesses that have suffered damages and received advice on drafting recovery plans at Industrial Recovery Consultation Centers to defray the cost of interest expenses during the recovery procedures period. The subsidy program was established in fiscal 2011 and continued to be implemented in fiscal 2015.

8. Lease subsidy program to support SMEs in disaster-affected areas

In order to reduce the burden of overlapping debt borne by disaster-affected SMEs, SMEs burdened with lease obligations due to leased equipment that was lost during the Great East Japan Earthquake were provided with subsidies equivalent to 10% of the cost of the new leases to re-install the equipment.

9. Post-disaster recovery project on joint facilities of small and medium business associations, etc. [Fiscal 2015 budget: Included in ¥40.0 billion]

In order to promote the restoration and reconstruction of areas affected by the Great East Japan Earthquake, support was provided through the following subsidies:

- (1) Subsidization by the national government (one half) and prefectural governments (one quarter) of the cost of restoration work on facilities and equipment required for implementation of restoration work planned by groups of SMEs and approved by the prefecture as making an important contribution to the regional economy and maintaining employment; and
- (2) Subsidization by the national government (one half) of the cost of disaster recovery projects such as instruction and consultation facilities for SMEs run by organizations such as commerce and industry association.

These subsidies assisted the restoration and reconstruction of damaged facilities of groups of SMEs, etc.

Also, in cases where it would be difficult to revive or continue business and recover sales by restoring prior facilities, support was given to new efforts to develop demand in new fields.

10. Program for preparation of temporary business facilities and subsidy for effective use of temporary business facilities [Fiscal 2015 budget: Included in ¥1.42 billion]

To support the early business recovery of SMEs and other enterprises whose business operations were damaged by the Great East Japan Earthquake, SMRJ has provided grants that do not have to be repaid, in principle, via the affected municipalities, to prepare temporary factories, stores, and other business facilities. Through the end of December 2015, facilities were installed at 585 locations in 52 municipalities in six prefectures. Also, from April 2014, aid is being given for the expenses required to move, remove, or make temporary facilities permanent, with assistance given for 13 facilities through the end of January 2016.

11. Loans for restoration and development of facilities and equipment

Loans were provided by the SMRJ in cooperation with the prefectures to provide funds needed for the repair and preparation of the facilities and equipment required for the implementation of prefecture-approved restoration plans by SMEs that suffered damage caused by the Great East Japan Earthquake.

12. Program to create employment that promotes business recovery [Fiscal 2015 budget: Included in ¥12.2 billion]

Employment assistance consistent with industrial policy was given to create stable employment in the disaster-affected areas. Also, the program was expanded to provide subsidies for relocation expenses, within a certain range.

13. Establishment of special help desks

Special help desks were set up at offices of the JFC, the Shoko Chukin Bank, credit guarantee corporations,

chambers of commerce and industry, federations of societies of commerce and industry, federations of small business associations, branches of the SMRJ, and bureaus of economy, trade and industry nationwide to provide business and financial advice to SMEs and other enterprises affected by the Great East Japan Earthquake.

14. Navigation dial for SME phone consultations

To help SMEs that do not know where to go for advice, a “Navi Dial for SME phone consultations” help line with a single number was provided that connects callers to their nearest Bureau of Economy, Trade and Industry.

15. Consideration for SMEs in disaster-affected regions by the government and other public agencies [Fiscal 2015 budget: Included in ¥550 million]

Under the “Basic Policy on State Contracts with Small and Medium Enterprises,” which is formulated each fiscal year, consideration was given to SMEs and micro businesses in areas affected by the Great East Japan Earthquake, and efforts made to spread this information. Also, to expand opportunities for SMEs in disaster-affected regions to gain orders, the national government and other organs included SMEs in disaster-affected regions in inquiries for estimates and held bidding information meetings in the concerned areas, etc.

16. Support provided by NEXI

In April 2011, Nippon Export and Investment Insurance (NEXI) introduced the following measures to assist SMEs affected by the earthquake: (1) postponement of insurance policy procedures, (2) deferment, reduction or waiver of insured parties’ obligations, and (3) reduction or elimination of the financial burden on insured parties. To deal with the damage caused by harmful rumors, NEXI also published specific examples of losses arising from the restriction or prohibition of import of goods on the grounds of radioactive contamination, which would be covered by trade insurance. These examples include cases of importation being limited or prohibited by the introduction of new regulations and cases of illegal or discriminatory treatment by the government of destination country. For food products and other overseas trading NEXI continues to provide insurance for damage caused by harmful rumors in overseas trading.

17. Employment development subsidies for disaster victims [Fiscal 2015 budget : Included in ¥1.93 billion]

Subsidies were provided to employers who hire workers who lost their jobs due to the Great East Japan Earthquake as a result of referrals from “Hello Work” employment offices and similar agencies, provided that such workers are expected to be employed continuously for a period of at least one year. Bonus subsidies were additionally provided to employers hiring 10 or more such workers.

18. Guidance and advice on measuring radiation levels [Fiscal 2015 budget: Included in ¥40 million]

As a countermeasure against harmful rumors, from the Great East Japan Earthquake and the nuclear power disaster, regarding industrial and other products, specialist teams were dispatched to provide guidance and advice on measuring radiation levels. (The guidance and advice consisted of measuring surface contamination or measuring isotopes on items such as industrial products, and providing information on that measurement together with guidance and advice). Efforts were also made to spread accurate understanding regarding measuring the radiation levels of industrial products.

19. Support for business matching and product development related to industrial products [Fiscal 2015 budget: Included in ¥113 million]

To promote the sustainable reconstruction and revitalization of the economies of disaster-affected areas from the damages caused by the Great East Japan Earthquake and the nuclear power disaster, support was provided throughout Fukushima Prefecture and in the areas of Iwate Prefecture and Miyagi Prefecture that suffered tsunami damage for the cultivation of markets (business matching, product development, etc.) in Japan and abroad for products produced in these disaster areas.

20. Earthquake and other disaster employment support projects [Fiscal 2015 budget: Included in ¥10.7 billion]

Because it takes time to recover employment in disaster areas and many victims of the Great East Japan Earthquake are still displaced, projects were implemented to secure temporary employment for the victims and bring stability to their lives.

Section 2 Enhancing financial capacity

1. Reduced tax rate for SMEs [taxation scheme]

The period of application for the reduction in the rate of corporation tax payable by small and medium corporations from 19% to 15% (applicable to up to ¥8 million of annual income) was extended for two years in the fiscal 2015 tax system revision.

2. SME investment promotion taxation system [taxation scheme]

The SME investment promotion tax system permits special depreciation of 30% or a tax credit of 7% of the acquisition cost of machinery or equipment (the tax credit excludes corporations with capital of more than ¥30 million). New measures were instituted which permit immediate depreciation deduction or a 10% tax credit (7% for corporations with capital of more than ¥30 million) in cases where the concerned machinery or equipment contributes to improvements in productivity.

3. Special provision for inclusion of the acquisition costs of petty sum depreciable assets in losses of SMEs [taxation scheme]

The measure that allows enterprises such as SMEs to include the full costs of depreciable assets worth less than ¥300,000 in charges against revenue, limited to a total ¥3 million a year, continued to be implemented.

4. Carryover and refund carryback of loss [taxation scheme]

In the fiscal 2015 tax system revision, the measure whereby losses arising in the current business year may be deducted as a loss carried over from the amount of income in the following and subsequent business years was extended from up to nine to up to 10 years (applicable to losses arising from the fiscal year beginning April 2017). Also, the scheme that allows businesses to receive a one-year carryback refund for losses arising in the current business year is being continued.

5. Taxation system for the revitalization of the commercial, service and agriculture/forestry/fishery industries [taxation scheme]

In the fiscal 2015 tax system revision, the application period of the measure whereby SMEs in the commercial, service and other industries that make capital investments based on management reform advice from chambers of commerce and industry can receive a special depreciation deduction of 30% or a tax credit of 7% of the acquisition cost (the tax credit excludes corporations with capital of more than ¥30 million) was extended for two years.

6. Special exemption from inclusion in charges against revenue of entertainment and social expenses, etc. [taxation scheme]

The measure that permits enterprises to choose either (1) to include entertainment and social expenses up to a maximum of ¥8 million in charges against revenue or (2) to include up to 50% of food and drink expenses in charges against revenue continued to be implemented.

7. Investment by Small and Medium Business Investment and Consultation Co., Ltd.

In order to help enhance SMEs' capital adequacy and contribute to their sound growth and development, the Small and Medium Business Investment and Consultation Co., Ltd. provided business consultations, assistance with business successions and investment programs involving the underwriting of shares, share warrants and corporate bonds with subscription warrants.

Section 3 Measures for normalization of trading prices and passing along consumption tax

1. “Package of countermeasures to passing on increases in raw materials and energy costs”

A package of countermeasures to passing on increases in raw materials and energy costs was compiled and implemented so that the increased raw materials and energy costs from the depreciation of the yen are passed on appropriately. Specifically, the Guidelines for the Promotion of Fair Subcontracting Practices (referred to hereinafter as “Subcontractor Guidelines”) in a total of 14 industries were revised by the end of March 2015, and good examples (best practices) regarding the passing on of raw materials and energy prices were followed. Also, 543 lectures on the Subcontractor Payment Act and related issues were held nationwide, and efforts were made to spread and explain the Subcontractor Guidelines. In addition, 533 on-the-spot investigations were conducted in the first half of fiscal 2015 at large enterprises based on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (hereafter, the “Subcontractor Payment Act”).

2. Stricter enforcement of the Subcontractor Payment Act [Fiscal 2015 budget: Included in ¥550 million]

To ensure fair treatment of subcontractors and protect their interests, the Fair Trade Commission (FTC) and the Small and Medium Enterprise Agency (SME Agency) collaborated closely to enforce the Subcontractor Payment Act. In fiscal 2015, the FTC and SME Agency carried out audits of the documentation at principal contractors and otherwise worked to strictly enforce the Subcontractor Payment Act.

In November, during “Subcontractor Fair Treatment Promotion Month,” rigorous compliance with the Subcontractor Payment Act was encouraged by conducting special questioning. With the aim of securing the cash-flows of subcontractors as they moved into the financially busy period at the end of the year, active measures were taken to raise awareness of the Act by having the Minister of Economy, Trade and Industry and the FTC Commissioner jointly issue a statement calling for the fair treatment of subcontractors, with the statement being sent to the CEOs of principal contractors (around 200,000 companies) and the representatives of relevant business organizations (638 organizations).

3. Strengthening consultation systems and raising awareness of the importance of fair subcontracting transactions [Fiscal 2015 budget: Included in ¥550 million]

Consultation services concerning SME transactions were provided by the 48 Subcontracting Help Centers set up throughout Japan (5,824 consultations and 743 free consultations by lawyers in fiscal 2015 (preliminary figures)). Courses were also held for managers responsible for procurement at principal contractors to prevent the occurrence of violations of the Subcontractor Payment Act, etc., efforts made for greater awareness, initiatives by principal contractors introduced nationwide, and symposiums held to broadly promote greater observance of the Act.

4. Self-reliance support for SME and micro subcontractors [Fiscal 2015 budget: Included in ¥500 million]

Under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises (referred to hereinafter as the “Subcontracting Promotion Act”), business plans designed to solve issues in collaborations between subcontracting SMEs and micro businesses that are highly dependent on transactions with specific contractors were certified and supported in the form of subsidies, loans and special exemptions for guarantees. Also, in regions where production centers of principal contractors have or are scheduled to close or contract, support in the form of subsidies was provided to subcontracting SMEs seeking to advance into new fields.

5. Support for market expansion through subcontracting business mediation and business fairs [Fiscal 2015 budget: Included in ¥50 million]

Using Business Matching Stations (BMS), subcontracting SMEs looking to solicit new clients were provided with information on outsourced manufacturing and other orders issued and received in the SME’s preferred industry and

where the SME can provide the required equipment or technology. As of the end of March 2016, 26,831 companies were registered. Wide-area information sessions were also held at eight venues to support new market development.

6. Request for consideration toward small and medium subcontractors

Lectures were held to raise awareness of the general standards (promotion standards) that subcontractors and principal contractors are expected to observe under the Subcontracting Promotion Act, and with the aim of securing the cash-flows of subcontractors as they moved into the financially busy period at the end of the year, active measures were taken to raise awareness of the Act by having the Minister of Economy, Trade and Industry and the FTC Commissioner jointly issue a statement calling for observance of the promotion standards designated in the Subcontracting Promotion Act, and sent the statement to representatives of business organizations (864 organizations).

7. Programs to enhance monitoring and inspection regimes for charging consumption tax [Fiscal 2015 budget: Included in ¥3.87 billion]

To ensure that consumption tax is passed along smoothly and correctly, 474 imputation officers were appointed throughout Japan. Also, in order to gather information on such behavior as refusal to pass along consumption tax, large-scale documentation inspections were carried out on SMEs and micro businesses overall in association with the Fair Trade Commission (FTC), and supervision and control exercised.

Section 4 Measures to stabilize business

1. Mutual Relief System for the Prevention of Bankruptcies of SMEs (Mutual Safety-net Relief System) [Included in SMRJ subsidy program]

The Mutual Relief System for the Prevention of Bankruptcies of SMEs is a system that provides unsecured, unguaranteed, interest-free loans in accordance with the amount of accumulated contributions to prevent a chain reaction of bankruptcies when the bankruptcy of a supplier or customer has made it difficult for an enterprise to recover moneys due on account.

As of the end of December 2015, 398,000 companies were enrolled in the system, with 36,000 new subscribers in the period from April 2015 to December 2015 and new loans totaling ¥5.56 billion.

2. Special Business Stability Advice Centers [Fiscal 2015 budget: Included in ¥37 million]

To assist in the resolution of the many and diverse administrative problems of SMEs facing management crises, special business stability advice centers have been established in key chambers of commerce and industry and prefectural federations of societies of commerce and industry across the country. At these centers, support was also provided to guidance programs run by the Japan Chamber of Commerce and Industry and the Central Federation of Societies of Commerce and Industry and other initiatives to facilitate management consultations on business stability in a wide range of business sectors.

3. Promotion of wider adoption of Business Continuity Plans (BCPs) by SMEs [fiscal investment and loan program]

To assist the drafting and administration, and further spread and establish the adoption of BCPs by SMEs and micro businesses, the project to strengthen succession at SMEs and micro businesses introduced under the fiscal 2014 supplementary budget continued to be implemented, and support was given to the drafting and administering of BCPs by SMEs and micro businesses. Support was also given to BCP study seminars for persons in charge of assistance at organizations for SMEs, to enhance the system to spread and support the adoption of BCPs by SMEs and micro businesses. Additionally JFC provided low-interest financing to upgrade disaster prevention and other equipment in accordance with BCPs drafted by SMEs and micro businesses themselves.

[Financial results] (April 2015 to January 2016): 87 loans totaling ¥7.68 billion

4. Relief for damage caused by dumped imports [Fiscal 2015 budget: Included in ¥50 million]

Among trade remedy measures, anti-dumping (AD) measures are measures to secure a fair market competition environment by imposing extra customs duties when a domestic industry suffers damages from enterprises in other countries dumping imports into Japan, following a petition from the domestic industry and investigations by the government. An AD investigation against potassium hydroxide manufactured in South Korea and China initiated in May 2015 is being advanced fairly and appropriately based on international rules and domestic laws. Also, information sessions for enterprises were held and studies conducted to ensure that AD investigations are conducted in accordance with WTO conventions.

Section 5 Measures concerning public demand

1. Formulation and publicizing of the fiscal 2015 “Policy on State Contracts with Small and Medium Enterprises” [Fiscal 2015 budget: Included in ¥550 million]

The Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprises was revised, and measures were advanced to promote participation in public demand by new SMEs and micro businesses established for less than 10 years (hereinafter referred to as “newly-established SMEs”). Also, “the Policy on State Contracts with Small and Medium Enterprises” was revised into the “Basic Policy on State Contracts with Small and Medium Enterprises” (hereinafter referred to as “the Basic Policy”). The ratio of contracts with SMEs and micro businesses was set at 54.7% for fiscal 2015, and on 28 August a Cabinet decision was made to work to double the level of the overall ratio of contracts by the government and other public bodies with newly-established SMEs from the level in 2014 (estimated at around one percent) in the three years from fiscal 2015 through fiscal 2017. As measures implemented to increase opportunities for SMEs to receive orders, new measures were adopted to include newly-established SMEs in estimates for small-amount contracts that do not have excessive demands for past performance as consideration for newly-established SMEs, a new “Procure from Here” site which lists the products and services of newly-established SMEs was opened and operated, and new measures were incorporated to provide information to organizations placing orders.

The following measures were implemented to spread information regarding the Basic Policy.

- (1) The Minister of Economy, Trade and Industry issued a request regarding the Cabinet approval of the Basic Policy on State Contracts with Small and Medium Enterprises to the heads of each agency and ministry, the prefectural governors, the mayors of all municipalities and the mayors of the Tokyo special wards (1,805 organs), and also requested that they make efforts to increase the opportunities available for SMEs and micro businesses to receive orders.
- (2) Between August and September, 50 information sessions (Councils to Promote Local Access to Public Sector Demand) were held all around Japan to actively raise awareness of the Basic Policy in regional areas.
- (3) A council (the Council to Promote Procurement from Newly-established SMEs) was formed to share information and discuss collaboration policies for efforts to promote procurement from newly-established SMEs in the regions.
- (4) A “Guide to Contracts in the Public Sector” was produced and distributed to central and local government agencies and other commerce and industry-related organizations.

2. Operation of the “Public Demand Information Portal Site” to expand opportunities for SMEs and micro businesses to receive orders from the public sector [Fiscal 2015 budget: Included in ¥550 million]

The Public Demand Information Portal Site that provides SMEs and micro businesses with one-stop access to ordering information posted on national and local government body websites in order to improve access by SMEs and micro businesses to the information on public sector orders continued to be operated.

Section 6 Promotion of human rights awareness

1. Human rights awareness [Fiscal 2015 budget: Included in ¥190 million]

Seminars and other educational events were held in order to widely propagate respect for human rights and cultivate awareness of human rights among SMEs and micro businesses. Also, for the revitalization of regions and industries

with a large number of micro businesses and other enterprises which require particularly intensive assistance, study programs were held and touring management consultation provided.

Section 7 Policy consideration by advisory councils and similar bodies

1. Fundamental Issues Subcommittee

SMEs and other enterprises in Japan must respond to sudden changes in the business environment including the aging of business owners and employees and other supply restraints, as well as the risk of a future decline in demand.

To respond to these developments, a Fundamental Issues Subcommittee was established at the Council for Small and Medium Enterprise Policy which analyzed the current status of issues facing SMEs and discussed comprehensive measures to support improved productivity including legal measures.

2. Cabinet decision on the Bill on the Partial Revision of the Act for Facilitating New Business Activities of Small and Medium-sized Enterprises

To strengthen the management of SMEs, micro businesses and second-tier enterprises amid the decline of the workforce and intensified international competition among enterprises, the competent ministers formulated guidance on efforts in each business field to improve management abilities, and the Bill on the Partial Revision of the Act for Facilitating New Business Activities of Small and Medium-sized Enterprises (the Bill on the Strengthening of the Management of SMEs, etc.) was approved as a Cabinet decision in March 2016, and submitted to the Diet.

Section 8 Promotion of surveys and public information activities

1. Preparation of the White Paper on Small Enterprises in Japan

To grasp the current conditions and issues of small enterprises, an annual report (2015 White Paper on Small Enterprises in Japan) was produced based on the provisions of Article 12 of the Small Enterprises Promotion Act.

2. Production of the White Paper on Small and Medium Enterprises in Japan

To grasp the current conditions and issues of SMEs, an annual report (2015 White Paper on Small and Medium Enterprises in Japan) was produced based on the provisions of Article 11 of the Small and Medium-sized Enterprise Basic Act.

3. Publicizing of policy

To spread and publicize SME policy, pamphlets and leaflets summarizing the main points were produced and distributed to local governments, SME support agencies, financial institutions, etc. Further information dissemination and publicity was generated by the “Mirasapo” SME support portal site, and by staging “SME Agency for a Day” events.

(1) Publication of booklets

A “Guide to the Use of SME Policy” which introduces over 200 policies was produced as a manual when using SME policy, together with pamphlets on specific policies, and these were widely distributed to SMEs, local government bodies, SME support agencies (commerce and industry associations and chambers of commerce and industry), and financial institutions and also to certified public tax accountants, lawyers, certified public accountants, and SME management consultants who provide support for SMEs.

(2) Organization of “SME Agency for a Day” events

Co-hosted by the SME Agency and host prefectures, these events were held both to introduce the latest measures to local SMEs and to deepen their understanding of the measures. The events also provided a forum for exchanges of ideas and interaction, which will contribute to future revisions and improvements in SME policy.

These events have been held every year since 1964 and were held in Okinawa Prefecture and Fukushima Prefecture in fiscal 2015.

(3) Online publicity activities

1) Website based publicity

The SME Agency website presented up-to-date information on SME policy, information on public offerings, PR flyers, booklets and other materials. In fiscal 2015, the website received around 35 million page views.

2) E-mail newsletter

The e-mail newsletter was produced in association with SME support agencies and sent out to subscribers every Wednesday. It showcased dynamic SMEs and contained policy information, local updates and information on topics such as surveys and research reports. The e-mail newsletter has roughly 89,000 registered readers (as of the end of December 2015).

(4) “Mirasapo” portal site to support the future of SMEs and micro businesses

The “Mirasapo” portal site was used to deliver the latest support information, subsidy application know-how and examples in an easy-to-understand and timely manner (93,000 members and 59,000 “Mirasapo” e-mail newsletter subscribers as of January 2016).

4. Basic Survey of Small and Medium Enterprises

The Basic Survey of Small and Medium Enterprises was conducted in accordance with the provisions of Article 10 of the Small and Medium-sized Enterprise Basic Act, and provided statistics concerning management and financial information such as SME sales figures and numbers of workers employed by SMEs.

5. Publication of the Survey on SME Business Conditions

The Survey on SME Business Conditions is published quarterly by the SMRJ to ascertain business trends among SMEs.

Chapter 6 Initiatives by industry and by area

Section 1 Measures for SMEs in agriculture, forestry and fisheries

1. Promotion of diversification of primary producers into processing and distribution (sixth sector industrialization)

(1) Subsidy for sixth sector industrialization network activities [Fiscal 2015 budget: Included in ¥2.33 billion]

Support was given to efforts to create a sixth sector including initiatives to develop new products and cultivate markets by building networks among diverse business owners while making use of regional creativity, efforts to provide processing and marketing facilities for agricultural, forestry and fishery products, and regional efforts in line with municipal government strategies to create a sixth sector.

(2) Active use of the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan

Support was given through investment by the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan (A-FIVE) in agriculture forestry and fishery businesses linking with distributors and processors toward creating sixth sector business.

(3) Program for protecting and promoting the use of intellectual properties [Fiscal 2015 budget: Included in ¥200 million]

To assist applications for Geographical Indication (GI) registration, help desks (GI Support Centers) were established and provided consultations regarding application for GI registration, and support was given to efforts to strengthen countermeasures to violations of the intellectual property rights of Japanese agricultural, forestry and fisheries products, food products, etc.

(4) Comprehensive program to promote renewable energy to revitalize rural areas [Fiscal 2015 budget: Included

in ¥200 million]

Growth in regional agricultural, forestry and fishery businesses was promoted by pursuing community-based initiatives to supply renewable energy and to feed the benefits of such initiatives back into local communities.

2. Support for small and medium agricultural, forestry, and fishery businesses

- (1) Wood Industry Upgrading Promotion Fund and Forestry and Wood Industry Improvement Fund [Fiscal 2015 budget: Included in ¥70.0 billion]

Loans were provided through the Wood Industry Upgrading Promotion Fund to streamline lumber production and distribution, and loans were provided through the Wood Industry Improvement Fund to implement measures such as management reforms in the forestry and lumber industries.

- (2) Interest subsidy for the installation of lumber processing facilities [Fiscal 2015 budget: Included in ¥10 million]

Interest subsidies were provided for borrowing the funds required for the installation of equipment to increase the value added of lumber products and diversify management, and for the accompanying removal of old equipment and facilities.

- (3) Subsidy for Establishment of the Foundation for Forest and Forestry Regeneration (Arrangement of lumber processing and distribution facilities) [Fiscal 2015 budget: Included in ¥2.7 billion]

Support was provided to arrange the lumber processing and distribution facilities required to realize wide-area distribution plans and resource circulation plans to construct a supply chain that can provide stable and efficient supply in terms of price, quantity and quality.

- (4) Support for reorganization and development of the dairy industry by means of subsidies for building a strong agricultural industry and comprehensive measures for the revitalization of production areas [Fiscal 2015 budget: Included in ¥23.09 billion (Subsidy for building strong agriculture), included in ¥2.34 billion (Comprehensive measures for revitalization of production areas)]

Program goals

- To promote strengthening the business constitution of small and medium dairy businesses by working to reorganize, rationalize and improve the hygiene management of dairy industry factories, and to contribute to the stabilization of the business of dairy farmers amid a decline in the consumption of milk for drinking.

Program outline

- In order to decrease the production and sales costs and upgrade hygiene levels at small and medium dairy businesses, support was provided to dairy factories for the installation of new facilities and expansion of facilities along with the removal of old facilities, and for the removal of dairy factories without replacement, etc.
 - To steadily advance efforts toward more efficient milk collection and transport and toward industry reorganization, support was provided for efforts to grasp and examine problems and draft specific plans in the regions, and for rationalization of employees, etc.
- (5) Support for raising the standard of food manufacturing process management

To improve the safety of food products and gain the confidence of consumers, financial support was provided for the following initiatives under the Act on Temporary Measures concerning Sophistication of Management of Food Manufacturing Process: (1) Provision of infrastructure and equipment for HACCP introduction; and (2) Arrangement of systems, infrastructure and equipment for general hygiene management and product quality control as preliminary steps towards HACCP introduction (advanced platform provision). (Fund for promoting advanced quality control in the food industry)

- (6) Exports comprehensive support program [Fiscal 2015 budget: Included in ¥1.38 billion]

Program goals

- To promote exports uniting the public and private sectors in accordance with the “Agriculture-Forestry-Fisheries and Food Products Export Strategy by Country and by Item” (Drafted August 2013) toward achieving the goal of ¥1 trillion in 2020.

Program outline

- Comprehensive business support from upstream through downstream to businesses working at exports was

strengthened through subsidies to the JETRO.

Changes from fiscal 2014

- “One-stop export consulting stations” that strengthen the export consulting function, “marketing bases in new markets” that conduct trial sales and provide local feedback for businesses working at exports, and “overseas collaboration councils” that work to resolve various bilateral issues that would be difficult to solve by the efforts of individual enterprises alone were newly established.

(7) Measures for business owners seeking to export [Fiscal 2015 budget: Included in ¥840 million]

Program goals

- To promote exports uniting the public and private sectors in accordance with the “Agriculture-Forestry-Fisheries and Food Products Export Strategy by Country and by Item” (Drafted August 2013) toward achieving the goal of ¥1 trillion in 2020.

Program outline

- Different export organizations for marine products, rice and rice products, ornamental plants, livestock, tea and forest products (lumber) held review meetings in Japan and conducted questionnaire surveys overseas toward establishing the Japan brand, and implemented efforts to resolve issues with the export environment.
- To build up a system to promote exports through collaboration among production areas, initiatives were implemented to prolong export periods by collaboration between production regions and for relay exports, etc.
- Initiatives were implemented to deal with the quarantine certificates required by each country and region, to acquire and renew internationally recognized certificates, and to develop and verify optimal export models to achieve practical export costs in accordance with the export conditions by item.

Changes from fiscal 2014

- The overseas market surveys, education for export managers, production area PR and domestic business fairs were discontinued.

3. Support for R&D and other cross-field activities

(1) Promotion of studies of scientific technologies for the agriculture, forestry, fishery and food industries [Fiscal 2015 budget: Included in ¥5.24 billion]

R&D initiatives were promoted for problems in the agriculture, forestry, fishery and food industries at each stage of technological development, including the basic stage involving the development of technological seeds that lead to innovative technologies and solutions (elemental technologies that lead to the creation of new technologies, businesses and agribusiness), the application phase involving the further development of those seeds towards R&D for practical application, and the practical application stage in which technologies meet the requirements of key national policies and address the needs of the agriculture, forestry, fishery and food industries. The development of varieties that address the diverse needs of actual and prospective users utilizing the technical skills of industry, academia and government was also promoted.

(2) Various forms of lending by JFC [fiscal investment and loan program]

Section 2 Measures for SMEs in the transportation industry

1. Support for the warehousing industry

Upgrading of the physical distribution functions of facilities was promoted in order to encourage third-party logistics (3PL) programs and more efficient distribution under the Law for Integration and Improvement of Physical Distribution. This is aimed at meeting the need for increasingly sophisticated physical distribution services as a response to changes in the socioeconomic environment.

2. Measures for the coastal and domestic passenger shipping industries

(1) Interim measures for coastal shipping

In order to ensure the smooth and steady implementation of interim measures for coastal shipping, support was provided by establishing a separate system of government guarantees for the loans required to fund these

measures.

- (2) Joint shipbuilding program [fiscal investment and loan program] [Fiscal 2015 budget: Included in ¥28.4 billion]

The construction of ships that contribute to the greening of coastal shipping and ships that contribute to the maintenance and revitalization of service to outlying islands, which have high policy significance, was promoted by the Japan Railway Construction, Transport and Technology Agency (JRJT) joint shipbuilding program.

3. Measures for small and medium shipbuilders and related manufacturers [Fiscal 2015 budget: 1)Included in ¥50 million, 2)Included in ¥16.0 billion (fiscal 2013 budget), 3) Included in ¥810 million, 4) ¥100 million]

- (1) In addition to taking steps to secure a safety net for business stabilization, 1) courses on modernizing management techniques were held at eight locations nationwide, and a health and safety manager training course was held to help prevent industrial accidents.
- (2) All 37 shipyards and shipbuilders on the Pacific coast of Tohoku together suffered devastating damage in the Great East Japan Earthquake, as did many shipbuilding-related businesses. The Ministry of Land, Infrastructure, Transport and Tourism, in coordination with the Small and Medium Enterprise Agency and other related ministries and agencies, provides them with assistance in using the Subsidy for Restoration and Reconstruction of (Groups of) SMEs, and helps in the procurement of materials and equipment needed for the prompt recovery of their facilities. Additionally, to promote the reconstruction of local shipbuilding that substantially contributes to the fishery industry in disaster-affected areas, a fund was established to provide subsidies for groups of small and medium shipbuilding businesses that contribute to the fishery industry in areas where the industry is a core industry but face reconstruction difficulties due to ground subsidence, and to assist with the costs of constructing and repairing facilities to be used jointly by the businesses and for constructing berthing facilities, and decisions were made to provide subsidies to eight projects by 19 enterprises totaling ¥11.42 billion, including two projects which were completed and had their subsidies disbursed. 2) Subsidy for reconstruction assistance projects in the shipbuilding industry
- (3) Subsidies were provided for 32 research and development projects (including 11 involving the participation of SMEs) for marine resource development technologies that contribute to the strategic growth of Japan's maritime industries and for world-leading marine environment technologies for reducing CO₂ from vessels. 3) Subsidy for R&D for technologies related to the maritime industry
- (4) To deepen understanding of the shipbuilding industry and increase the number of youth who want to enter the shipbuilding industry, study tours of shipyards, internships for high school and college students at shipyards, and education study meetings by local high school teachers and shipbuilding enterprises were held. (continued & new) In the shipbuilding industry, as an urgent and time limited measure from April 2015 to the end of fiscal 2020, the Foreign Shipbuilding Worker Acceptance Program was introduced to admit foreign shipbuilding workers who have acquired skills and can be used immediately, which permits employment for up to three years. Through the end of January 2016, approximately 900 foreign workers had been employed. 4) Securing and developing human resources in the shipbuilding industry

Section 3 Measures for small and medium building contractors and realtors

1. Regional construction industry vitalization support project [Fiscal 2015 budget: Included in ¥190 million]

Human resources development experts, SME management consultants and other vitalization support advisors provided wide-ranging advice, which contributes to the resolution of management issues and of construction management and other technical issues, to small and medium and second-tier construction enterprises and construction-related enterprises (surveyors, construction consultants and geological surveyors) that support regional society through the development, maintenance and management of social infrastructure and regional disaster prevention and disaster reduction, etc.

Also, for model efforts that contribute to securing and developing personnel or to improving productivity, continuous support was provided through to goal achievement, including the drafting of plans by a support team of experts as intensive support, and subsidies were paid for part of the expenses at the plan implementation stage.

2. Implementation of financial support in the construction industry

(1) Implementation of the Local Construction Management Enhancement Loan Program

To further facilitate smooth funds procurement by construction companies acting as main contractors, the program period was extended for the Local Construction Management Enhancement Loan Program, which makes it possible for SMEs and second-tier enterprises acting as main contractors to receive loans from finance companies in line with performance using the contract value credit from public works as collateral. Under this program, loan guarantees for the financing funds borrowed from financial institutions are attached when finance companies provide loans. This makes it easier to secure loans and reduces the procurement interest rate.

(2) Implementation of the Subcontracting Receivables Protection Support Program

The period of the Subcontracting Receivables Protection Support Program, which was implemented to facilitate the procurement of funding and the protection of receivables held by building subcontractors and similar enterprises, was extended. The main purpose of this program is to minimize risk and compensate for losses by small, medium-sized and second-tier construction subcontractors when a receivable payable to a building subcontractor by the main building contractor for subcontracted building work is guaranteed by a factoring company.

3. Support for overseas business expansion in the construction industry [Fiscal 2015 budget: Included in ¥40 million]

To support expansion overseas by second-tier and SME construction companies, seminars for drafting strategies to advance overseas were held for managers to advance overseas, and a delegation was sent to Indonesia. Also, Overseas Business Forum 2016 was held for the construction and real estate industries, and individual consultations were provided. Additionally, the latest information was disseminated using overseas construction and real estate market databases and other media, and efforts made to support overseas development utilizing intellectual property.

4. Financial measures for small and medium realtors

Loan guarantee programs designed to provide guarantees for business loans for regional revitalization and for loans to fund joint initiatives by small and medium realtors were continued to supplement credit and facilitate financing of small and medium realtors.

5. Regional greening of housing project [Fiscal 2015 budget: Included in ¥11.0 billion]

To strengthen the production system for wooden housing in regions, and reduce environmental load, support was given to the preparation of wooden housing and structures with superior energy conservation and durability by groups of materials suppliers, designers, contractors and other related businesses.

6. Program for preparation of a wooden housing construction technology system [Fiscal 2015 budget: Included in ¥600 million]

This program provides support for measures such as technical courses on remodeling that help to cultivate new skilled carpenters and improve the skill levels of skilled carpenters.

Section 4 Measures for the environmental sanitation business

1. Measures for the environmental sanitation business [Fiscal 2015 budget: Included in ¥1.03 billion]

Subsidies were given to environmental health cooperatives and federations, national environmental sanitation business guidance centers and prefectural environmental sanitation business guidance centers to promote the sound management of barbershops and beauty parlors, cleaning companies, food and beverage businesses operators and

other environmental sanitation businesses, maintain and improve sanitation standards, protect the interests of users and consumers, and advance the creation of a more secure and comfortable living environment from the perspective of sanitation. In fiscal 2015, to escape the structural vicious cycle surrounding the environmental sanitation businesses, vitalize the industry, and support sustainable development, measures were implemented intensively including a program to draft plans that make use of the strengths and characteristics of environmental sanitation businesses and establish and promote a virtuous cycle structure in the environmental sanitation business (environmental sanitation business virtuous cycle promotion plans formulation program).

2. Loans for environmental sanitation businesses [Fiscal 2015 budget: Included in ¥2.18 billion]

JFC provided low-interest loans (loans for environmental sanitation businesses) to upgrade and advance public sanitation by supporting the cash flow of environmental sanitation businesses. The fiscal 2015 budget improved lending conditions, including lowered interest rates for barrier-free related facilities, and the fiscal 2015 supplementary budget lowered interest rates for enterprises employing youth in the regions and enterprises moving their headquarters to the regions.

Section 5 Environmental and energy measures

1. Administrative support for the system for certifying greenhouse gas reductions by SMEs (J-Credit Scheme) [Fiscal 2015 budget: Included in ¥580 million]

The J-Credit Scheme is a system for certifying the amounts of greenhouse gas emission reductions achieved through capital investment by SMEs as “credits”, and assistance was provided with administering the scheme and formulating business plans.

This program also develops the foundation for the carbon offset mechanism whereby CO₂ emissions from products and services are offset with carbon credits, by taking advantage of the “visualization” of carbon emissions from products by the Carbon Foot Print (CFP) system, and promoted demand for the credits created under the J-Credit Scheme.

By boosting energy conservation investments by SMEs and promoting the circulation of funds in Japan through the use of these credits, the program achieved a good balance between the environment and economy.

2. Promotion of environment-conscious business activities based on the “visualization” of CO₂ emissions and carbon credits [Fiscal 2015 budget: Included in ¥100 million]

This program supported the spread of carbon offset products and services by attaching an exclusive label (the acorn mark) whereby the government certifies that the entire CO₂ emissions throughout the life cycle of a product or service provided by an SME or micro business has been calculated and made visible by the carbon footprint and covered (offset) by carbon credits.

The accumulation of these exclusive labels drove environmentally friendly business activities by SMEs and micro businesses, such as operating schemes to return environmentally friendly products and services to schools and other local organizations and encouraging consumers to purchase environmentally friendly products. The system was used by 33 businesses for 104 products and services.

3. Environment and Energy Measure Fund (for anti-pollution measures)

To promote anti-pollution measures by SMEs, JFC provides low-interest loans to businesses who install pollution prevention equipment. In fiscal 2015, necessary revisions were made and the period of this scheme was extended until 31 March, 2016.

[Financial results] (April 2015 to January 2016)

	Projects	Funding
Atmospheric pollution-related	4 projects	¥111 million
Water contamination related	3 projects	¥57 million
Industrial waste/recycling-related	53 projects	¥4,183 million

4. Anti-pollution tax system (taxation scheme)

The anti-pollution tax system provides a special tax exemption for anti-pollution equipment (sewage and effluent treatment facilities) and special depreciation for acquisition of anti-pollution equipment, to support anti-pollution initiatives undertaken by SMEs and other businesses. The periods of tax exemptions for anti-pollution equipment (sewage and effluent treatment facilities) scheduled to lapse at the end of fiscal 2015 were extended for two years.

5. Energy Use Rationalization Business Support Program [Fiscal 2015 budget: Included in ¥41.0 billion]

This program subsidized the costs required for low-energy modifications to existing infrastructure, such as improvements to manufacturing processes and the substitution of the latest low-energy equipment and systems in factories and workplaces that deal with peak load and reduce energy consumption. From fiscal 2015, assistance for unified energy conservation efforts among multiple plants was added to the items supported.

6. Program to promote the installation of designated equipment to rationalize energy use [Fiscal 2015 budget: Included in ¥2.61 billion]

To promote the installation of energy-saving equipment and leading devices, this program subsidized the interest payments on financing received from private financial institutions. Ties with regional private financial institutions were strengthened, and the program vigorously pushed energy conservation investments by regional small, medium, and second-tier enterprises.

7. Program for promoting the introduction of energy-saving measures [Fiscal 2015 budget: Included in ¥550 million]

This program implemented assessments to identify potential energy conservation and energy reductions and other diagnoses of SMEs and other businesses, and distributed information via a range of media on energy-saving technologies and case studies gained from the assessments.

8. Program to promote investment in energy conservation and productivity revolution at SMEs, etc. [Fiscal 2015 supplementary budget: Included in ¥44.2 billion]

Under this program, a system was established for easy application by energy conservation effect for each item of equipment introduced and intensive support was provided for replacements with high efficiency energy conservation equipment to improve the productivity and energy conservation performance of SMEs and other businesses, which leads to strengthening competitiveness.

9. Taxation scheme to promote environment-related investment [taxation scheme]

This taxation scheme permits special depreciation of 30% or a tax credit of 7% (SMEs, etc.) in the first year of the acquisition cost of equipment that contributes to expanding the introduction of energy conservation and renewable energy by individuals and corporations that submit their income tax returns using the Blue Form. Also, in the fiscal 2015 tax reform the tax measure whereby, in addition to the regular depreciation limits, depreciation up to the acquisition price (immediate depreciation) is permitted when wind power generation equipment is acquired and subsequently provided for business use, was extended for one year.

10. Regional low-carbon investment promotion fund program [Fiscal 2015 budget: Included in ¥4.6 billion]

The regional low-carbon investment promotion fund provided public funding for renewable energy and other carbon reduction projects that are likely to be profitable but for which the supply of private-sector funding is not sufficient because of the high risk caused by long lead times or a long investment recovery period, to induce greater private-sector funding.

11. Eco-Lease promotion program [Fiscal 2015 budget: Included in ¥1.8 billion]

By subsidizing part of the total lease fee for SMEs and other entities that have difficulty coping with the very high initial investment costs (deposit) when installing low-carbon devices, this program promoted the use of no deposit “leases” and worked for the spread of low-carbon devices.

12. Eco-Action 21

The number of businesses certified and registered under Eco-Action 21 reached 7,500 as of the end of December 2015. Examinations on revising the Eco-Action 21 guideline were initiated to make this environmental management system easier to adopt by second-tier, small and medium enterprises, etc. Also, trial programs specifically aimed at reducing CO₂ based on Eco-Action 21 were conducted and environmental management was instituted at 250 second-tier, small and medium enterprises.

Section 6 Promotion of the adoption of IT

1. Lending by governmental financial institutions for investment in IT (IT Fund) [fiscal investment and loan program]

The JFC acted as a reliable source of lending to enable SMEs to keep up with changes in the business environment associated with the spread of and changes in IT and digital content. In fiscal 2015 (as of the end of January 2016), 2,493 loans were issued for a total of ¥27.2 billion.

Section 7 Measures on intellectual property

1. Surveys of technical trends of patent applications [Fiscal 2015 budget: Included in ¥1.17 billion]

Surveys of patent application trends were conducted to assist in the development of the R&D strategies and IP strategies of Japanese industry, and the findings made publicly available via the Japan Patent Office’s website and other channels.

In fiscal 2015, surveys were conducted on 20 technology themes including “information security technology” and other technology fields drawing social interest and on “information terminals’ housing and user interface” and other technology fields where patent applications in China are suddenly increasing.

2. Support for foreign patent applications by SMEs [Fiscal 2015 budget: Included in ¥630 million]

In order to encourage SMEs to file strategic applications for foreign patents, subsidies were provided via prefectural and other SME support centers and through JETRO as a nationwide regional implementation body to partially defray the costs incurred (such as translation costs, application fees to foreign patent offices and expenditure on hiring Japanese agents and local agents overseas) by SMEs planning overseas business expansion.

3. Promotion of the wider use of IP systems [Fiscal 2015 budget: Included in ¥80 million]

Information sessions on the intellectual property system were held for individuals tailored to their different levels of knowledge and expertise. These included sessions outlining the IP system and explaining basic knowledge for beginners, sector-specific sessions with more specialized content for people with some experience looking at topics such as the examination criteria for patents, designs, and trademarks, the application of the trial system and procedures for international applications, and sessions on legal revisions broadly explaining the latest revised provisions of laws and regulations.

In fiscal 2015, 57 information sessions for beginners were held in 47 prefectures, and 62 sessions for practitioners and 33 sessions explaining legal revisions were held in major cities nationwide.

4. Program supporting measures by SMEs to counter overseas infringements [Fiscal 2015 budget: Included in ¥120 million]

To promote the timely and appropriate exercise of industrial property rights overseas by SMEs, subsidies were provided via JETRO for the costs incurred by SMEs from infringement investigations regarding imitation products to the costs of drafting warning statements to the persons responsible for the violations and for filing administrative charges. During fiscal 2015, 23 cases were adopted—double the number in fiscal 2014. Also, from fiscal 2015, new subsidies were provided for the expenses of consulting with attorneys when sued for intellectual property rights violations overseas by a local enterprise, etc., and for the costs required for litigation, and two cases were adopted.

5. Patent strategy portal site [Fiscal 2015 budget: Included in ¥10 million]

The patent strategy portal site on the Patent Office's website provided online access to "data for self analysis" which includes individual data on the number of patent applications, the number of examination requests, and the patent approval rate over the preceding 10 years to applicants who applied for a password.

6. Reductions in patent fees for SMEs

The measure which reduces examination request fees and patent charges by half (for 10 years from the first year) for SMEs actively pursuing R&D continued to be implemented.

Also, for small and medium venture enterprises and micro businesses a measure was implemented from 2014 that reduces examination request fees and patent charges by one-third (for 10 years from the first year) as well as administrative charges for overseas patents (administrative charges for investigations, forwarding and preliminary examinations). This measure also provides subsidies equivalent to two-thirds of the amount paid in international patent administration fees and handling fees.

7. Accelerated examination and accelerated appeal examination system

When the applicant or appellant submitting the request is an SME or micro business, examinations and appeal examinations can be fast-tracked by presenting an "Explanation of Circumstances Concerning Accelerated Examination" or "Explanation of Circumstances Concerning Accelerated Appeal Examination". In fiscal 2015, 12,412 applications for accelerated examination were received (as of the end of December 2015).

8. Provision of a one-stop IP service for SMEs (General IP Help Desks) [Fiscal 2015 budget: Included in ¥2.9 billion, including National Center for Industrial Property Information and Training (INPIT) subsidies]

"General IP Help Desks" have been established in each prefecture and staffed by support staff in order to provide a one-stop service for on-the-spot resolution of IP concerns and problems encountered by SMEs in the course of business administration. The use of IP by SMEs was further promoted by such means as using IP experts to work with SMEs to resolve highly specialized issues, collaborating with SME support agencies and similar organizations, and identifying SMEs and other enterprises that are not making effective use of IP. In fiscal 2015, the number of times patent attorneys and attorneys were assigned to the help desks was doubled, in principle, and the support system was strengthened, for example, by expanding experts providing assistance regarding regulations on employee inventions following the fiscal 2015 revision to the Patent Act. The number of consultations handled by the help desks reached around 140,000 in fiscal 2015 (as of the end of January 2016).

9. Arrangement of one-stop support system for trade secrets (Trade secrets and intellectual property strategy consultation offices – Trade secrets 911) [Fiscal 2015 budget: Included in INPIT subsidy program]

"Trade secrets and intellectual property strategy consultations offices – Trade secrets 911" were established at the National Center for Industrial Property and Training (INPIT) on 2 February, 2015, to provide expert consultation primarily to SMEs in collaboration with General IP Help Desks regarding the acquisition of patents, concealment as trade secrets and other open/closed strategies and other specific intellectual property strategies. Experts provided

consultation on the methods of managing trade secrets, and on trade secrets leaks and diversions. A system for contact with the National Policy Agency and Information-technology Promotion Agency, Japan (IPA) particularly regarding trade secrets leaks and diversions, information security measures, and cyber attacks, depending on the consultation contents, was maintained. Promotional and educational activities were also implemented including trade secrets and intellectual property strategies seminars and the development of e-learning contents.

10. Emerging Country IP Information Databank [Fiscal 2015 budget: Included in ¥30 million, included in INPIT subsidy program]

This is an informational website aimed at legal and IP managers in Japanese enterprises doing business in developing countries and similar regions. Its purpose is to provide a wide range of IP information on various developing countries, including information on application procedures, examination and litigation procedures, licensing procedures and statistical and institutional trends.

In fiscal 2015, new content was created focusing primarily on the Middle East and Africa regions. (No. of content items as of the end of February 2016: 1,467)

11. Global IP Producers dispatch program [Fiscal 2015 budget: Included in INPIT subsidy program]

To provide support directed at the use of intellectual property in overseas business expansion, experts in IP management (“Global IP Producers”) were assigned to the INPIT to assist SMEs and other enterprises with promising technologies that are likely to drive overseas expansion. This support included the formulation of IP strategies tailored to the nature of the overseas operations and factors such as the situations and systems in the target countries.

In fiscal 2015, 282 applicants were assisted by five Global IP Producers (as of the end of February 2016).

12. On-site Interview Examinations and On-screen Interview Examinations [Fiscal 2015 budget: Included in ¥20 million]

Inspectors were sent out to regional interview venues across Japan to provide support for staff in small and medium venture enterprises in regions nationwide and also held on-screen interviews where applicants participated from their computer screens via the Internet.

13. Program to support the use of patent information analysis by SMEs, etc. [Fiscal 2015 budget: Included in ¥140 million]

This program provided comprehensive patent information analysis support to SMEs and to regional public bodies, publicly funded laboratories, commerce and industry associations and chambers of commerce and industry in accordance with the needs of each stage of research and development, application, and examination request to promote effective research and development, securing of rights and other intellectual property use by SMEs, etc.

14. IP funding promotion program [Fiscal 2015 budget: Included in ¥100 million]

A comprehensive initiative was implemented to make the value and assessment of businesses using the intellectual properties of SMEs visible and to link this to funding from financial institutions. Specifically, examination companies prepare “IP business assessment forms” which make the value and assessment of businesses using the intellectual properties of SMEs visible and provide these to financial institutions that lack IP experts in order for the businesses to be appropriately reflected making judgments on loans to SMEs. IP businesses assessment forms were prepared for 150 businesses.

Efforts were also made to spread and support intellectual asset-based management.

15. Program to create businesses using Japanese IP [Fiscal 2015 budget: Included in ¥560 million]

The following initiatives were implemented through JETRO to assist promotion of business development overseas using the intellectual properties of SMEs and second-tier enterprises.

- (1) The construction of business models for the licensing business overseas was supported by holding seminars and trainings by experts inside Japan, conducting multiple individual interviews overseas, and arranging events and other opportunities for business discussions.
- (2) Support was implemented by providing opportunities for business discussions with candidate business partners through displays at exhibitions and participation in business fairs overseas.
- (3) Advice was provided by intellectual property experts to prevent the leakage of technology.
- (4) Information was conveyed overseas in multiple languages regarding the attractiveness of Japanese SMEs and second-tier enterprises with promising intellectual properties, while giving consideration to prevent technology leaks.

16. Program to strengthen support for the IP of regional SMEs [Fiscal 2015 budget: Included in ¥150 million]

To promote the protection and use of the intellectual property of SMEs by providing detailed support in accordance with the various issues and regional characteristics of SMEs, leading and advanced IP support efforts of enthusiastic regional support agencies and other bodies were selected through bureaus of economy, trade and industry and assistance given to 15 leading efforts with wide-area collaboration.

17. Provision of patent information

The Industrial Property Digital Library was renovated to respond to increasingly sophisticated and diverse user needs for patent information, and provision of a new Japan Platform for Patent Information (J-PlatPat) was initiated from March 2015. J-PlatPat provides easy to use interface, and has functions for public information searches on domestic patents, utility models, designs and trademarks, and for inquiries on past data.

The Chinese and Korean Gazette Translation and Search System began operating from January 2015 to enable Japanese language searches of patent documents, especially Chinese and Korean patents documents, which have been rapidly increasing, and the Foreign Patent Information Service (FOPISER), which handles inquiries on the patent information of ASEAN and other foreign countries where there is a notable increase of Japanese enterprises, began service from August 2015.

Section 8 Promotion of standardization

1. Promotion of the strategic use of standardization at second-tier companies and SMEs

Based on the revised 2015 Japan Revitalization Strategy and Intellectual Property Promotion Plan 2015, the Japanese Industrial Standards Committee used the New Market Creation Standardization System to decide on the standardization in May and December 2015 and January 2016 of nine cases proposed by second-tier companies and SMEs. Additionally, a “Standardization Use Support Partnership System” whereby local government bodies, industrial promotion organs, regional financial institutions, universities and public research organs (partner institutions) collaborate with the Japanese Standards Association (JSA) to provide information and advice on strategic use of standardization in regions was established and began operations from November 2015.

Policies for small enterprises planned for fiscal 2016

Note: The quantities, amounts of money and other figures in this document are approximate and may be changed in the future.

Policies for small enterprises planned for fiscal 2016

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Policies for small enterprises planned for fiscal 2016

The Basic Act for Promoting Small Enterprises approved 20 June, 2014 prescribes four basic policies for taking measures regarding the promotion of small enterprises in accordance with the basic principles for the sustained development of micro businesses.

Basic policies

1. Promote sales of products and provision of services that respond to diverse domestic and foreign demand, and promote the development of new businesses.
2. Facilitate effective use of management resources by small enterprises and the fostering and securing of personnel required by small enterprises.
3. Facilitate business activities of small enterprises that contribute to invigorating regional economies, improving the lives of local residents, and promoting exchange.
4. Develop a support system to provide appropriate support to small enterprises and devise other necessary measures.

Toward realizing these four basic policies, the Basic Plan for the Promotion of Small Enterprises (Cabinet decision of 3 October, 2014) sets the following four goals.

- (1) Promoting business management that should be implemented for future demand
- (2) Promoting business renovation
- (3) Facilitating business activities contributing to regional economies
- (4) Developing a system for supporting micro businesses through community-wide collective efforts

The following chapters introduce the measures for small enterprises planned for fiscal 2016 toward achieving these four goals.

Chapter 1

Promoting business management that should be implemented for future demand

Goals of the Basic Plan for the Promotion of Small Enterprises (1)

- (1) Promoting business management that should be implemented for future demand
 — Creating and discovering demand for micro businesses by more proactively taking advantage of their conventional face-to-face relationships with customers —

Small enterprises are facing reduced demand from structural factors in the Japanese economy and society including population decline and lifestyle changes. Moreover because of limitations on funds, personnel, product development capacity and other management resources, small enterprises have weak price competitiveness and sales abilities, and are easily influenced by structural changes.

On the other hand, because of their strengths in transactions based on face-to-face relationships of trust, small enterprises have the potential to develop new demand inside Japan and overseas by grasping needs to which large enterprises cannot respond, and developing and providing various products and services that are not caught up in price competition. Additionally, with the spread of IT, the potential for activities beyond existing business regions is expanding even for enterprises that are small scale. To maximize such potential response of small enterprises to structural changes, promote systematic management anticipating demand which grasps enterprise strengths, creates and cultivates demand, makes greater use of IT, and develops and provides new products and services.

Section 1 Enhancement of technological capacity

1. Strategic Core Technology Advancement and Collaboration Support Program [Fiscal 2016: Included in ¥13.97 billion]

Support is provided for research and development activities by SMEs and micro businesses with plans approved under the SME Technological Advancement Law conducted in collaboration with universities or research institutes such as publicly funded laboratories.

This program also supports the development of new business models implemented as industry-academia-government collaboration by SMEs and micro businesses in accordance with plans for development of new businesses through collaboration in different business fields certified based on the SME New Business Activity Promotion Act. (Ongoing)

2. Program to promote bridge research and development to second-tier companies and SMEs [Fiscal 2015 supplementary budget: Included in ¥1.1 billion]

Even when second-tier companies and SMEs have specific superior technologies, by themselves these are sometimes insufficient for commercialization.

For that reason, it is important for organs with superior basic technologies to promote commercialization through mediation of their technologies to second-tier companies and SMEs.

Toward those ends, New Energy and Industrial Technology Development Organization (NEDO) certifies 144 publicly funded laboratories and other institutions nationwide as organs with “bridge” functions that bring innovative technology seeds to commercialization, and it provides subsidies (assistance rate of up to two-thirds, maximum assistance of ¥100 million) to second-tier companies and SMEs implementing joint research using the abilities of these organs. (Ongoing)

3. Program for National Institute of Advanced Industrial Science and Technology (AIST) mediation to SMEs [Included in AIST operating expenses subsidies]

Under this program “Innovation Coordinators” from National Institute of Advanced Industrial Science and Technology (AIST) who are assigned to publicly funded laboratories which grasp the needs of regional second-tier companies and SMEs to build a nationwide-scale coordination system work to strengthen the “bridge” function leading to commercialization of innovative technology seeds held by regional companies, and support the research and development of second-tier companies and SMEs. (Ongoing)

4. Comprehensive support for enhancement of core manufacturing technologies of SMEs

Comprehensive support is implemented for SMEs and micro businesses with approved specific R&D plans formulated in accordance with the advancement guidelines under the SME Technological Advancement Law by such means as the Strategic Core Technology Advancement Program, financing, and special exemptions for guarantees. (Ongoing)

5. R&D promotion tax system (for strengthening the technological bases of SMEs) [taxation scheme]

Measures are provided for research and development investment by SMEs and micro businesses whereby they can take a tax credit equivalent to 12% of testing and research expenses (up to a maximum of 25% of the corporation tax) or a tax credit equivalent to 20% or 30% of special testing and research expenses (testing and research jointly conducted or consigned to universities etc. or for setting or receiving consent to use intellectual properties held by SMEs) (up to a maximum of 5% of the corporation tax).

In addition, a measure is provided whereby enterprises can choose either (1) in cases where their expenditure on testing and research has increased by a rate of at least 5% from the average over the past three years, a tax credit equal to the amount of the increase in testing and research expenses times the percentage of the increase (up to a limit of 30%) or (2) in cases where their expenditure on testing and research exceeds 10% of average sales, a tax credit equal to a fixed portion of the amount exceeding 10% of average sales (not exceeding 10% of the total corporation tax for the concerned period; until the end of fiscal 2016). (Ongoing)

6. Support under the Small Business Innovation Research (SBIR) Program

The provision of central government-allocated research and development spending for SMEs and micro businesses continues to be expanded and the commercialization of the results of technological development activities continue to be promoted, for example, by designating specific subsidies for the development of new technologies leading to the creation of new industries, setting targets for expenditures, and formulating policies for measures to support the commercialization of development results achieved using specified subsidies. Additionally, to promote the commercialization of technology development outcomes, SMEs and micro businesses are informed and encouraged to take advantage of the available commercialization support, such as the database of the technological capabilities of enterprises granted specific subsidies and the low-interest loans offered by the Japan Finance Corporation (JFC). At the same time, the multistage selection process for the allocation of special subsidies is being introduced and expanded. (Ongoing)

7. Program for the development of new businesses through collaboration in different business fields [fiscal investment and loan program]

This program provides authorization under the SME New Business Activity Promotion Act for business plans for developing markets and developing new products and services through collaborations between SMEs in different sectors and the effective combination of their management resources (such as technology and markets). It also provides wide-ranging support through grants and subsidies and through financing and special exemptions for guarantees. (Ongoing)

8. Program to promote business creation through medical-engineering collaborations [Fiscal 2016 budget: Included in ¥3.5 billion]

This program advances a medical equipment development support network, and implements escort-type consulting with seamless support from the initial development stage through to commercialization. Also, to promote the development of medical equipment through collaboration between manufacturing SMEs and medical institutions, in fiscal 2016 assistance is being provided to around 50 medical equipment commercialization verification projects. (Ongoing)

9. Enterprise vitality enhancement funding (manufacturing related) [fiscal investment and loan program]

JFC provides loans for the funds necessary to advance the modernization of management and rationalization of distribution systems of small and medium merchants and service businesses, to upgrade the core manufacturing technologies of SMEs, and to promote subcontracting SMEs. (Ongoing)

Section 2 Support for developing markets and demand

1. Project to advance measures for micro businesses [Fiscal 2016 budget: ¥5.15 billion]

This project advances escort-type assistance to micro businesses by commerce and industry associations and chambers of commerce and industry in line with “Management Development Support Plans” authorized based on the Small Business Support Act, assists micro businesses in the preparation of business plans for future demand and the development of markets, and supports the development of special products engaging entire regions and the development of their markets, etc.

Also, to encourage business expansion by regional micro businesses aiming to target nationwide markets, commerce and industry associations and chambers of commerce and industry cooperate with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets. (Ongoing)

2. Support for cultivation of markets through exhibitions, business fairs, and other events [Included in SMRJ subsidy program]

The Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ) provides support for the development and expansion of markets for products and services developed by SMEs and micro businesses through agricultural-commercial-industrial collaborations or through using local resources, by organizing exhibitions, business fairs and other events. (Ongoing)

3. Market Development Coordination Program [Included in SMRJ subsidy program]

Under this program market development experts with experience working at trading companies, manufacturers and other firms (market development coordinators) assigned to the SMRJ assist SMEs seeking keys to new markets by conducting test marketing of new products, technologies and services in the Tokyo Metropolitan region and the Kinki region, and also give SMEs the strengths to develop markets. (Ongoing)

4. Project to support market development [Included in SMRJ subsidy program]

The SMRJ promotes matching by inviting buyers and providing market development advice to enterprises exhibiting at shows sponsored by the SMRJ and exhibitions held at the same time, and supports the development of markets for SMEs and venture businesses. (Ongoing)

5. Support for the creation of new businesses [Included in SMRJ subsidy program]

Experts in marketing and other areas of business are stationed at the 10 branches and offices of the SMRJ across Japan and provide detailed, integrated support to SMEs and other entities undertaking new businesses by drafting business plans based on the SME New Business Activity Promotion Act, the SME Regional Resource Utilization Promotion Act, and the Agricultural-Commercial-Industrial Collaboration Promotion Act. (Ongoing)

6. J-Good Tech [Included in SMRJ subsidy program]

The SMRJ posts information about Japanese SMEs with superior niche top and only-one technologies and products on a website, and connects them with major domestic manufacturers and overseas firms, supporting the development of domestic and overseas markets by SMEs. (Ongoing)

Section 3 Support for overseas business development

1. Support for overseas business development and commercialization by SMEs and micro businesses [Fiscal 2016 budget: Included in ¥1.43 billion]

To support the development of overseas markets by SMEs and micro businesses, the Japan External Trade Organization (JETRO) and the SMRJ collaborate in providing strategic assistance with measures in response to the needs of various stages of overseas development, from providing information on overseas market trends and regulations, feasibility studies, and enterprise development by construction of export systems through to supporting the development of overseas markets via support for exhibiting at domestic and foreign trade fairs and inviting overseas buyers, holding seminars and establishing help desks on certificate of origin systems, and providing support after enterprises advance overseas. Help drafting business restructuring plans and other support is also given to enterprises which have overseas subsidiaries facing management issues. (Ongoing)

2. JAPAN Brand Development Assistance Program [Fiscal 2016 budget: Included in ¥1.0 billion]

This program provides assistance to facilitate the development of overseas markets by SMEs by supporting measures such as the formulation of strategies built on collaboration among multiple SMEs and their respective strengths in raw materials, technologies, etc., product development based on those strategies, and exhibition at overseas trade fairs. (Ongoing)

3. Program to construct global value chains through agriculture-commerce-industry collaboration [Fiscal 2015 supplementary budget: Included in ¥1.0 billion]

This program supports businesses conducted by consortia comprising trading companies and other private businesses and research institutes and other bodies that resolve issues in the flow from agricultural production through to processing, distribution and overseas sales using state-of-the-art technologies and know-how, and spreads their results. (New)

4. Funding for overseas development and business restructuring [fiscal investment and loan program]

The JFC (SME Unit and Micro Business and Individual Unit) provides loans to assist the cash flow of SMEs that for business reasons need to expand overseas to adapt to structural economic changes or need to restructure their overseas business. (Ongoing)

5. Support for overseas subsidiaries to obtain capital, etc.

Under the SME Business Capabilities Enhancement Support Act, the JFC provides loan guarantees for loans from local financial institutions overseas to the overseas subsidiaries of SMEs that have management innovation plans approved under the New Business Activity Promotion Act. (Ongoing)

6. Global Niche Market Top Support Lending Facility [Fiscal 2016 budget: fiscal investment and loan program amount of ¥13.0 billion]

To support strategic overseas expansion by second-tier companies and SMEs that are or are aiming to make a global impact by excelling in a specific field (global niche leader enterprises), the Shoko Chukin Bank, Ltd. (the Shoko Chukin Bank) provides long-term, lump-sum repayment and successful-payment type loans through the Global Niche Market Top Support Lending Facility. (Ongoing)

7. Projects to cultivate markets in emerging countries through technical cooperation [Fiscal 2016 budget: Included in ¥2.4 billion]

The following three projects are implemented to support efforts by Japanese enterprises to gain markets in emerging countries.

- (1) Managers, engineers and other personnel from developing countries engaged in management, manufacturing and operations are brought to Japan for training, and Japanese experts are dispatched to developing countries.
- (2) Overseas internships are provided to young Japanese workers and foreign interns are accepted at Japanese enterprises to resolve the shortage of “international industry-ready personnel” who can take responsibility for overseas development, which has become a problem at second-tier companies and SMEs.
- (3) Support is given to Japanese enterprises working jointly with local universities, research institutes, NGOs, enterprises and other bodies in developing countries for the development of products and services to resolve social issues facing developing countries.

8. Project to support human resources development for promoting export of low-carbon technologies [Fiscal 2016 budget: Included in ¥900 million]

To contribute to the reduction of greenhouse gases, for the purpose of promoting international development of advanced low-carbon technologies of Japanese enterprises:

Support is provided for the development of local human resources for (1) the operation, maintenance and management of energy infrastructure, etc., and (2) energy conservation in production processes at the plants of Japanese-affiliated companies overseas. (Ongoing)

9. Use of the private-sector partnership volunteer program and matching of returned JICA volunteers [Fiscal 2016 budget: Included in ¥160 million]

In an effort to develop personnel capable of active involvement in the global community, the Japan International Cooperation Agency (JICA) makes use of the private-sector partnership volunteer program to dispatch employees as Japan Overseas Cooperation Volunteers (JOVC) senior overseas volunteers, in line with the needs of each enterprise. Also, as part of efforts to support the employment of returned JICA volunteers, JICA promotes the matching of personnel who are very familiar with specific developing countries with the personnel requirements of enterprises. (Ongoing)

10. Reduction and waiver of fees for credit checks on SMEs using trade insurance

To support the use of trade insurance by exporting SMEs, Nippon Export and Investment Insurance (NEXI) continues measures which bear the cost of providing credit information on business partners required when using trade insurance. (Ongoing)

11. Activities to expand and publicize use of trade insurance by SMEs (seminars, consultation events, etc.)

NEXI will host seminars and face-to-face consultation events to promote the use of trade insurance by SMEs. NEXI will also send instructors to lecture in seminars hosted by SME-related organizations and at staff training sessions by affiliated regional banks in order to raise awareness and encourage wider use of trade insurance. (Ongoing)

12. Improvement of access to trade insurance

In December 2011, NEXI launched the “SME Overseas Business Support Network” in collaboration with 11 regional banks to provide support for overseas business expansion by SMEs.

Furthermore, the Trade Insurance and Investment Act was revised in fiscal 2014, making it possible for NEXI to receive reinsurance from domestic casualty insurance companies with broad domestic networks.

The formation of this network with financial institutions and casualty insurance companies is aimed at making trade insurance more accessible and easier to use for local SMEs. (Ongoing)

13. Support for security export control

Support is provided for the improvement of voluntary management systems for security export control at SMEs exporting goods and providing technologies by holding information sessions to improve the efficacy of security export control based on the Foreign Exchange and Foreign Trade Act and dispatching experts in collaboration with the one-stop general support program for SMEs and micro businesses. (Ongoing)

14. Promotion of BOP business [Included in JETRO grant]

To promote the BOP/volume zone business, JETRO provides sustained support to individual enterprises in accordance with the business phase, using local coordinators and other resources. JETRO holds domestic consultation events for Japanese enterprises considering the BOP business, provides marketing support via acceptance surveys, gives market development support through trial sales, and promotes active entry into the BOP/volume zone business. JETRO is also continuing a verification project to support enterprises seeking to establish bases in Africa. (Ongoing)

15. ODA match-up program for SME products, technologies, etc.[Fiscal 2016 budget: Included in ¥149.05 billion]

Through ODA, the superior products and technologies of Japanese SMEs are being used for the development of developing countries. The goals are to both advance the development of developing countries and invigorate the Japanese economy. (Ongoing)

16. Support for the overseas development of SMEs (provision of SMEs' products) [Fiscal 2016 budget: Included in ¥162.9 billion]

Providing products made by Japanese SMEs based on the requests of governments and the development needs of developing countries not only supports the development of the developing countries but also boosts recognition of the products of the SMEs. Specifically, lists of products from SMEs (not lists of individual brand names) are drawn up based on the development needs of the developing countries and presented to those countries in the form of packages for each of the various sectors, such as medical services, agriculture and job training, and products are provided in accordance with the requests from the developing countries. (Ongoing)

17. Consortium for New Export Nation [Fiscal 2015 supplementary budget: Included in ¥5.99 billion]

A broad consortium of JETRO, SMRJ, NEDO, financial institutions and other support agencies has been established to support the overseas development of second-tier companies and SMEs. This consortium provides comprehensive support from technology development through market development by having experts work closely with enterprises and using all types of support measures. (New)

18. Project for disseminating information concerning the TPP's origin certification system [Fiscal 2015 supplementary budget: Included in ¥480 million]

Because SMEs seeking to expand markets overseas need to increase their understanding of the origin regulations concerning certification of origin self-certification to make use of the TPP as an opportunity leading to increased exports, guidelines will be prepared, seminars held, and help desks established to disseminate information to businesses. (New)

Chapter 2 Promoting business renovation

Goals of the Basic Plan for the Promotion of Small Enterprises (2)

(2) Promoting business renovation
 —Developing and creating business by providing diverse and new human resources with opportunities for success in the workplace—

Small enterprises are going out of business at an increasing rate as their proprietors and employees grow older and face a shortage of successors. On the other hand, small enterprises are providing diverse working style options based on various values to diverse people including women, youths, and seniors, and contributing to expanded employment in the nation as a whole.

Promote the formation of small enterprises and secondary startups which provide diverse working style options, self-realization, contribute to society, and otherwise create a worthwhile life. Prevent the dispersion of valuable management resources for Japan's economy and society by business succession, and link this to the development of the local economy and society. In cases with no prospects for business succession, prepare the environment for a stable livelihood and for entrepreneurs who have previously experienced business failure to try again by arranging smooth closure of business. Further, reinforce measures to secure and foster small enterprise personnel and prepare an environment where diverse new personnel can manifest their abilities toward realizing a local society where it is easy for anyone to work at small enterprises.

Section 1 Support for startups and secondary startups

1. Subsidies for promotion of startups and secondary startups [Fiscal 2016 budget: Included in ¥850 million]

Subsidies are provided for the startup costs of entrepreneurs providing new products and services that create new demand in regions, and for the startup expenses and business closure expenses (legal procedures expenses, inventory disposal expenses, etc.) of secondary startups that close part or all of an existing business and start a business in a new field upon business succession. (Ongoing)

2. Startup Support Enterprises Support Project [Fiscal 2016 budget: Included in ¥850 million]

Support is provided for the startup support (ongoing management advice to entrepreneurs, business skills seminars, operation of co-working spaces, etc.) based on approved startup support plans by startup support enterprises conducting designated startup support business under the Industrial Competitiveness Enhancement Act, and to efforts at improving the quality of startup support. (Ongoing)

3. New Startup Loan Program [fiscal investment and loan program]

Under this the program, the JFC provides unsecured, unguaranteed loans to persons embarking on new ventures and persons who have just started a business. (Ongoing)

4. Loan Program for Supporting Female, Young, and Senior Entrepreneurs [fiscal investment and loan program]

The JFC (through its SME Unit and Micro Business and Individual Unit) provides low-interest loans to women, young people under the age of 30, and older people aged 55 or older who have started a business within the past seven

years or so to support the creation of new businesses by diverse entrepreneurs. (Ongoing)

5. Funding for renewed startups (lending-support schemes for renewed startups) [fiscal investment and loan program]

By assessing entrepreneurs with failed businesses to determine factors such as their qualifications as managers and their business prospects, the JFC offers loans to candidates who face difficult circumstances in re-launching their businesses. (Ongoing)

6. Guarantees for founders

This program provides credit guarantees from credit guarantee corporations to individuals who are starting a business or who started their business less than five years ago, to boost lending to entrepreneurs by private financial institutions. (Ongoing)

7. Improving supply of “risk money” needed when starting a business

Efforts will be continued to promote the supply of risk money required during founding, startup or commercialization making use of the Innovation Network Corporation of Japan (INCJ), the Development Bank of Japan (DBJ) and the Shoko Chukin Bank. (Ongoing)

8. Fund Investment Program (Startup Support Fund, SME Growth Support Fund)

The creation of investment funds operated by private-sector investment companies to stimulate private funding will be promoted through investment by SMRJ (up to one-half of the total value of the fund concerned) with the aim of expanding the range of opportunities for investment in ventures (SMEs) at the startup or early growth stage and in SMEs pursuing growth through the development of new business. (Ongoing)

9. Project to strengthen collaboration regarding global venture ecosystems [Fiscal 2016 budget: Included in ¥410 million]

The activities of the Venture Business Creation Council, which includes entrepreneurs and venture businesses responsible for the creation of new businesses, large enterprises, and venture support staff (VC, etc.), will promote business collaboration and the formation of networks, and bring vitality to the startup community inside Japan. Also, the Project for a Bridge of Innovation between Silicon Valley and Japan will advance the formation of a network with Silicon Valley by sending entrepreneurs and managers from second-tier companies and SMEs to Silicon Valley and holding Japan-U.S. exchange events. (Ongoing)

10. Business Startup School Program [Fiscal 2016 budget: Included in ¥850 million]

Support agencies nationwide operate business startup schools, provide guidance via preparation of business plans and follow up through business foundation, and also hold business plan contests for the students. (Ongoing)

11. Angel tax system [taxation scheme]

The system, which promotes the financing of newly founded venture businesses by individual investors (“angels”), will continue to be implemented along with efforts to raise public awareness of the system to provide an environment conducive to business startups. (Ongoing)

12. Taxation measures to promote venture investment in enterprises [taxation scheme]

When companies invest in venture enterprises through venture funds approved by the Minister of Economy, Trade and Industry based on the Industrial Competitiveness Enhancement Act, they are permitted to accumulate provisional funding for losses of up to 80% of the amount invested, and to write off that cost as an expense.

This initiative will continue to be actively publicized to ensure that it is used effectively and that many outstanding venture enterprises arise in Japan. (Ongoing)

13. Management Innovation Support Program

Assistance is provided for new business activities undertaken by SMEs by providing support through mechanisms such as low-interest loan programs and special credit guarantees for the implementation of approved management innovation plans prepared by SMEs planning to engage in new business activities to improve their business performance under the New Business Activity Promotion Act. (Ongoing)

14. Construction of startup support system in the regions

This program aims to facilitate overseas expansion by SMEs by supporting measures such as the formulation of strategies built on collaboration among multiple SMEs and their respective strengths and weaknesses in raw materials, technologies, etc., product development based on those strategies, and exhibition at overseas trade fairs. (Ongoing)

15. SME and micro business management enhancement loan/guarantee program [Fiscal 2016 budget: Included in ¥1.6 billion]

On the premise that support is being provided by approved support agencies, the JFC provides low-interest loans (0.4% below the standard rate for business startups by women, young people and seniors) to SMEs and micro businesses that are business startups or diversifying their management or changing business. (Ongoing)

16. Subsidies for businesses generating regional economic activity [Fiscal 2016 budget: Included in ¥1.61 billion]

Subsidies are granted for expenditures by local governments to assist with costs such as the initial startup funding required by private-sector businesses in the establishment phase to promote the “Local 10,000 Project” which constructs regional roundtables drawn from industry, academia, financial institutions and government, and launches local-based enterprises that can absorb large employment and utilize regional assets and funds (drawn from regional financial institutions, etc.).

Based on the results of the fiscal 2015 “autumn review,” efforts will be made to prioritize projects from the perspectives of public nature, innovation, and ability to serve as models, and while giving consideration to local government bodies with weak finances in regions with unfavorable locations, a certain local expense burden will be introduced and efforts made to promote the effective nationwide development of local Abenomics. (Ongoing)

17. Project for the construction of a support network for female entrepreneurs, etc. [Fiscal 2016 budget: Included in ¥200 million]

To support business startups by women, the Ministry of Economy, Trade and Industry is forming networks to support women entrepreneurs centered on local financial institutions and industry and startup support organs at 10 locations nationwide. Systems that can certainly follow women at the stage of wanting to start a business and women entrepreneurs who have just founded their businesses and are facing issues in business growth are being built inside the networks, which are providing detailed support in line with women’s needs, including serving as a bridge to existing measures to support entrepreneurs. (New)

18. Ageless Entrepreneurs Support Subsidy [Fiscal 2016 budget: Included in ¥870 million]

To create employment opportunities for middle-aged and elderly persons, and promote the realization of an “ageless society” [where people can work throughout their lives], partial subsidies are given for the necessary expenses incurred in recruiting, hiring, educating and training when middle-aged and elderly persons start businesses. (New)

Section 2 Business succession support

1. Small Enterprise Mutual Relief System

For the Small Enterprise Mutual Relief System, which pays retirement benefits to the proprietors of small enterprises, efforts were continued to promote entry into the system and to steadily implement payment of mutual relief. (Ongoing)

2. Business succession support [Fiscal 2016 budget: Included in ¥5.84 billion]

The Business Succession Support Centers and other units established at approved support agencies in each of the 47 prefectures provide information and advice on business successions to SMEs and micro businesses facing problems such as the lack of a successor, and implement matching via M&A, etc. In fiscal 2016, measures to promote fast and systematic business succession will be provided to businesses and the matching support system will be strengthened through smaller-scale M&A, etc. (Ongoing)

3. Expansion of the system of deferral and exemption of payment of inheritance tax and gift tax on non-listed shares (business succession taxation scheme) [taxation scheme]

The business successor tax schemes are designed to help successors acquire shares and other assets in non-listed companies approved by the Minister of Economy, Trade, and Industry from their predecessors, whether through inheritance, gift, or testamentary gift by allowing deferral of payment of inheritance tax and gift tax and, in certain circumstances (e.g., the death of a successor), exemption from payment of deferred taxes, provided the successor continues the business. Approvals to qualify for this scheme commenced in fiscal 2009, and 827 approvals for inheritance tax and 431 approvals for gift tax had been granted as of the end of December 2015. (Ongoing)

4. Comprehensive support under the Management Succession Facilitation Act

The Act on Facilitation of Succession of Management of Small and Medium Sized Enterprises incorporates comprehensive support for business successions, including special treatment under the Civil Code to resolve the constraints on legally secured portions of successions, and the Minister of Economy, Trade and Industry grants confirmation of qualification for this special treatment. (Ongoing).

5. Support to facilitate business successions [Included in SMRJ subsidy program]

Business succession support networks for providing wide-ranging and in-depth support for SME business successions are being developed throughout Japan, and trainings and business succession forums are being held to raise the awareness of SME proprietors. (Ongoing)

Section 3 Cash-flow assistance and business revitalization assistance

1. Highly detailed cash-flow assistance

Under the fiscal 2015 supplementary budget passed 20 January, 2016, lending systems and guarantee systems were established and expanded for various initiatives to boost the productivity of SMEs and micro businesses. Specifically, the JFC is providing financing with lower than usual interest rates when SMEs and micro businesses implement capital investment that generates employment in regions and contributes to regional vitalization. Also, credit guarantee corporations are providing refinancing guarantees to consolidate multiple outstanding debts and facilitate new financing to SMEs and micro businesses whose repayment terms have been eased or loan terms otherwise changed, but have a high potential for management reform.

2. Safety-net loans

The safety net loan program provides loans worth up to a total of ¥720 million (from JFC's SME Unit and the Shoko Chukin Bank) and ¥48 million (from JFC's Micro Business and Individual Unit) to SMEs and micro businesses that have experienced, for example, a temporary decline in sales or profits caused by the effects of changes in the social or economic environment. In fiscal 2016 concessionary interest rates will be provided to support SMEs and micro businesses facing cash flow difficulties and those in difficult situations and receiving management support from approved support agencies, etc. (Ongoing)

3. Loans to improve the management of micro businesses (Marukei Loans) [Fiscal 2016 budget: ¥3.98 billion] [fiscal investment and loan program]

In order to provide financial support to micro businesses, the JFC provides unsecured and unguaranteed low-

interest Marukei loans to micro businesses which are receiving management guidance from commerce and industry associations, chambers of commerce and industry and prefectural federations of societies of commerce and industry. Also, measures extending the term of loans from five to seven years for working capital and from seven to 10 years for capital expenditure, measures extending the deferment period from six months to one year for working capital and from six months to two years for capital expenditure, and measures raising the ceiling on loans from ¥15 million to ¥20 million continue to be implemented. (Ongoing)

4. Micro businesses management development support lending [Fiscal 2016 budget: ¥20 million] [fiscal investment and loan program]

To support micro businesses working at sustainable development, the JFC provides low-interest loans to micro businesses with approved “Management Development Support Plans” receiving management guidance from commerce and industry associations and chambers of commerce and industry. (Ongoing)

5. Promotion of subordinated lending [Fiscal 2016 budget: Included in ¥15.8 billion]

The subordinated lending program is a JFC financing system that solicits joint financing from the private sector to stabilize the financing of SMEs and micro businesses by providing them with high-risk, long-term, “bullet loans” (capital funds) to enhance their financial underpinnings. This program will be continued in fiscal 2016. (Ongoing)

(Note) Loans under this program are limited bullet loans. In the event that the SMEs or micro business taking out the loan enters legal bankruptcy, its repayment precedence is subordinated to other claims. By designing the program so that the interest rate is tied to the success rate for loan repayments in each period, these subordinated loans can be viewed as equity in financial inspections.

6. SME and micro business management enhancement loan/guarantee program [Fiscal 2016 budget: Included in ¥1.6 billion] [fiscal investment and loan program]

On the premise that support is being provided by approved support agencies, the JFC provides low-interest loans (0.4% below the standard rate for business startups by women, young people and seniors) to SMEs and micro businesses that are business startups or diversifying their management or changing business. (Ongoing) (Cited earlier)

7. Encouragement of refinancing guarantees [Fiscal 2016 budget: Included in ¥1.0 billion]

Along with continuing to provide the existing refinancing guarantees, for SMEs and micro businesses that cannot receive forward-looking funding because of changes to loan conditions, even though they have a high likelihood of management improvement and the business owners are enthusiastic, new refinancing guarantees will be promoted that replace their existing loans with guarantees with new loans with guarantees and enable the addition of new money. (Ongoing)

8. Safety-net guarantees No. 4 and No. 5

Credit guarantee corporations provide guarantees separate from ordinary guarantees to SMEs and micro businesses facing hindrances to management stability from natural disasters under safety-net guarantee No. 4 and from structural industry recessions under safety-net guarantee No. 5 (100% guaranteed for up to ¥80 million for unsecured loans, and up to ¥280 million for other loans.) (Ongoing)

9. Programs to assist with formulating management reform plans by approved support agencies

To promote the management reform of SMEs and micro businesses that cannot formulate their own management reform plans, this program bears part (two-thirds) of the costs involved when support agencies approved based on the Act for Facilitating New Business Activities of Small and Medium-sized Enterprises (certified public tax accountants, lawyers, financial institutions, etc.) provide assistance in formulating management reform plans as well as follow-up for those plans. (Ongoing)

10. SME Revitalization Support Councils [Fiscal 2016 budget: Included in ¥5.84 billion]

The SME Revitalization Support Councils established at the chambers of commerce and industry and similar entities in each prefecture provide SMEs and micro businesses that have profitable businesses but face financial problems with advice on solving their problems through consultation services, and assist with the drafting of revitalization plans including coordination with the relevant financial institutions, etc. (Ongoing)

11. SME Rehabilitation Plan through Succession (secondary companies)

Under this program, measures are implemented to provide financial support, along with special provisions for approval of succession, when an SME rehabilitation plan through succession is authorized under the Industrial Competitiveness Enhancement Act and business succession occurs as set out in that plan. (Ongoing)

*The special provisions pertaining to registration and license tax were ended under the fiscal 2016 tax system revision.

12. SME revitalization funds

In order to deliver the funds needed by SMEs to implement their revitalization plans and provide them with cash-flow and management support, the SMRJ works in unison with regional financial institutions and credit guarantee corporations to promote the formation and use of regional funds to assist local SME revitalization efforts and of national funds to assist SME revitalization efforts over a wide area. (Ongoing)

13. Promotion of the use of “Guidelines for Personal Guarantees Provided by Business Owners” [Fiscal 2016 budget: Included in ¥100 million]

To promote the use of the “Guidelines for Personal Guarantees Provided by Business Owners” published on 5 December 2013, the help desks set up in the regional headquarters of the SMRJ in fiscal 2013 and the system for dispatching specialist advisors for people who want to use the guidelines are being continued. The financing and guarantee systems independent of business owner guarantees by public sector financial institutions also continue to be implemented. From the perspective of spreading and establishing these personal guarantees, approaches that should be widely implemented continue to be collected and published as a collection of examples. In addition, guidelines information meetings continue to be held, primarily for owners of SMEs and micro businesses. (Ongoing)

14. Enhanced management support in financial administration for micro businesses

Based on the Financial Monitoring Policy, financial institutions are being encouraged to revise the financing stance of depending on collateral and guarantees, and to appropriately evaluate the business contents and growth potential of the borrower (feasibility assessment) without relying excessively on collateral and guarantees, and to boost the productivity of regional industries and enterprises and promote smooth rejuvenation through loans and business support, etc. (Ongoing)

15. Promotion of the liquidity of SMEs’ export receivables covered by trade insurance

To advance the provision of funds to SMEs, NEXI is working to promote the use of a scheme which transfers export receivables with trade insurance from SMEs to financial institutions in collaboration with the Shoko Chukin Bank and three megabanks, and is working to promote its use by SMEs. (Ongoing)

16. Financial measures for SMEs in Okinawa

In support for SMEs in Okinawa delivered via the Okinawa Development Finance Corporation (ODFC), ODFC is operating the same range of programs as JFC and is also expanding its own system of lending tailored to meet the specific needs of businesses in Okinawa. (Ongoing)

17. Adoption and application of “Basic procedures for SME accounting”

The adoption and application of the “Basic procedures for SME accounting” is being promoted to encourage SMEs and micro businesses to clarify their business conditions, improve the ability of proprietors to explain their

business, and enhance their capacity to obtain financing. As a policy to spread these procedures, the system whereby SMEs and micro businesses that adopt the accounting rules provided in the “Basic procedures for SME accounting” receive a 0.1% discount on their credit guarantee rates is being continued in fiscal 2016. (Ongoing)

Section 4 Human resources and employment programs

1. Human resource countermeasures program for SMEs and micro businesses [Fiscal 2016 budget: Included in ¥1.81 billion]

To assist SMEs and micro businesses with sparse management resources to secure human resources, this program helps them to discover (inside and outside the region), introduce, and retain the personnel required by SMEs and micro businesses in each region, in accordance with regional characteristics. The program also educates and dispatches continuous improvement activities instructors, and develops personnel who can serve as core personnel for the SME service industry, frontlines manufacturing, and town planning, and personnel who can support micro business owners. (Ongoing)

2. Human resource development at the Institute for Small Business Management and Technology [Included in SMRJ subsidy program]

At nine Institutes for Small Business Management and Technology around Japan, training is provided in improving the abilities of SME support personnel, as well as training for SME proprietors, managers, and people in similar positions designed to lead directly to the solution of business challenges. (Ongoing)

3. Regional producers development support program [Fiscal 2016 budget: Included in ¥1.0 billion]

This program supports efforts to develop personnel who can serve as the core of efforts to involve communities, develop regional branding of attractive products using regional resources, and develop sales with a view to overseas markets.

4. Measures to maintain workers' employment [Fiscal 2016 budget: Included in ¥8.26 billion]

Employment adjustment subsidies are provided to assist employers forced to downsize due to fluctuations in business conditions or other economic reasons who have kept workers on by means of temporary leave from work, training, or transfers of workers. Active steps are also being taken to prevent fraudulent receipt of these subsidies, and efforts are made to ensure more appropriate disbursement by such means as actively carrying out on-site checks and publishing the names of employers that have committed fraud. (Ongoing)

5. Support for improvement of employment management toward the creation of attractive employment [Fiscal 2016 budget: Included in ¥6.1 billion]

To support initiatives by companies to improve employment management and create attractive employment, subsidies are provided to fund SME organizations (business cooperatives, etc.) with improvement plans approved by the governor of the prefecture based on the Act on the Promotion of Improvement of Employment Management in Small and Medium-sized Enterprises for Securing Manpower and Creating Quality Jobs that implement projects to improve the working environment. Subsidies are also provided for SMEs and micro businesses that introduce a new employment management system and decrease worker turnover by changing their workplace regulations or labor agreements. (Ongoing)

In addition, the support will be expanded in fiscal 2016 as follows:

- (1) Expansion to business owners outside of priority fields, etc.
- (2) A nursing worker employment management system subsidy will be established. The subsidy will be paid when a nursing business owner appoints an employment manager and adjusts the wage system by changing workplace regulations or labor agreements (setting a wage table, etc.). Also, enterprises will be obliged to set worker turnover goals at the end of the plan period as a result of the system adjustment, and will be paid

¥600,000 when that goal is met one year after the end of the plan period, and an additional ¥900,000 when that turnover rate does not increase three years after the end of the plan period.

6. Program to promote improved employment management to secure human resources in fields facing personnel shortages [Fiscal 2016 budget: Included in ¥880 million]

This program provides support for the introduction of employment management systems and the creation of “attractive workplaces” in cases where proprietors operating businesses in fields facing personnel shortages implement improvements to employment management such as improving employee compensation and workplace environments to secure human resources. (Ongoing)

(1) Model research course

This program provides highly detailed consulting to business owners facing employment management issues in fields where the contents of the employment management that should be pursued are unclear, with the introduction and administration of various model employment management systems that contribute to resolving those issues. The model cases gained from this consulting process are verified and analyzed, the effective employment management improvement policies are arranged based on the characteristics of each field, and these policies are then spread and awareness increased.

(2) Education practice course

Among fields with personnel shortages, in the nursing field which is expecting more and more demand in the future and the construction field, the program provides consultation assistance to business owners facing issues in the implementation stage of employment management improvement, and promotes the implementation of employment management improvement by entire industries and employment management improvement by entire regions through regional networks centered on business owners actively advancing employment management reform.

7. Regional employment development fund [Fiscal 2016 budget: Included in ¥3.32 billion]

To create and provide stable regional employment, a regional employment development fund is offered to employers who build or establish an office in regions where employment opportunities are particularly lacking and employ regional job seekers, in accordance with the cost of their facilities and number of workers they employ. (Ongoing)

8. Project for employment creation in strategic industries [Fiscal 2016 budget: Included in ¥9.34 billion]

To promote initiatives aimed at creating favorable and stable employment opportunities, this project for employment creation in strategic industries supports regional voluntary employment creation projects implemented together with industrial policy for manufacturing and other strategic industries. (Ongoing)

9. Extension of the tax system to promote employment [taxation scheme]

A tax measure is being implemented that provides a tax credit of ¥400,000 for each additional person employed in each fiscal year starting between 1 April 2016 and 31 March, 2018 at enterprises that create high quality (indefinite-term, full-time) employment in regions with a shortage of employment opportunities (meaning approved employment development promotion regions based on the Act on Promotion of Job Opportunities in Certain Regions).

Changes from fiscal 2015

The increase in the number of employees that is the basis for application of the tax credit was revised from meaning the number of employees receiving ordinary employment insurance at the entire company to meaning the increase in the number of indefinite-term, full-time employees at the workplace where the approved employment development promotion region is located, and the application period was extended for two years. (Ongoing)

10. Promotion of employment shifts with no loss of employment (labor insurance special account) [Fiscal 2016 budget: Included in ¥13.2 billion]

Through funds to assist workers changing employment (re-employment assistance payments), aid is being provided

to business owners who take measures such as commissioning private-sector employment agencies to support the reemployment of employees who unavoidably lose their jobs due to business downsizing, etc. Through funds to assist workers changing employment (accepted personnel training support subsidies), aid is being provided to business owners who hire workers who are eligible under a re-employment support plan and other workers for an indefinite term within three months after they lose their jobs and for training of the concerned workers after they are hired.

Additionally, through funds to assist workers changing employment (career aspiration realization support subsidy), so that stable employment opportunities can be had even after age 65, assistance is being provided to “ageless companies” (companies where employees can continue working after age 65) when they hire through transfer workers who voluntarily aspire to change careers, and the business trains those workers hired through transfer. (Ongoing)

11. Welfare Worker Recruitment Project [Fiscal 2016 budget: Included in ¥1.68 billion]

The Welfare Worker Corners are being expanded and upgraded, and matching support in the welfare sector (nursing, healthcare and day care) is being strengthened. (Ongoing)

12. Promotion of Youth Support Declarations [Fiscal 2016 budget: Included in ¥720 million]

SMEs that take a positive stance toward employing and training youth and that actively disclose corporate information are being given support in sending out information as “Youth Support Declaration Enterprises.” (Ongoing)

13. “Youth Yell” certification system based on the Youth Employment Promotion Act [Fiscal 2016 budget: Included in ¥720 million]

Under this system, based on the Youth Employment Promotion Act (Act No. 98 of 1970), the Minister of Health, Labour and Welfare certifies SMEs with outstanding youth employment management as “Youth Yell” certified enterprises, and support is given for the dissemination of information by SMEs to assist the smooth employment of personnel sought by these enterprises. (Ongoing)

14. Grant for employment and retention of graduates within three years [Fiscal 2016 budget: Included in ¥510 million]

To promote the expansion of employment application opportunities for and the retention of individuals who attended or graduated from school, grants for employment and retention of graduates within three years are paid to businesses that conduct new recruitment for new graduates for which persons who have already graduated can apply, and retain them for a certain period. (Ongoing)

15. Support for SMEs and micro businesses in raising the minimum wage [Fiscal 2016 budget: Included in ¥1.1 billion]

Three initiatives are provided to support SMEs and micro businesses in boosting productivity and raising minimum wages: (1) “Comprehensive Minimum Wage Advice and Assistance Centers” are established in 47 locations throughout Japan to provide a one-stop portal for consultation on management reforms and work conditions management, and provide consultations and dispatch experts free of charge; (2) Aid for measures by industry-specific SME organizations (grants of up to ¥20 million) is given for expenses incurred in surveys to expand markets, business model development, and other activities toward raising wages; and (3) Expenses are subsidized (subsidy ratio of 1/2 in general; 3/4 at enterprises with 30 or fewer employees) at SMEs and micro businesses nationwide in 40 prefectures which conduct capital investment to boost efficiency, and increase the wages of workers inside the workplace making less than ¥800 per hour.

From fiscal 2016, the days on which the assistance centers are open and the number of days that experts are dispatched have been expanded to improve the convenience of business owners using (1). (Ongoing)

16. Regional Youth Support Station Program [Fiscal 2016 budget: Included in ¥3.7 billion]

“Regional Youth Support Stations” that assist young people who are “NEET” (Not in Education, Employment or Training) or in similar circumstances have been established and provide a diverse employment assistance menu,



including expert consultations by career consultants and the implementation of all types of programs.

The “Retention and Step Up Program” follows up on individuals who gained employment by receiving support from the Support Stations, to ensure their retention after being hired, and provides support nationwide toward stepping up to more stable employment. In fiscal 2016, the 160 Support Stations being established nationwide will continue to provide the necessary support, and will strengthen ties with schools and other relevant institutions and provide seamless support to provide more replete support to students who leave school before finishing their degrees, etc. (Ongoing)

17. Promotion of the spread of career consulting

Efforts will be made to promote and spread the use of career consulting (giving advice and guidance to workers on selection of occupation, working life design, and development and improvement of occupational abilities in response to requests for consultation) through the promotion of the use of career consultants in career education at private-sector employment agencies, employment assistance organs, company personnel management and human resources development divisions, and schools, and through consultation and assistance to advance career formation support inside enterprises. (Ongoing)

Chapter 3

Facilitating business activities contributing to regional economies

Goals of the Basic Plan for the Promotion of Small Enterprises (3)

- (3) Facilitating business activities contributing to regional economies
—Increasing the public awareness of certain regions to create brands so as to invigorate regional economies—

Boosting the vitality of small enterprises that conduct business rooted in their local communities requires not only support to individual proprietors, but also efforts to invigorate the entire region. At the same time, there is also the aspect of bringing renewed vitality to the region by invigorating the business of small enterprises. So promoting small enterprises and invigorating the regional economy are like two sides of the same coin. To maintain and bring vitality to regional communities with diverse functions, it is important to bring forth the attraction of the region, grasp the potential of the entire region with creative thought and approaches, and make a broad internal and external appeal to the attraction of the region. This advances regional branding and invigorates regional economies. Forming appropriate ties with the concerned national ministries and agencies and regional public bodies and other institutions makes these efforts more effective.

Through these efforts, advance sustainable regional development together with small enterprises.

Section 1 Utilizing regional resources

1. Approval of management development support plans under the Small Business Support Act

“Management Development Support Plans” prepared by commerce and industry associations and chambers of commerce and industry nationwide under the Small Business Support Act are approved to advance the preparation of systems to support micro businesses uniting all efforts of communities, linking commerce and industry associations, chambers of commerce and industry, municipalities, regional financial institutions and other parties. (Ongoing)

2. Project to advance measures for micro businesses [Fiscal 2016 budget: ¥5.15 billion]

This project advances escort-type assistance to micro businesses by commerce and industry associations and chambers of commerce and industry in line with “Management Development Support Plans” authorized based on the Small Business Support Act, assists micro businesses in the preparation of business plans for future demand and the development of markets, and supports the development of special products engaging entire regions and the development of their markets, etc.

Also, to encourage business expansion by regional micro businesses aiming to target nationwide markets, commerce and industry associations and chambers of commerce and industry cooperate with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets. (Ongoing) (Cited earlier)

3. Program to support regional specialties [Fiscal 2016 budget: Included in ¥1.0 billion]

This program provides support to SMEs and micro businesses in the development of new products and services and the development of markets through the use of regional resources and collaboration with agriculture, forestry and fishery businesses. Assistance is also given to efforts by general incorporated associations to provide information on consumer preferences and matching support to businesses developing products using local resources, or in collaboration with agriculture, forestry or fishery businesses. (Ongoing) (Cited earlier)

4. JAPAN Brand Development Assistance Program [Fiscal 2016 budget: Included in ¥1.0 billion]

This program provides assistance to facilitate the development of overseas markets by SMEs by supporting measures such as the formulation of strategies built on collaboration among multiple SMEs and their respective strengths in raw materials, technologies, etc., product development based on those strategies, and exhibition at overseas trade fairs. (Ongoing) (Cited earlier)

5. Designation of traditional crafts

Surveys and investigations are conducted on craft products for which designations are requested under the Act on the Promotion of Traditional Craft Industries (referred to hereinafter as the Traditional Craft Industries Act), and designations as traditional craft products are made or modified after hearing the views of the Industrial Structure Council. (Ongoing)

6. Traditional Craft Product Subsidy Program [Fiscal 2016 budget: Included in ¥1.25 billion]

(1) Based on the Traditional Craft Industries Act, the following support is provided to promote the traditional crafts industries. (Ongoing)

1) Subsidization of the following programs undertaken by local manufacturing cooperatives and associations:

- Successor training programs
- Raw materials sourcing programs
- Design development programs
- Partnership development programs
- Local producer programs, etc.

2) Subsidization of the following programs undertaken by general incorporated associations and incorporated foundations under Article 23 of the Traditional Craft Industries Act:

- Programs to secure human resources and ensure transmission of skills and techniques
- Production district guidance programs
- Promotional programs
- Demand development programs, etc.

(2) Promotion of production area branding of traditional crafts products

To induce tourists to visit traditional crafts production areas and promote the development of overseas markets, support is provided for inviting designers and other outside personnel to traditional crafts production areas.

7. Program to promote the spread of traditional crafts

To promote public awareness of traditional crafts, November every year has been designated Traditional Crafts Month, and activities such as the national convention of the Traditional Crafts Month National Assembly are held to spread and increase awareness of traditional crafts. (Ongoing)

Section 2 Revitalization of shopping districts and central urban districts

1. Comprehensive support for the revitalization of local shopping districts

Support is provided to shopping districts and other entities with shopping district revitalization plans approved by the government pursuant to the Local Shopping District Revitalization Act. (Ongoing)

2. Development of human resources by the Japan Shopping District Support Center

Support is provided in the form of personnel training and transfer of expertise by the Japan Shopping District Support Center, an organization established jointly by four SME associations. (Ongoing)

3. Program to support the operation of Councils for the Revitalization of Central Urban Districts [Included in SMRJ subsidy program]

In establishing and operating councils for the revitalization of central urban districts, support is provided for all types of advisory services, the provision of information via websites and e-mail newsletters, and the development of networks through organization of exchange events centered on support centers for councils for the revitalization of central urban districts established in the SMRJ. (Ongoing)

4. Program to dispatch advisers to assist city center and shopping district revitalization [Included in SMRJ subsidy program]

Experts in a range of fields related to commercial revitalization registered with the SMRJ are dispatched to help tackle various challenges faced by councils for the revitalization of central urban districts. (Ongoing)

5. Consultation and support for commercial revitalization in city centers [Included in SMRJ subsidy program]

In order to assist commercial revitalization initiatives being undertaken in city centers by councils for the revitalization of central urban districts and similar organizations, seminar planning support and instructors are supplied and advice, analyses, assistance with identification of issues, and information are provided to raise the efficacy of individual projects using the SMRJ's specialist know-how. (Ongoing)

6. Special deduction for income from land transfers [taxation scheme]

The measure whereby persons transferring land and similar assets to shopping center promotion associations and similar organizations approved under the Local Shopping District Revitalization Act for use in projects based on approved shopping district revitalization plans and similar initiatives are granted a special deduction of up to ¥15 million for income from such transfers will continue to be implemented. (Ongoing)

7. Project to support and promote inbound tourism focused on shopping districts and towns [Fiscal 2015 supplementary budget: Included in ¥1.0 billion]

Assistance will be provided to environmental improvement and other projects to capture the goods purchasing demand of foreign visitors in shopping districts, etc. (New)

8. Project to support revitalization of commerce in local areas and city centers [Fiscal 2016 budget: Included in ¥2.03 billion]

At towns (central urban districts) working toward a compact city and shopping districts that maintain and strengthen local community functions and shopping functions, support is provided for efforts to improve commercial facilities, draw shops to vacant stores and otherwise vitalize local commerce. (Ongoing)

9. Taxation measures to revitalize central urban districts [taxation scheme]

Two measures are provided under the “specific private-sector central urban district economic activity improvement program” set up under the revisions to the Act on Vitalization in City Centers: (1) special depreciation of 30% over 5 years for acquisitions of buildings, incidental equipment, or structures and (2) a 50% reduction in the registration and license tax payable when real estate ownership is registered. Under the fiscal 2016 tax system reforms, the application period of (2) is being extended for two years. (Ongoing)

Section 3 Other regional revitalization

1. Support to encourage enterprises to locate in regional areas

Based on the Act on Formation and Development of Regional Industrial Clusters through Promotion of Establishment of New Business Facilities, etc. (Act No. 40, 2007), to assist regions in efforts to attract enterprises using their local features and revitalize regional industries, support is provided through special provisions under the

Factory Location Act, low-interest loans to SMEs from the JFC, and tax allocations to local governments taking steps to attract enterprises to their regions. (Ongoing)

2. Subsidies for businesses generating regional economic activity [Fiscal 2016 budget: Included in ¥1.61 billion]

Subsidies are granted for expenditures by local governments to assist with costs such as the initial startup funding required by private-sector businesses in the establishment phase to promote the “Local 10,000 Project” which constructs regional roundtables drawn from industry, academia, financial institutions and government, and launches local-based enterprises that can absorb large employment and utilize regional assets and funds (drawn from regional financial institutions, etc.).

Based on the results of the fiscal 2015 “autumn review,” efforts will be made to prioritize projects from the perspectives of public nature, innovation, and ability to serve as models, and while giving consideration to local government bodies with weak finances in regions with unfavorable locations, a certain local expense burden will be introduced and efforts made to promote the effective nationwide development of local Abenomics. (Ongoing)

3. Taxation system for strengthening enterprises’ regional bases [taxation scheme]

For regional revitalization, it is necessary to correct the unipolar centralization in Tokyo and generate quality employment in the regions. To those ends, when an enterprise transfers its head office functions from the Tokyo area to regions or expands functions in regions, enterprises can choose either special depreciation of 15% of the acquisition price (in the case of relocations, 25% of the acquisition price) or a tax credit of 4% of the acquisition price (in the case of relocations, 7% of the acquisition price) of buildings for enterprise offices with plans that have been approved. Measures for special tax treatment under the employment promotion tax system for employees hired at those regional bases, and measures under taxes allocated to local governments to strengthen the regional bases of companies also continue to be implemented. In addition, with the fiscal 2016 tax system revision, the employment promotion tax system special measures can be used together with the tax credit when employee salary and other compensation is increased. (Ongoing)

4. Regional core enterprise creation and support program [Fiscal 2016 budget: Included in ¥2.05 billion]

To assist and promote the growth of potential regional core enterprises trying to enter new fields or new businesses, support personnel provide assistance in building networks with external resources nationwide (universities, cooperating enterprises, financial institutions, etc.). Also, for the further growth of regional core enterprises, support personnel provide hands-on support in drafting commercialization strategies, market development, etc. (New)

5. Promoting new wide-area linkages by forming core coordination metropolitan areas [Fiscal 2016 budget: Included in ¥130 million]

Assistance is given to efforts to form core coordination metropolitan areas which are bases to maintain a vibrant society and economy with a certain population by networking core cities with a substantial scale and centrality in regional areas with nearby municipalities and developing compact cities. From fiscal 2016, in addition to the provision of tax allocations to local governments, projects upgrading core facilities to advance efforts that have an effect throughout an area and which are necessary to drive the area forward have become eligible for regional vitalization industrial bonds. (Ongoing)

6. Enterprise vitality enhancement funding [fiscal investment and loan program]

JFC provides loans for the funds necessary to advance the modernization of management and rationalization of distribution systems of small and medium merchants and service businesses, to upgrade the core manufacturing technologies of SMEs, and to promote subcontracting SMEs.

In fiscal 2016, the following expansions are being implemented.

(1) Low-interest loans to small and medium retailers (duty-free shops, tax exemption procedures businesses) that

invest in facilities for foreign tourism and address the inbound tourism market will be expanded.

- (2) Low-interest loans to real estate rental businesses (limited to town planning companies, etc. specified under each item of Article 15, Paragraph 1 of the Act on Vitalization in City Centers) will be expanded. (Ongoing)

7. Regional core enterprise support loan system [Fiscal 2016 budget: fiscal investment and loan program amount of ¥7.0 billion]

The Shoko Chukin Bank provides long-term, lump-sum repayment, success-type loans to core SMEs that have a certain influence over their regional economies as cores of their regions which implement efforts at innovation to enter new fields or efforts for strategic management improvements, supporting these efforts. (Ongoing)

8. Taxation measures to expand the consumption tax exemption program for foreign tourists visiting regions [taxation scheme]

In the fiscal 2016 revision to the tax system, as expansions of the Consumption Tax Exemption Program for Foreign Visitors, the minimum purchase amount for tax exempt sales was decreased, and a measure was implemented whereby when a large-scale retailer that establishes a retail shop inside a shopping district is a member of the shopping district association, the large-scale retailer and the shopping district can establish a tax exemption procedures counter as a single specified commercial facility. (New)

9. Regional collaboration support loan system [Fiscal 2016 budget: fiscal investment and loan program amount of ¥3.0 billion]

When business cooperatives and enterprise cooperatives that utilize regional resources implement efforts to develop new businesses, utilize regional resources, collaborate and restructure, etc., the Shoko Chukin Bank provides long-term, lump-sum repayment, success-type loans to support these efforts through the regional collaboration support loan system. (New)

10. Support projects for increasing consumption per visitor in regions in response to internationalization [Fiscal 2015 supplementary budget: Included in ¥100 million]

Support is provided to analyze and identify foreign visitor segments that regions are trying to attract, based on this to examine and conduct trials on new services for tourists, and to draft strategies to create attractive townscapes that incite consumption. (New)

Chapter 4

Developing a system for supporting micro businesses through community-wide collective efforts

Goals of the Basic Plan for the Promotion of Small Enterprises (4)

- (4) Developing a system for supporting micro businesses through community-wide collective efforts
—Providing meticulous measures to address challenges that business operators are facing—

It requires great efforts for small enterprises to maintain employment and just remain in business amid population decline and other structural changes.

Considering these conditions, it is most important for various support agencies to approach assistance by taking the viewpoint of small enterprises and providing highly refined and thorough help while moving forward together. In providing support, it is also essential to provide assistance on an ongoing basis, not just temporary aid. Furthermore, it is very important to link the government, regional government bodies and support agencies to develop new domestic and foreign demand, so small enterprises seeking to go beyond their prior markets can accurately project demand and gain new customers.

To effectively provide such support, the government will aim at constructing a support system that resolves the issues facing small enterprises and generates results by uniting all efforts of communities.

Section 1 Strengthening management support systems

1. Project to advance measures for micro businesses [Fiscal 2016 budget: ¥5.15 billion]

This project advances escort-type assistance to micro businesses by commerce and industry associations and chambers of commerce and industry in line with “Management Development Support Plans” authorized based on the Small Business Support Act, assists micro businesses in the preparation of business plans for future demand and the development of markets, and supports the development of special products engaging entire regions and the development of their markets, etc.

Also, to encourage business expansion by regional micro businesses aiming to target nationwide markets, commerce and industry associations and chambers of commerce and industry cooperate with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets. (Ongoing) (Cited earlier)

2. Integrated micro business database maintenance program [Fiscal 2016 budget: ¥200 million]

This program maintains a system to examine support measures and provide support information in accordance with the management issues facing micro businesses by combining the integrated database prepared by the SMRJ with information held by support agencies and other bodies and analyzing the results. (Ongoing)

3. Programs promoting support measures for cooperative SME organizations [Fiscal 2016 budget: ¥680 million]

For partnerships and other associations working on management innovation and/or reforms through the National Federation of Small Business Associations, which is a dedicated agency assisting cooperative SME organizations, support is provided including partial subsidies for the costs of implementing those innovations or reforms, along with training for instructors. The programs also support the normalization of associations (supervisory groups) that organize the receipt of foreign technical interns. (Ongoing)

4. Support for capital investment by upgrading integrated with management support

Where business cooperatives and other entities work together for SMEs to shore up their administrative platforms and improve their business environment, the SMRJ and prefectural governments collaborate to provide diagnoses and advice on business plans together with long-term, low-interest (or interest-free) loans to fund the required capital expenditure. (Ongoing)

5. One-stop comprehensive support programs for SMEs and micro businesses [Fiscal 2016 budget: Included in ¥5.47 billion]

Experts at “Yorozu Support Centers” established in each prefecture nationwide as one-stop consultation windows to respond to all types of problems facing SMEs and micro businesses provide advice that goes a step further, and efforts are being made to augment personnel and to expand and to strengthen the support system by establishing satellite offices, etc.

Also, specialists are dispatched to deal with particularly high-level and specialized management problems. (Ongoing)

6. Activities to promote the use of local benchmarks

Efforts are being made to spread and promote the use of local benchmarks formulated in fiscal 2015 among financial institutions and other assistance organs and business owners. Also, efforts are being made to follow up on the collection and analysis of local benchmarks use examples and basic data, and on the collection of best practices, etc. In parallel, connections are being established with related ministries and agencies, and policies. (Ongoing)

Chapter 5

Other measures for the promotion of small enterprises

Section 1 Measures for SMEs and micro businesses in disaster areas

1. Expansion of loan ceilings and lowering of interest rates on Managerial Improvement Loans (Marukei loans) and Managerial Improvement Loans for Environmental Health Business Loans (Eikei loans) [fiscal investment and loan program]

The loan ceilings for unsecured, unguaranteed, low-interest Marukei and Eikei loans provided by the JFC to micro businesses affected directly or indirectly by the Great East Japan Earthquake have been raised (to allow for an additional ¥10 million of loans separate from ordinary loans), and interest rates on such loans have been lowered (by an additional 0.9% from the normal interest rate for each ¥10 million loaned separately, limited to 3 years from when the loan is taken out), and these measures continue to be provided. (Ongoing)

2. Great East Japan Earthquake Recovery Special Loan [Fiscal 2016 budget: Included in ¥15.7 billion]

The Great East Japan Earthquake Recovery Special Loan program has been provided by the JFC (SME Unit and Micro Business and Individual Unit) and the Shoko Chukin Bank on an ongoing basis since May 2011 to assist SMEs and micro businesses affected by the Great East Japan Earthquake with their cash-flow issues. These measures will continue to be implemented in fiscal 2016. Also, the measures that were established in fiscal 2011 (measures as of 22 August, 2011) for implementation by prefectural-level foundations and similar institutions to effectively eliminate the burden of interest payments on loans received by SMEs and micro businesses with business establishments located in restricted areas or similar zones following the nuclear accident in Fukushima, and for SMEs and micro businesses with business establishments and other assets that were completely destroyed or swept away by the earthquake or tsunami, will continue to be implemented in fiscal 2016. (Ongoing)

3. Great East Japan Earthquake Recovery Emergency Guarantee

A new guarantee system separate from the existing general guarantees, disaster-related guarantees, and safety net insurance was established in fiscal 2011 to assist SMEs and micro businesses which suffered damages in the Great East Japan Earthquake. This guarantee system will continue to be implemented in fiscal 2016 as well, providing 100% guarantees for up to ¥80 million for unsecured loans and up to ¥280 million for other loans in designated disaster-affected areas. (Ongoing)

4. “Special Finance for Small and Medium Enterprises in the Specified Area” affected by the nuclear disaster

Long-term, interest-free, unsecured loans are provided to SMEs and micro businesses with business establishments in the specified area affected by the nuclear disaster for necessary business funds (working capital and capital expenditures) required to continue or to resume business in Fukushima Prefecture. (Ongoing)

5. Revival assistance from Industrial Recovery Consultation Centers and Industry Reconstruction Corporations [Fiscal 2016 budget: Included in ¥2.56 billion]

The Industrial Recovery Consultation Centers established in fiscal 2011 to strengthen the system of SME Revitalization Support Councils in each prefecture affected by the Great East Japan Earthquake and the Industry Reconstruction Corporations which purchase receivables, etc. will continue providing business revitalization assistance to SMEs, etc. affected by the Great East Japan Earthquake, (Ongoing)

6. Business revival assistance from the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake

To cope with the overlapping debt problems of earthquake-affected businesses, the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake provides assistance such as helping to relieve the repayment burdens for existing debts. (Ongoing)

7. Reduction of interest burden during assessment of the potential for business regeneration

This is a program for the early realization of business recovery by reducing the interest burden when SMEs and micro businesses whose business operations have been impeded by the Great East Japan Earthquake or the nuclear power plant accident in Fukushima are working with Industrial Recovery Consultation Centers to rebuild their businesses. Specifically, a subsidy is provided to businesses that have suffered damages and received advice on drafting recovery plans at Industrial Recovery Consultation Centers to defray the cost of interest expenses during the recovery procedures period. The subsidy program was established in fiscal 2011 and will continue to be implemented in fiscal 2016. (Ongoing)

8. Implementation of lease subsidy program to support SMEs in disaster-affected areas

In order to reduce the burden of overlapping debt borne by disaster-affected SMEs, SMEs burdened with lease obligations due to leased equipment that was lost during the Great East Japan Earthquake are provided with subsidies equivalent to 10% of the cost of the new leases to re-install the equipment. (Ongoing)

9. Post-disaster recovery project on joint facilities of small and medium business associations, etc. [Fiscal 2016 budget: Included in ¥29.0 billion]

In order to promote the restoration and reconstruction of areas affected by the Great East Japan Earthquake, support is provided through the following subsidies:

- (1) Subsidization by the national government (one half) and prefectural governments (one quarter) of the cost of restoration work on facilities and equipment required for implementation of restoration work planned by groups of SMEs and approved by the prefecture as making an important contribution to the regional economy and maintaining employment; and
- (2) Subsidization by the national government (one half) of the cost of disaster recovery projects such as instruction

and consultation facilities for SMEs run by organizations such as commerce and industry associations.

Also, in cases where it would be difficult to revive or continue business and recover sales by restoring prior facilities, support is given to new efforts to develop demand in new fields. (Ongoing)

10. Program for preparation of temporary business facilities and subsidy for effective use of temporary business facilities [Fiscal 2016 budget: Included in ¥830 million]

In regions that have not yet reached the stage of full-scale reconstruction, temporary facilities continue to be provided for businesses that must necessarily rely on such facilities to resume business, etc. Also for the effective use of temporary facilities, assistance is provided to affected municipalities for the expenses required to move, dismantle, remove, or make temporary facilities permanent. (Ongoing)

11. Loans for restoration and development of facilities and equipment

Loans are provided by the SMRJ in cooperation with the prefectures to provide funds needed for the repair and development of the facilities and equipment required for the implementation of prefecture-approved restoration plans by SMEs that suffered damage caused by the Great East Japan Earthquake. (Ongoing)

12. Program to create employment that promotes business recovery [Fiscal 2016 budget: Included in ¥4.06 billion]

Employment assistance consistent with industrial policy is given to create stable employment in the disaster-affected areas. (Ongoing)

13. Establishment of special help desks

The special help desks set up at offices of the JFC, the Shoko Chukin Bank, credit guarantee corporations, chambers of commerce and industry, federations of societies of commerce and industry, federations of small business associations, branches of the SMRJ, and bureaus of economy, trade and industry provide business and financial advice to SMEs and other enterprises affected by the Great East Japan Earthquake. (Ongoing)

14. Navigation dial for SME phone consultations

To help SMEs that do not know where to go for advice, a “Navi Dial for SME phone consultations” help line with a single number connects callers to their nearest Bureau of Economy, Trade and Industry. (Ongoing)

15. Consideration for SMEs in disaster-affected regions by the government and other public agencies [Fiscal 2016 budget: Included in ¥990 million]

Under the “Basic Policy on State Contracts with Small and Medium Enterprises,” which is formulated each fiscal year, consideration is given to SMEs and micro businesses in areas affected by the Great East Japan Earthquake, and the following measures are implemented. (Ongoing)

- (1) The Minister of Economy, Trade and Industry issues a request regarding the Cabinet approval of the Basic Policy on State Contracts with Small and Medium Enterprises to the heads of each agency and ministry, the prefectural governors, and the mayors of all municipalities and the mayors of the Tokyo special wards, and also requests that they take steps to increase the opportunities available for SMEs and micro businesses to receive orders.
- (2) Information sessions (Councils to Promote Local Access to Public Sector Demand) are held in every prefecture to actively raise awareness of the “Basic Policy” in regions.
- (3) A “Guide to Contracts in the Public Sector” is produced and distributed to central and local government agencies and other commerce and industry-related organizations.

16. Support provided by NEXI

From April 2011, Nippon Export and Investment Insurance (NEXI) introduced the following measures to assist SMEs affected by the earthquake: (1) postponement of insurance policy procedures, (2) deferment, reduction or

waiver of insured parties' obligations, and (3) reduction or elimination of the financial burden on insured parties. To deal with the damage caused by harmful rumors, NEXI also publishes specific examples of losses arising from the restriction or prohibition of import of goods on the grounds of radioactive contamination, which would be covered by trade insurance. These examples include cases of importation being limited or prohibited by the introduction of new regulations and cases of illegal or discriminatory treatment by the government of destination country. A consultation service is also set up inside NEXI which provides advice (available also to enterprises not enrolled in trade insurance) on how to deal with harmful rumors. (Ongoing)

17. Employment development subsidies for disaster victims [Fiscal 2016 budget : Included in ¥220 million]

Subsidies are provided to employers who hire workers who lost their jobs due to the Great East Japan Earthquake and others as a result of referrals from "Hello Work" employment offices and similar agencies, provided that such workers are expected to be employed continuously for a period of at least one year. Bonus subsidies are additionally provided to employers hiring 10 or more such workers. (Ongoing)

18. Guidance and advice on measuring radiation levels [Fiscal 2016 budget: Included in ¥30 million]

As a countermeasure against harmful rumors, from the Great East Japan Earthquake and the nuclear power disaster, regarding industrial and other products, specialist teams are dispatched to provide guidance and advice on measuring radiation levels. (The guidance and advice consists of measuring surface contamination or measuring isotopes on items such as industrial products, and providing information on that measurement together with guidance and advice). (Ongoing)

19. Project to support industry-academia-government collaboration for the recovery of Fukushima Prefecture, etc. [Fiscal 2016 budget: Included in ¥100 million]

In Fukushima Prefecture, Miyagi Prefecture and other regions where the effects of harmful rumors from the Great East Japan Earthquake and the nuclear power disaster still remain, the development of new products and new markets is being promoted by providing opportunities for collaboration among enterprises affected by disaster, universities, public research organs, large enterprises and other bodies, and giving support for the production of prototypes, etc. (New)

20. Nuclear power disaster employment support projects [Fiscal 2016 budget: Included in ¥4.24 billion]

Projects are implemented to secure temporary employment for victims inside Fukushima Prefecture who suffered from the effects of the nuclear power disaster, and bring stability to their lives. (New)

21. Earthquake and other disaster employment support projects

Projects are implemented to secure temporary employment for victims in disaster areas and bring stability to their lives. (Ongoing)

Section 2 Enhancing financial capacity

1. Reduced tax rate for SMEs [taxation scheme]

A measure is provided which reduces the rate of corporation tax payable by small and medium corporations from 19% to 15% (applicable to up to ¥8 million of annual income). (Ongoing)

2. SME investment promotion taxation system [taxation scheme]

The SME investment promotion tax system permits special depreciation of 30% or a tax credit of 7% of the acquisition cost of machinery or equipment (excluding corporations with capital of more than ¥30 million). An

immediate depreciation deduction or a tax credit of 10% (7% for corporations with capital of more than ¥30 million) is permitted in cases where the concerned machinery or equipment contributes to improvements in productivity. (Ongoing)

3. Special provision for inclusion of the acquisition costs of petty sum depreciable assets in losses of SMEs [taxation scheme]

The fiscal 2016 tax system revision excluded corporations with over 1,000 employees from the measure and extended by two years the application period of the measure that allows enterprises such as SMEs to include the full costs of depreciable assets worth less than ¥300,000 in charges against revenue, limited to a total ¥3 million a year. (Ongoing)

4. Carryover and refund carryback of loss [taxation scheme]

In the fiscal 2016 tax system revision, the measure whereby losses arising in the current business year may be deducted as a loss carried over from the amount of income in the following and subsequent business years was extended from up to nine to up to 10 years (applicable to losses arising from the fiscal year beginning April 2018). The fiscal 2016 tax system revision also extended by two years the application period of the scheme that allows businesses to receive a one-year carryback refund for losses arising in the current business year. (Ongoing)

5. Taxation system for the revitalization of the commercial, service and agriculture/forestry/fishery industries [taxation scheme]

A measure is provided whereby SMEs in the commercial, service and other industries that make capital investments based on management reform advice from chambers of commerce and industry can receive a special depreciation deduction of 30% or a tax credit of 7% of the acquisition cost (the tax credit excludes corporations with capital of more than ¥30 million). (Ongoing)

6. Special exemption from inclusion in charges against revenue of entertainment and social expenses, etc. [taxation scheme]

In the fiscal 2016 tax system revision, the application period was extended by two years of the measure that permits enterprises to choose either (1) to include entertainment and social expenses up to a maximum of ¥8 million in charges against revenue or (2) to include up to 50% of food and drink expenses in charges against revenue. (Ongoing)

7. Investment by Small and Medium Business Investment and Consultation Co., Ltd.

In order to help enhance SMEs' capital adequacy and contribute to their sound growth and development, the Small and Medium Business Investment and Consultation Co., Ltd. provides business consultations, assistance with business successions, and investment programs involving the underwriting of shares, share warrants and corporate bonds with subscription warrants. (Ongoing)

8. Reduction of fixed asset tax on newly acquired machinery and equipment

A measure is provided whereby the tax standard for the fixed asset tax is reduced by one half over three years when SMEs acquire new machinery and equipment (facilities to improve management skill) (1.6 million yen or more, with a productivity improvement of 1% and start of sales within 10 years) stated in approved plans for the improvement of management skill drafted by SMEs based on the Bill on the Strengthening of the Management of SMEs, etc. (New)

Section 3 Measures for normalization of trading prices and passing along consumption tax

1. Improving the trading conditions of subcontractor SMEs

To broadly address improving the trading conditions of subcontractor SMEs, large-scale surveys are being implemented on large enterprises and SMEs under the "Liaison Committee of Related Ministries, Agencies, etc. Regarding Improving the Trading Conditions of Subcontractor SMEs, etc.," and the necessary measures will be

formulated based on the results. (New)

2. Stricter enforcement of the Subcontractor Payment Act [Fiscal 2016 budget: Included in ¥990 million]

To ensure fair treatment of subcontractors and protect their interests, the Fair Trade Commission (FTC) and SME Agency collaborate closely to enforce the Subcontractor Payment Act. In fiscal 2016 as well, the FTC and SME Agency will carry out audits of the documentation at principal contractors. In addition, they will take steps to strictly enforce the Subcontractor Payment Act by collecting information relevant to the Act through “reporting information receipt offices” to ensure that information on the particulars of violations of the Act is provided and reported. Furthermore during “Subcontractor Fair Treatment Promotion Month” in November, rigorous compliance with the Subcontractor Payment Act will be encouraged by conducting special questioning. Also, with the aim of securing the cash flows of subcontractors as they move into the financially busy period at the end of the year, active measures will be taken to raise awareness of the Act by having the Minister of Economy, Trade and Industry and the FTC Commissioner jointly issue a statement calling for the fair treatment of subcontractors, with the statement being sent to the CEOs of principal contractors (around 200,000 companies) and the representatives of relevant business organizations (approximately 600 bodies). (Ongoing)

3. Strengthening consultation systems and raising awareness of the importance of fair subcontracting transactions [Fiscal 2016 budget: Included in ¥990 million]

Consultation services concerning SME transactions are provided by the 48 Subcontracting Help Centers set up throughout Japan (5,473 consultations and 681 free consultations by lawyers in fiscal 2014). In addition, as a project under the fiscal 2015 supplementary budget, individual guidance and seminars are provided on the price negotiation know-how required when subcontractor SMEs’ managers and salespersons conduct price negotiations with the procurement divisions of principal contractors. Courses are also held for managers responsible for procurement at principal contractors to prevent the occurrence of violations of the Subcontractor Payment Act, efforts made for greater awareness, initiatives by principal contractors introduced nationwide, and symposiums held to broadly promote greater observance of the Act. Additionally, explanation meetings are held nationwide on the guidelines for building better business relationships between principal contractors and subcontractors (Guidelines for the Promotion of Fair Subcontracting Practices regarding the 16 industries under the jurisdiction of the Ministry of Economy, Trade and Industry, the Ministry of Land, Infrastructure, Transport and Tourism, and the Ministry of Internal Affairs and Communications). (Ongoing)

4. Self-reliance support for SME and micro subcontractors [Fiscal 2016 budget: Included in ¥990 million]

Under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises, business plans designed to solve issues in collaborations among subcontracting SMEs and micro businesses that are highly dependent on transactions with specific contractors are certified and supported in the form of subsidies, loans and special exemptions for guarantees. In regions where production centers of principal contractors have or are scheduled to close or contract, support in the form of subsidies is provided to subcontracting SMEs seeking to advance into new fields. (Ongoing)

5. Support for market expansion through subcontracting business mediation and business fairs [Fiscal 2016 budget: Included in ¥990 million]

Using Business Matching Stations (BMS), subcontracting SMEs looking to solicit new clients are provided with information on orders issued and received for businesses such as outsourced manufacturing in the SME’s preferred industry and where the SME can provide the required equipment or technology. Broader regional information sessions are also held to support new market development. (Ongoing)

6. Request for consideration toward small and medium subcontractors [Fiscal 2016 budget: Included in ¥990 million]

Courses and other events are organized to raise awareness of the general standards (promotion standards) that subcontractors and principal contractors are expected to observe under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises. Additionally, written requests are sent to representatives of relevant business organizations asking that consideration be given to subcontractors. (Ongoing)

7. Programs to enhance monitoring and inspection regimes for charging consumption tax [Fiscal 2016 budget: Included in ¥3.21 billion]

To ensure that consumption tax is passed along smoothly and correctly, 474 imputation officers are appointed throughout Japan. Also, in order to gather information on such behavior as refusal to pass along consumption tax, large-scale documentation inspections are carried out on SMEs and micro businesses overall in association with the Fair Trade Commission (FTC), and supervision and control exercised. (Ongoing)

Section 4 Reduced consumption tax rate measures

1. Support to SME retailers for the introduction of cash registers, system improvements, etc. [Fiscal 2015 reserves: ¥99.58 billion]

Efforts will be made to advance smooth preparations by businesses so that confusion will not arise with the introduction and operation of the reduced consumption tax rate system. Specifically, (1) assistance will be provided to SME retailers and other enterprises for the introduction of multiple tax rate cash registers, and (2) assistance will be provided to SME retailers and wholesalers and other enterprises using electronic order receipt and issuance systems that cannot accommodate multiple tax rates for system improvements. (New)

2. Reduced Consumption Tax Rate Response Help Desks Project [Fiscal 2015 supplementary budget: Included in ¥17.0 billion]

In collaboration with SME organizations, education will be conducted for the smooth implementation of the reduced consumption tax rate system by holding lectures and forums, establishing help desks, dispatching touring guidance type experts to provide detailed support, distributing pamphlets, etc. Additionally, because an increase in the consumption tax rate is stipulated in the Comprehensive Tax Reform Act (Act No. 68 of 2012), help desks for measures for passing along the consumption task will also be operated at the same time. (New)

Section 5 Measures to stabilize business

1. Mutual Relief System for the Prevention of Bankruptcies of SMEs (Mutual Safety-net Relief System) [Included in SMRJ subsidy program]

To prevent a chain reaction of bankruptcies following the bankruptcy of a supplier or customer, continued efforts will be made to encourage SMEs to enroll in the Mutual Relief System for the Prevention of Bankruptcies of SMEs and to ensure the steady lending of mutual relief money. (Ongoing)

2. Special Business Stability Advice Centers [Fiscal 2016 budget: Included in ¥37 million]

To facilitate the provision of business advice by special business stability advice centers established in key chambers of commerce and industry and prefectural federations of societies of commerce and industry across the country, continued support is being provided to guidance programs operated by the Japan Chamber of Commerce and Industry and the Central Federation of Societies of Commerce and Industry. (Ongoing)

3. Promotion of wider adoption of Business Continuity Plans (BCPs) by SMEs [fiscal investment and loan program]

Efforts to promote the spread and establishment of BCPs are being continued to strengthen emergency succession

abilities and boost enterprise value at SMEs and micro businesses. Additionally JFC provides low-interest financing to SMEs and micro businesses for upgrading disaster prevention and other equipment in accordance with BCPs drafted by SMEs and micro businesses themselves. (Ongoing)

4. Relief for damage caused by dumped imports [Fiscal 2016 budget: Included in ¥50 million]

Among trade remedy measures, anti-dumping (AD) measures are measures to secure a fair market competition environment by imposing extra customs duties when a domestic industry suffers damages from enterprises in other countries dumping imports into Japan, following a petition from the domestic industry and investigations by the government. An AD investigation against potassium hydroxide manufactured in South Korea and China initiated in May 2015 will be advanced fairly and appropriately based on international rules and domestic laws. Also, information sessions for enterprises will be held and studies conducted to ensure that AD investigations are conducted in accordance with WTO conventions. (Ongoing)

Section 6 Measures concerning public demand

1. Formulation and publicizing of the fiscal 2016 “Basic Policy on State Contracts with Small and Medium Enterprises” [Fiscal 2016 budget: Included in ¥990 million]

The Cabinet will formulate a target for the contracted proportion of government/ public demand going to newly-established and other SMEs, and determine measures to be implemented to increase opportunities for SMEs to receive orders.

Additionally, the following measures will be implemented to thoroughly publicize the basic policies.

- (1) The Minister of Economy, Trade and Industry will issue a request regarding the Cabinet approval of the Basic Policy on State Contracts with Small and Medium Enterprises to the heads of each agency and ministry, the prefectural governors, the mayors of all municipalities and the mayors of the Tokyo special wards, and also request that they take steps to increase the opportunities available for SMEs and micro businesses to receive orders.
- (2) Information sessions (Councils to Promote Local Access to Public Sector Demand) will be held in all prefectures nationwide to thoroughly publicize the “Basic Policy” in regional areas.
- (3) A council (the Council to Promote Procurement from Newly-established SMEs) will be held to share information and discuss collaboration policies for efforts to promote procurement from newly-established SMEs in the regions.
- (4) A “Guide to Contracts in the Public Sector” will be produced and distributed to central and local government agencies and other commerce and industry-related organizations. (Ongoing)

2. Operation of the “Public Demand Information Portal Site” to expand opportunities for SMEs and micro businesses to receive orders from the public sector [Fiscal 2016 budget: Included in ¥990 million]

A Public Demand Information Portal Site is being operated that provides SMEs and micro businesses with one-stop access to ordering information posted on national and local government body websites in order to improve access by SMEs and micro businesses to information on public sector orders. (Ongoing)

Section 7 Promotion of human rights awareness

1. Human rights awareness [Fiscal 2016 budget: Included in ¥190 million]

Human rights education seminars and other educational events for business owners are held to promote sound economic activities. Also, study programs are held and touring management consultation provided for the revitalization of regions and industries with a large number of micro businesses and other enterprises which require particularly intensive assistance. (Ongoing)

Section 8 Promotion of surveys and public information activities

1. Preparation of the White Paper on Small Enterprises in Japan

To grasp the current conditions and issues of small enterprises, an annual report (2016 White Paper on Small Enterprises in Japan) will be prepared pursuant to the provisions of Article 12 of the Small Enterprises Promotion Act. (Ongoing)

2. Production of the White Paper on Small and Medium Enterprises in Japan

In order to ascertain the current situation for SMEs and the challenges that they face, an annual report (2016 White Paper on Small and Medium Enterprises in Japan) will be prepared pursuant to the provisions of Article 11 of the Small and Medium-sized Enterprise Basic Act. (Ongoing)

3. Publicizing of policy

To spread and publicize SME policy, pamphlets and leaflets summarizing the main points are produced and distributed to local governments, SME support agencies, financial institutions, etc. Further information dissemination and publicity is generated by the “Mirasapo” SME support portal site, and by staging “SME Agency for a Day” events.

(1) Publication of booklets

A “Guide to the Use of SME Policy” which introduces over 200 policies is produced as a manual when using SME policy, together with pamphlets on specific policies, and these are widely distributed to SMEs, local government bodies, SME support agencies (commerce and industry associations and chambers of commerce and industry), and financial institutions and to the certified public tax accountants, lawyers, certified public accountants, and SME management consultants who provide support for SMEs. (Ongoing)

(2) Organization of “SME Agency for a Day” events

Co-hosted by the SME Agency and host prefectures, these events are held both to introduce the latest measures to local SMEs and to deepen their understanding of measures. The events also provide a forum for exchanges of ideas and interaction, which contribute to future revisions and improvements in SME policy. These events have been held every year since 1964. (Ongoing)

(3) Online publicity activities

1) Website based publicity

The SME Agency website hosts up-to-date information on SME policy, information on public offerings, PR flyers, booklets and other materials. (Ongoing)

2) E-mail newsletter

The e-mail newsletter is produced in association with SME support agencies and sent out to subscribers every Wednesday. It showcases dynamic SMEs and contains policy information, local updates, and information on topics such as surveys and research reports. (Ongoing)

(4) “Mirasapo” portal site to support the future of SMEs and micro businesses

The “Mirasapo” portal site is used to deliver the latest support information, subsidy application know-how, and examples in an easy-to-understand and timely manner. (Ongoing)

4. Basic Survey of Small and Medium Enterprises

The Basic Survey of Small and Medium Enterprises is conducted in accordance with the provisions of Article 10 of the Small and Medium-sized Enterprise Basic Act, and provides statistics concerning management and financial information such as SME sales figures and numbers of workers employed by SMEs. (Ongoing)

5. Publication of the Survey on SME Business Conditions

The Survey on SME Business Conditions by SMRJ is published quarterly to ascertain business trends among SMEs. (Ongoing)

Chapter 6 Initiatives by industry and by area

Section 1 Measures for SMEs in agriculture, forestry and fisheries

1. Promotion of diversification of primary producers into processing and distribution (sixth sector industrialization)

- (1) Subsidy for sixth sector industrialization network activities [Fiscal 2016 budget: Included in ¥2.03 billion]

Support is given to initiatives to develop new products and cultivate markets by building networks among diverse agricultural, forestry and fishery business owners, and to efforts to provide processing and marketing facilities for agricultural, forestry and fishery products. Support is also given to regional efforts in line with municipal government strategies to create a sixth sector. (Ongoing)

- (2) Active use of the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan

Support is given through investment by the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan (A-FIVE) in agriculture, forestry and fishery businesses linking with distributors and processors toward creating sixth sector business. (Ongoing)

- (3) Program for comprehensive support measures for the use of Geographical Indication, etc. [Fiscal 2016 budget: Included in ¥170 million]

This program includes support for application for Geographical Indication (GI) registration and GI registration promotional and educational activities, support for businesses adopting regional branding using GI, etc., and efforts to strengthen countermeasures to violations overseas of Japanese GI marks and the intellectual property rights of Japanese agricultural, forestry and fisheries products, food products, etc. (Ongoing)

- (4) Comprehensive program to promote renewable energy to revitalize rural areas [Fiscal 2016 budget: Included in ¥100 million]

Growth in regional agricultural, forestry and fishery businesses will be promoted by pursuing community-based initiatives to supply renewable energy and to feed the benefits of such initiatives back into local communities, in areas where projects have been implemented through fiscal 2015. (Ongoing)

2. Support for small and medium agricultural, forestry, and fishery businesses

- (1) Wood Industry Upgrading Promotion Fund and Forestry and Wood Industry Improvement Fund [Fiscal 2016 budget: Included in ¥70.0 billion]

Loans are provided through the Wood Industry Upgrading Promotion Fund to streamline lumber production and distribution, while loans are provided through the Wood Industry Improvement Fund to implement measures such as management reforms in the forestry and lumber industries. (Ongoing)

- (2) Interest subsidy for the installation of lumber processing facilities [Fiscal 2016 budget: Included in ¥4 million]

Interest subsidies are provided for borrowing the funds required for the installation of equipment to increase the value added of lumber products and diversify management, and for the accompanying removal of old equipment and facilities. (Ongoing)

- (3) Subsidy for Establishment of the Foundation for Forest and Forestry Regeneration (Arrangement of lumber processing and distribution facilities) [Fiscal 2016 budget: Included in ¥6.14 billion]

Support is provided to arrange the lumber processing and distribution facilities required to construct a supply chain that can provide stable and efficient supply in terms of price, quantity and quality. (New)

- (4) Subsidy for building a strong agricultural industry and comprehensive measures for the revitalization of production areas (support for reorganization and development of the dairy industry) [Fiscal 2015 budget: Included in ¥20.79 billion (Subsidy for building strong agriculture), included in ¥2.05 billion (Comprehensive

measures for revitalization of production areas)]

Program goals

To promote strengthening the business constitution of small and medium dairy businesses by working to reorganize, rationalize and improve the hygiene management of dairy industry factories, and to contribute to the stabilization of the business of dairy farmers amid a decline in the consumption of milk for drinking.

Program outline

In order to decrease the production and sales costs and upgrade hygiene levels at small and medium dairy businesses, support is provided for the installation of new facilities and expansion of facilities along with the removal of old facilities at dairy factories, and for the removal of dairy factories without replacement, etc.

To steadily advance efforts toward more efficient milk collection and transport and toward industry reorganization, support is provided for efforts to grasp and examine problems and draft specific plans in the regions, and for rationalization of employees, etc.

(5) Support for raising the standard of food manufacturing process management

To improve the safety of food products and gain the confidence of consumers, financial support is provided for the following initiatives under the Act on Temporary Measures concerning Sophistication of Management of Food Manufacturing Process: (1) Provision of infrastructure and equipment for HACCP introduction; and (2) Arrangement of systems, infrastructure and equipment for general hygiene management and product quality control as preliminary steps towards HACCP introduction (advanced platform provision). (Fund for promoting advanced quality control in the food industry) (Ongoing)

(6) Exports comprehensive support program [Fiscal 2016 budget: Included in ¥1.48 billion]

Program goals

To promote exports uniting the public and private sectors in accordance with the “Agriculture-Forestry-Fisheries and Food Products Export Strategy by Country and by Item” (Drafted August 2013) toward achieving the goal of ¥1 trillion in 2020.

Program outline

Comprehensive business support from upstream through downstream to businesses working at exports will be strengthened through subsidies to JETRO, etc.

Changes from fiscal 2015

The subsidies for “marketing bases in new markets,” which include trial sales of the products of businesses working at exports, centered on regions with a high probability of export expansion, and the provision of local feedback, are being changed from stipulated support to JETRO to selection by public bidding, including private-sector businesses.

Experts are placed to provide consultation to businesses regarding exports using Geographical Indication (GI).

A system of continuous and consistent support is provided through JETRO to business owners seeking to export, including identification of partners, business negotiations support, one-stop export consulting, and the establishment of marketing bases in principal cities overseas. (Ongoing)

(7) Measures for business owners seeking to export [Fiscal 2016 budget: Included in ¥840 million]

Program goals

- To promote exports in accordance with the “Agriculture-Forestry-Fisheries and Food Products Export Strategy by Country and by Item” toward achieving ¥1 trillion in agriculture-forestry-fisheries and food products exports.

Program outline

- Different export organizations for marine products, rice and rice products, ornamental plants, livestock, tea, forest products (lumber) and vegetables and fruits hold review meetings in Japan and conduct questionnaire surveys overseas toward establishing the Japan brand, and implement efforts to resolve issues with the export environment, etc.
- Support is given for domestic review meetings, overseas market surveys and the development of overseas markets to construct a year-round or long-term stable supply system, etc. by organizations that bring

together the main domestic export areas for diverse processed foods and related business owners and by organizations that bring together multiple items on a regional, bloc scale.

- Support is given for development and verification of optimal export models to achieve practical export costs in accordance with the export conditions by item for the acquisition and renewal of internationally recognized certificates, and for response to the quarantine certifications required by each country and region.

Changes from fiscal 2015

- Among efforts toward establishing the Japan brand, the assistance rate for domestic review meetings was changed from a set amount to 1/2, and the assistance rate for management of logo marks by item was changed from a fixed amount to 3/4.
- Development of markets overseas and initiatives to promote sales were added to the efforts toward establishing the Japan brand (assistance rate of 1/2). (Ongoing)

3. Support for R&D and other cross-field activities

- (1) Promotion of studies of scientific technologies for the agriculture, forestry, fishery and food industries [Fiscal 2016 budget: Included in ¥3.21 billion]

R&D initiatives are promoted at each stage of technological development, including the basic stage involving the development of the technological seeds that will lead to innovative technologies and solutions for problems in the agriculture, forestry, fishery and food industries (elemental technologies that lead to the creation of new technologies, businesses and agribusiness), the application phase involving the further development of those seeds towards R&D for practical application, and the practical application stage in which technologies meet the requirements of key national policies and address the needs of the agriculture, forestry, fishery and food industries. Also, the technological capabilities of industry, academia and government are utilized to support the development of new product types that address the diverse needs of actual and prospective users. (Ongoing)

- (2) Various forms of lending by JFC [fiscal investment and loan program] (Ongoing)

Section 2 Measures for SMEs in the transportation industry

1. Support for the warehousing industry

Upgrading the physical distribution functions of facilities and improving operating efficiency are being promoted in order to promote more efficient distribution under the Law for Integration and Improvement of Physical Distribution. This is aimed at meeting the need for increasingly sophisticated physical distribution services and addressing the shortage of truck drivers amid changes in the socioeconomic environment. (Ongoing)

2. Measures for the coastal and domestic passenger shipping industries

- (1) Interim measures for coastal shipping

In order to ensure the smooth and steady implementation of interim measures for coastal shipping, support is provided by establishing a separate system of government guarantees for the loans required to fund these measures. (Ongoing)

- (2) Joint shipbuilding program [fiscal investment and loan program] [Fiscal 2016 budget: Included in ¥18.7 billion]

The construction of ships that contribute to the greening of coastal shipping and ships that contribute to the maintenance and revitalization of service to outlying islands which have high policy significance is promoted by the Japan Railway Construction, Transport and Technology Agency (JRTT) joint shipbuilding program. (Ongoing)

3. Measures for small and medium shipbuilders and related manufacturers [Fiscal 2016 budget: 1)Included in ¥50 million, 2)Included in ¥16.0 billion (fiscal 2013 budget), 3) Included in ¥640 million, 4)Included in 90 million]

- (1) In addition to taking steps to develop a safety net for business stabilization, 1) courses on modernizing management techniques are held, and a health and safety manager training course is held to help prevent industrial accidents. (Ongoing)
- (2) All 37 shipyards and shipbuilders on the Pacific coast of Tohoku suffered devastating damage in the Great East Japan Earthquake, as did many shipbuilding-related businesses. The Ministry of Land, Infrastructure, Transport and Tourism, in coordination with the Small and Medium Enterprise Agency and other related ministries and agencies, provides them with assistance in using the Subsidy for Restoration and Reconstruction of (Groups of) SMEs, and helps in the procurement of materials and equipment needed for the prompt recovery of their facilities. (Ongoing) Additionally, to promote the reconstruction of local shipbuilding that substantially contributes to the fishery industry in disaster-affected areas, a fund was established to provide subsidies for groups of small and medium shipbuilding businesses that contribute to the fishery industry in areas where the industry is a core industry but face reconstruction difficulties due to ground subsidence, and to assist with the costs of constructing and repairing facilities to be used jointly by the businesses and for constructing berthing facilities. Decisions were made to provide subsidies to eight projects by 19 enterprises totaling ¥11.42 billion, and continued support is being given to the enterprises implementing the subsidized projects so they can be implemented appropriately. 2) Subsidy for reconstruction assistance projects in the shipbuilding industry. (Ongoing)
- (3) Subsidies are provided for research and development projects for marine resource development technologies that contribute to the strategic growth of Japan's maritime industries and for world-leading marine environment technologies for reducing CO₂ from vessels. 3) Subsidy for R&D for technologies related to the maritime industry (Ongoing)
- (4) To deepen understanding of the shipbuilding industry and increase the number of youth who want to enter the shipbuilding industry, internships at shipyards are being promoted and efforts made to produce attractive educational materials for high school students to learn about shipbuilding. (Ongoing; New). Continued efforts are also being made for the normalization of the Foreign Shipbuilding Worker Acceptance Program and to promote the use of foreign workers. 4) Securing and developing human resources in the shipbuilding industry. (Ongoing)

Section 3 Measures for small and medium building contractors and realtors

1. Regional construction industry vitalization support project [Fiscal 2016 budget: Included in ¥170 million]

Human resources development experts, SME management consultants and other vitalization support advisors provide wide-ranging advice which contributes to the resolution of management issues and of construction management and other technical issues to small and medium and second-tier construction enterprises and construction-related enterprises (surveyors, construction consultants and geological surveyors) that support regional society through the development, maintenance and management of social infrastructure and regional disaster prevention and disaster reduction, etc.

Also, for model efforts that contribute to securing and developing personnel or to improving productivity, continuous support is provided through to goal achievement, including the drafting of plans by a support team of experts as intensive support, and subsidies are paid for part of the expenses at the plan implementation stage.

Furthermore, examinations will be carried out on making best practices that contribute to increasing productivity visible and creating a construction industry version "production management model" giving reference to productivity improvements in other industries that can be applied to the construction industry, making use of the priority support efforts and the knowledge of vitalization support advisors. In addition to using this for support under the project scheme, seminars will be held on best practices and production management models, individual consultations

provided, and online lectures and other efficient and effective educational methods developed and tested. (New)

2. Expansion of financial support in the construction industry

(1) Implementation of the Local Construction Management Enhancement Loan Program

To further facilitate smooth funds procurement by construction companies acting as main contractors, the Local Construction Management Enhancement Loan Program, which makes it possible for SMEs and second-tier companies acting as main contractors to receive loans from finance companies in line with performance using the contract value credit from public works as collateral, continues to be implemented. Under this program, loan guarantees for the financing funds borrowed from financial institutions are attached when finance companies provide loans. This makes it easier to secure loans and reduces the procurement interest rate.

(2) Implementation of the Subcontracting Receivables Protection Support Program

The Subcontracting Receivables Protection Support Program, which is implemented to facilitate the procurement of funding and the protection of receivables held by building subcontractors and similar enterprises, is being continued. The main purpose of this program is to minimize risk and compensate for losses by small, medium-sized and second-tier building subcontractors when a receivable payable to a building subcontractor by the main building contractor for subcontracted building work is guaranteed by a factoring company. (Ongoing)

3. Support for overseas business expansion in the construction industry [Fiscal 2016 budget: Included in ¥70 million]

To support overseas expansion by second-tier and SME construction companies, appropriate support is provided in accordance with the overseas expansion stage of the enterprise. Specifically, market surveys are conducted in target countries, and analyses are conducted on the potential for the Japanese construction industry to expand to overseas construction markets. Based on those results, seminars for drafting strategies to advance overseas are held nationwide for managers at second-tier and SME construction companies that are considering advancement to the target countries, and delegations are sent. Additionally, support is provided for exhibition at overseas trade fairs, seminars are held on overseas construction practice, and the latest information is disseminated and introduced making use of overseas construction and real estate market databases and other media. (Ongoing)

4. Financial measures for small and medium realtors

Programs that provide loan guarantees for loans to joint initiatives pursued by small and medium realtors and for business loans for regional revitalization continue to be implemented in order to supplement the credit and facilitate the financing of small and medium realtors. (Ongoing)

5. Regional greening of housing project [Fiscal 2016 budget: Included in ¥11.0 billion]

To strengthen the production system for wooden housing in regions, and reduce environmental load, support is given for the preparation of wooden housing and structures with superior energy conservation and durability by groups of materials suppliers, designers, contractors and other related businesses. (Ongoing)

6. Program for preparation of a wooden housing construction technology system [Fiscal 2016 budget: Included in ¥510 million]

This program provides support for measures such as technical courses on remodeling that help to cultivate new skilled carpenters and improve the skill levels of skilled carpenters. (Ongoing)

Section 4 Measures for the environmental sanitation business

1. Measures for the environmental sanitation business [Fiscal 2016 budget: Included in ¥1.03 billion]

Subsidies are given to environmental health cooperatives and federations, national environmental sanitation business guidance centers and prefectural environmental sanitation business guidance centers to promote the sound management of barbershops and beauty parlors, cleaning companies, food and beverage businesses operators and other environmental sanitation businesses, maintain and improve sanitation standards, protect the interests of users and consumers, and advance the creation of a more secure and comfortable living environment from the perspective of sanitation. In fiscal 2016, to support improved management by environmental sanitation businesses owners, intensive assistance is being provided to model businesses (environmental sanitation related operations productivity improvement model businesses) that collect and summarize efforts contributing to improved productivity, provide detailed management consulting in accordance with business category, scale and regional characteristics, and offer management guidance, etc. (Ongoing)

2. Loans for environmental sanitation businesses [Fiscal 2016 budget: Included in ¥2.5 billion]

JFC provides low-interest loans (loans for environmental sanitation businesses) to upgrade and advance public sanitation by supporting the cash flow of environmental sanitation businesses. In fiscal 2016, the loan purposes were expanded, for example, to include operating funds for improving earthquake resistance, and the program will continue responding appropriately to the funds needs of environmental sanitation business owners. (Ongoing)

Section 5 Environmental and energy measures

1. Administrative support for the system for certifying greenhouse gas reductions by SMEs (J-Credit Scheme) [Fiscal 2016 budget: Included in ¥440 million]

The J-Credit Scheme is a system for certifying the amounts of greenhouse gas emission reductions achieved through capital investment by SMEs as “credits”, and assistance is provided with administering the scheme and formulating business plans.

This program also develops the foundation for the carbon offset mechanism whereby CO₂ emissions from products and services are offset with carbon credits by taking advantage of the “visualization” of carbon emissions from products by the Carbon Foot Print (CFP) system, and promotes demand for credits created under the J-Credit Scheme. By boosting energy conservation investments by SMEs and promoting the circulation of funds in Japan through the use of these credits, the program aims to achieve a good balance between the environment and the economy. (Ongoing)

2. Environment and Energy Measure Fund (for anti-pollution measures) [fiscal investment and loan program]

To promote anti-pollution measures by SMEs and micro businesses, low-interest loans continue to be provided by JFC based on a review of relevant anti-pollution facilities and interest rates. (Ongoing)

3. Anti-pollution tax system [taxation scheme]

The anti-pollution tax system measures is being continued to support the pollution prevention initiatives of SMEs and micro businesses. (Ongoing)

4. Energy Use Rationalization Business Support Program [Fiscal 2016 budget: Included in ¥51.5 billion]

This program subsidizes the costs required for replacement of existing facilities and systems, for measures that deal with peak load and reduce energy consumption through reforms toward improvement of manufacturing

processes, and for joint energy conservation measures by multiple businesses. In those subsidies, the program emphasizes coordination with the Act on the Rational Use of Energy and gives priority assistance to higher-level energy conservation initiatives. (Ongoing)

5. Program to promote the installation of designated equipment to rationalize energy use [Fiscal 2016 budget: Included in ¥2.7 billion]

This program subsidizes the interest payments on financing received from private financial institutions to promote the introduction of energy-saving equipment and the installation of leading devices covered by the Top Runner Program prior to the target year.

Ties with regional private financial institutions are being strengthened, and the program is vigorously pushing energy conservation investments by regional small, medium, and second-tier companies that are actively working at energy conservation. (Ongoing)

6. Program for promoting the introduction of energy-saving measures [Fiscal 2016 budget: Included in ¥750 million]

This program implements energy conservation and electricity conservation potential diagnoses on SMEs and second-tier companies, and broadly disseminates sample diagnoses and information on energy conservation technologies to promote horizontal development. Also, “Energy Conservation Consultation Area Platforms” are being constructed to provide detailed energy conservation consultations in each region, to advance the energy conservation initiatives proposed by the diagnoses. (Ongoing)

7. Taxation scheme to promote environment-related investment [taxation scheme]

To realize the energy mix set in fiscal 2015, the fiscal 2016 tax system reform gives priority to geothermal power generation and woody biomass power generation facilities as additional subject facilities, and extends the application period of this taxation scheme for two years. (Ongoing)

8. Regional low-carbon investment promotion fund program [Fiscal 2016 budget: Included in ¥6.0 billion]

The regional low-carbon investment promotion fund provides public funding for renewable energy and other carbon reduction projects that are likely to be profitable but for which the supply of private-sector funding is not sufficient because of the high risk caused by long lead times or a long investment recovery period, to induce greater private-sector funding. (Ongoing)

9. Eco-Lease promotion program [Fiscal 2016 budget: Included in ¥1.8 billion]

By subsidizing part of the total lease fee for SMEs and other entities that have difficulty coping with the very high initial investment costs (deposit) when installing low-carbon devices, this program promotes the use of no deposit “leases” and works for the spread of low-carbon devices. (Ongoing)

10. Eco-Action 21

The Eco-Action 21 scheme, which is readily accessible to SMEs and second-tier companies, will continue to be promoted, and a revised version of the Eco-Action 21 Guideline will be drafted and reviewed. Also, projects specifically aimed at reducing CO₂ will continue to be implemented as subsidized projects, and efforts made to increase the number of SMEs and second-tier companies conducting environmental management. (Ongoing)

Section 6 Promotion of the adoption of IT

1. Lending by governmental financial institutions for investment in IT (IT Fund) [fiscal investment and loan program]

The JFC acts as a reliable source of lending to enable SMEs to keep up with changes in the business environment

associated with the spread and changes in IT. (Ongoing)

Section 7 Measures on intellectual property

1. Surveys of technical trends of patent applications [Fiscal 2016 budget: Included in ¥900 million]

Technology themes centered on technology fields with the potential to capture markets and technology fields that the government should support as science and technology policy are selected, and based on the results of surveys on market trends and patent application trends, information is distributed through the Japan Patent Office website on survey results that contribute to the R&D strategies and intellectual property strategies of Japanese industries. Also, technology fields for which markets are expected to be created in a specific country are selected, and based on the results of surveys on market trends and patent application trends in that country, information is provided that is useful to Japanese industry in drafting research and development strategies, intellectual property strategies and business strategies. (Ongoing)

2. Support for foreign patent applications by SMEs [Fiscal 2016 budget: Included in ¥630 million]

In order to encourage SMEs and other enterprises to file strategic applications for foreign patents, subsidies are provided via prefectural SME support centers and through JETRO as a nationwide regional implementation body to partially defray the costs incurred (such as translation costs, application fees to overseas patent offices and expenditure on hiring Japanese agents and local agents overseas) by SMEs planning overseas business expansion. From fiscal 2016, efforts will be expanded at more prefectural SME support centers. (Ongoing)

3. Promotion of the wider use of IP systems [Fiscal 2016 budget: Included in ¥80 million]

Information sessions on the intellectual property system are held for individuals tailored to their different levels of knowledge and expertise. These include sessions outlining the IP system and explaining basic knowledge for beginners, sector-specific sessions with more specialized content for people with some experience looking at topics such as the examination criteria for patents, designs, and trademarks, the application of the trial system and procedures for international applications, and sessions on legal revisions broadly explaining the latest revised provisions of laws and regulations.

In fiscal 2016, information sessions for beginners are being held in 47 prefectures, and sessions for practitioners are being held in major cities nationwide. (Ongoing)

4. Program supporting measures by SMEs to counter overseas infringements [Fiscal 2016 budget: ¥130 million]

To promote the timely and appropriate exercise of industrial property rights overseas by SMEs, subsidies are provided via JETRO for the costs incurred by SMEs from infringement investigations regarding imitation products to the costs of drafting warning statements to the persons responsible for the violations and for filing administrative charges, and subsidies are provided for the expenses of consulting with attorneys when sued for intellectual property rights violations overseas by a local enterprise, etc., and for the costs required for litigation. From fiscal 2016, the program also began to subsidize the expenses for litigation to invalidate and cancel counterfeit trademarks. (Ongoing)

5. Patent strategy portal site [Fiscal 2016 budget: Included in ¥10 million]

The patent strategy portal site on the Patent Office's website provides online access to "data for self-analysis", which includes individual data on the number of patent applications, the number of examination requests, and the patent allowance rate over the preceding 10 years, for applicants who have applied for a password. (Ongoing)

6. Reductions in patent fees for SMEs

SMEs actively pursuing R&D continue to be subsidized through the reduction by half of examination request fees

and patent charges (for 10 years from the first year).

Also, the measure for small and medium venture enterprises and micro businesses that reduces by one-third examination request fees and patent charges (for 10 years from the first year) as well as administrative charges for overseas patents (administrative charges for investigations, forwarding and preliminary examinations) continues to be implemented. The measure also subsidizes amounts equivalent to two-thirds of the amount paid in international patent administration fees and handling fees. (Ongoing)

7. Accelerated examination and accelerated appeal examination system

Where the applicant or appellant submitting the request is an SME or micro business, examinations and appeal examinations can be fast-tracked by presenting an “Explanation of Circumstances Concerning Accelerated Examination” or “Explanation of Circumstances Concerning Accelerated Appeal Examination”. (Ongoing)

8. Provision of a one-stop IP service for SMEs (General IP Help Desks) [Fiscal 2016 budget: National Center for Industrial Property Information and Training (INPIT) subsidies]

“General IP Help Desks” have been established in each prefecture and staffed by support staff in order to provide a one-stop service for on-the-spot resolution of IP concerns and problems encountered by SMEs in the course of business administration. The use of IP by SMEs is further promoted by such means as using IP experts to work with SMEs to resolve highly specialized issues, collaborating with SME support agencies and similar organizations, and identifying SMEs and other enterprises that are not making effective use of IP. From fiscal 2016, the National Center for Industrial Property Information and Training (INPIT) becomes the project implementing body, the assistance subjects are expanded to include second-tier companies, and the assistance system is reinforced with further expansion of experts providing support regarding employee invention regulations, etc. (Ongoing)

9. Arrangement of one-stop support system for trade secrets (Trade secrets and intellectual property strategy consultation offices – Trade secrets 911) [Fiscal 2016 budget: Included in INPIT subsidy program]

“Trade secrets and intellectual property strategy consultations offices – Trade secrets 911” were established at the National Center for Industrial Property and Training (INPIT) on 2 February, 2015, to provide expert consultation primarily to SMEs in collaboration with General IP Help Desks regarding the acquisition of patents, concealment as trade secrets and other open/closed strategies and other specific intellectual property strategies. Experts provide consultation on the methods of managing trade secrets, and on trade secrets leaks and diversions. These efforts are being continued in fiscal 2016. A system for contact with the National Policy Agency and Information-technology Promotion Agency, Japan (IPA) particularly regarding trade secrets leaks and diversions, information security measures, and cyber attacks, depending on the consultation contents, is being maintained. In addition, in fiscal 2016, promotional and educational activities will be reinforced, including trade secrets and intellectual property strategies seminars and e-learning contents, the Help Desks will be publicized, and their use by SMEs promoted. (Ongoing)

10. Emerging Country IP Information Databank [Fiscal 2016 budget: Included in ¥1 million, included in INPIT subsidy program]

This is an informational website aimed at legal and IP managers in Japanese enterprises doing business in developing countries and similar regions. Its purpose is to provide a wide range of IP information for various developing countries, including information on application procedures, examination and litigation procedures, licensing procedures and statistical and institutional trends. (Ongoing)

11. Global IP Producers dispatch program [Fiscal 2016 budget: Included in INPIT subsidy program]

To provide support directed at the use of intellectual property in overseas business expansion, experts in IP management (“Global IP Producers”) are assigned to INPIT to assist SMEs and other enterprises with promising technologies that are likely to drive overseas expansion. This support includes the formulation of IP strategies tailored

to the nature of the overseas operations and factors such as the situations and systems in the target countries. (Ongoing)

12. On-site Interview Examinations and On-screen Interview Examinations [Fiscal 2016 budget: Included in ¥20 million]

Inspectors are sent out to regional interview venues across Japan to provide support for staff in small and medium venture enterprises in regions nationwide and also hold on-screen interviews when applicants participate from their computer screens via the Internet. (Ongoing)

13. Program to support the use of patent information analysis by SMEs, etc. [Fiscal 2016 budget: Included in ¥140 million]

This program provides comprehensive patent information analysis support to SMEs and to regional public bodies, publicly funded laboratories, commerce and industry associations and chambers of commerce and industry in accordance with the needs of each stage of research and development, application, and examination request to promote effective research and development, securing of rights, and other intellectual property use by SMEs, etc. (Ongoing)

14. IP funding promotion program [Fiscal 2016 budget: Included in ¥100 million]

A comprehensive initiative is being implemented to make the value and assessment of businesses using the intellectual properties of SMEs visible and to link this to funding from financial institutions. Specifically, examination companies prepare “IP business assessment forms” which make the value and assessment of businesses using the intellectual properties of SMEs visible and provide these to financial institutions that lack IP experts in order for the businesses to be appropriately reflected in making judgments on loans to SMEs.

Efforts are also made to spread and support intellectual asset-based management. (Ongoing)

15. Support program to create business using Japanese IP [Fiscal 2016 budget: Included in ¥360 million]

The following initiatives are implemented through JETRO to assist promotion of business development overseas using the intellectual properties of SMEs, second-tier companies and regional collective trademarks organizations.

- (1) Candidate partners for licensing from Japanese enterprises with superior intellectual properties are listed up through surveys, and this information is used in the opportunities for discussions in (2) and (3).
- (2) The construction of business models for the licensing business overseas and drafting of brand strategies are supported by holding seminars and trainings by experts inside Japan and conducting multiple individual interviews overseas, arranging events and other opportunities for business discussions.
- (3) Support is implemented by providing opportunities for business discussions with candidate business partners through displays at exhibitions and participation in business fairs inside Japan and overseas.
- (4) Advice is provided by intellectual property experts to prevent the leakage of technology.
- (5) Information is conveyed overseas in multiple languages regarding the attractiveness of Japanese SMEs, second-tier companies and regional collective trademarks organizations with promising intellectual properties, while giving consideration to prevent technology leaks. (Ongoing)

16. Program to strengthen support for the IP of regional SMEs [Fiscal 2016 budget: Included in ¥200 million]

To promote the protection and use of the intellectual property of SMEs by providing detailed support in accordance with the various issues and regional characteristics of SMEs, leading and advanced IP support efforts of enthusiastic regional support agencies and other bodies are selected through bureaus of economy, trade and industry and assistance given for their implementation. In fiscal 2106, new assistance is being provided to efforts emphasizing the resolution of priority issues that are difficult to solve uniformly nationwide. (Ongoing)

17. Overseas Intellectual Property Litigation Insurance Subsidy Program [Fiscal 2016 budget: Included in ¥60 million]

To make it possible for SMEs and other businesses to take countermeasures to intellectual property litigation overseas, an overseas intellectual property litigation insurance scheme is being established, with a national-scale organization which has SMEs and other businesses as its members as the operating body, to cover intellectual property litigation expenses.

A subsidy is provided to the national organization with SMEs and other businesses as its members, with half of the overseas intellectual property litigation insurance premium subsidized. The reduced premium burden encourages SMEs to become members. (New)

18. Business producer dispatch program for regional revitalization [Fiscal 2016 budget: Included in ¥100 million]

As a new program, a system which dispatches “business producers” to regions is being initiated from fiscal 2016. To expand abilities to create businesses in regions, the “business producers” identify potential needs, conceive businesses, and assist with preparing the business creation environment from the matching of seeds through to sourcing business capital and developing markets, while building and utilizing regional networks including financial institutions. (New)

19. Provision of patent information

The Industrial Property Digital Library was renovated to respond to increasingly sophisticated and diverse user needs for patent information, and provision of a new Japan Platform for Patent Information (J-PlatPat) initiated from March 2015. J-PlatPat provides easy to use interface, and has functions for public information searches on domestic patents, utility models, designs and trademarks, and for inquiries on past data.

The Chinese and Korean Gazette Translation and Search System began operating from January 2015 to enable Japanese language searches of patent documents, especially Chinese and Korean patents documents, which have been rapidly increasing, and the Foreign Patent Information Service (FOPISE), which handles inquiries on the patent information of ASEAN and other foreign countries where there is a notable increase of Japanese enterprises, began service from August 2015.

Both of these services are provided free of charge via the Internet. (Ongoing)

Section 8 Promotion of standardization

1. Promotion of the strategic use of standardization at second-tier companies and SMEs

Based on the revised 2015 Japan Revitalization Strategy and Intellectual Property Promotion Plan 2015, the standardization of superior technologies and products of second-tier companies and SMEs is being promoted through use of the New Market Creation Standardization System and other systems, and the “Standardization Use Support Partnership System” whereby local government bodies, industrial promotion organs, regional financial institutions, universities and public research organs (partner institutions) collaborate with the Japanese Standards Association (JSA) to provide information and advice on strategic use of standardization in regions is being continued. (Ongoing)

Supplementary statistical data

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Table 1
Numbers of enterprises at the major industry group level
(based on private enterprises in non-primary industries, 2014)

(Unit: number of companies)

Major industry groups	Sole proprietorships				Companies				Sole proprietorships + companies			
	Small enterprises	Medium enterprises	Large enterprises	Total	Small enterprises	Medium enterprises	Large enterprises	Total	Small enterprises	Medium enterprises	Large enterprises	Total
Mining and quarrying of stone and gravel	138	2		140	1,146	168	4	1,318	1,284	170	4	1,458
Construction	151,686	62		151,748	283,424	20,097	284	303,805	435,110	20,159	284	455,553
Manufacturing	144,538	249		144,787	214,231	54,321	1,957	270,509	358,769	54,570	1,957	415,296
Electricity, gas, heat supply and water	10			10	698	292	29	1,019	708	292	29	1,029
Information and communications	2,243	22		2,265	27,750	15,239	533	43,522	29,993	15,261	533	45,787
Transport and postal activities	18,144	26		18,170	35,111	19,855	251	55,217	53,255	19,881	251	73,387
Wholesale trade	46,185	1,787		47,972	116,348	63,588	1,575	181,511	162,533	65,375	1,575	229,483
Retail trade	375,046	28,768	155	403,969	175,360	89,020	2,452	266,832	550,406	117,788	2,607	670,801
Finance and insurance	6,247			6,247	22,574	1,138	259	23,971	28,821	1,138	259	30,218
Real estate and goods rental and leasing	148,213	121		148,334	163,355	7,532	296	171,183	311,568	7,653	296	319,517
Scientific research, professional and technical services	95,213	7,114	15	102,342	65,648	20,480	607	86,735	160,861	27,594	622	189,077
Accommodations, eating and drinking services	407,759	28,471	38	436,268	57,230	50,821	721	108,772	464,989	79,292	759	545,040
Living-related and personal services and amusement services	308,874	4,544	6	313,424	44,376	24,510	536	69,422	353,250	29,054	542	382,846
Education, learning support	84,787	4,977	4	89,768	9,622	8,093	125	17,840	94,409	13,070	129	107,608
Medical, health care and welfare	132,558	38,768	71	171,397	13,869	25,131	187	39,187	146,427	63,899	258	210,584
Compound services	3,402	5		3,407	76	9	1	86	3,478	14	1	3,493
Services (not elsewhere classified)	48,310	1,154	4	49,468	48,083	40,610	1,000	89,693	96,393	41,764	1,004	139,161
All non-primary industries	1,973,353	116,070	293	2,089,716	1,278,901	440,904	10,817	1,730,622	3,252,254	556,974	11,110	3,820,338
SME/large enterprise totals	2,089,423		293	2,089,716	1,719,805		10,817	1,730,622	3,809,228		11,110	3,820,338

- Notes:
1. Number of enterprises = number of companies + business establishments of sole proprietors.
 2. Enterprises with 300 or fewer regular employees (900 or fewer in rubber goods manufacturing, 200 or fewer in inn and hotel, 100 or fewer in wholesaling and services (excluding software, information processing and service providing, inn and hotel) and 50 or fewer in retailing and eating and drinking places) or capital stock of ¥300 million or less (¥100 million or less in wholesaling, and ¥50 million or less in retailing, eating and drinking places, and services (excluding software, information processing and service providing)) are treated as SMEs.
 3. SMEs with 20 or fewer regular employees (5 or fewer in wholesaling, retailing, eating and drinking places, and services (excluding accommodations and amusement services)) are treated as small enterprises.
 4. Industries are classified according to the November 2007 revised system of industry classification.
 5. It is not possible to make direct comparisons between the present findings and results obtained from the *Establishment and Enterprise Census* published in the supplementary statistical data for past White Papers on Small and Medium Enterprises. This is because Economic Censuses conducted since 2009 have (1) captured a greater range of business establishments and enterprises due to their use of commercial and corporate registers and other administrative records, and (2) surveyed enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 2
Number of workers by major industry group
(based on private enterprises in non-primary industries, 2014)

(Unit: people)

Major industry groups	Sole proprietorships				Companies				Sole proprietorships + companies			
	Small enterprises	Medium enterprises	Large enterprises	Total	Small enterprises	Medium enterprises	Large enterprises	Total	Small enterprises	Medium enterprises	Large enterprises	Total
Mining and quarrying of stone and gravel	446	61		507	8,977	8,684	3,150	20,811	9,423	8,745	3,150	21,318
Construction	373,796	2,128		375,924	1,863,619	1,150,950	412,522	3,427,091	2,237,415	1,153,078	412,522	3,803,015
Manufacturing	402,047	7,899		409,946	1,596,120	4,480,323	3,279,571	9,356,014	1,998,167	4,488,222	3,279,571	9,765,960
Electricity, gas, heat supply and water	17			17	4,591	29,982	165,874	200,447	4,608	29,982	165,874	200,464
Information and communications	4,822	285		5,107	108,444	865,970	579,402	1,553,816	113,266	866,255	579,402	1,558,923
Transport and postal activities	31,162	851		32,013	349,037	1,903,136	824,350	3,076,523	380,199	1,903,987	824,350	3,108,536
Wholesale trade	115,904	19,872		135,776	426,024	1,995,828	876,683	3,298,535	541,928	2,015,700	876,683	3,434,311
Retail trade	829,535	428,977	14,178	1,272,690	637,048	2,849,898	2,785,136	6,272,082	1,466,583	3,278,875	2,799,314	7,544,772
Finance and insurance	11,709			11,709	100,436	109,978	1,021,775	1,232,189	112,145	109,978	1,021,775	1,243,898
Real estate and goods rental and leasing	228,162	1,381		229,543	543,867	436,168	230,379	1,210,414	772,029	437,549	230,379	1,439,957
Scientific research, professional and technical services	233,168	75,460	2,814	311,442	207,534	526,905	374,053	1,108,492	440,702	602,365	376,867	1,419,934
Accommodations, eating and drinking services	1,069,770	298,515	3,285	1,371,570	324,979	2,108,722	1,375,540	3,809,241	1,394,749	2,407,237	1,378,825	5,180,811
Living-related and personal services and amusement services	569,529	52,286	893	622,708	231,364	1,070,707	414,377	1,716,448	800,893	1,122,993	415,270	2,339,156
Education, learning support	164,648	58,397	637	223,682	40,522	339,931	113,289	493,742	205,170	398,328	113,926	717,424
Medical, health care and welfare	410,715	415,267	14,405	840,387	60,759	800,499	176,112	1,037,370	471,474	1,215,766	190,517	1,877,757
Compound services	8,851	41		8,892	216	342	407,019	407,577	9,067	383	407,019	416,469
Services (not elsewhere classified)	108,299	14,454	655	123,408	202,449	2,287,347	1,249,553	3,739,349	310,748	2,301,801	1,250,208	3,862,757
All non-primary industries	4,562,580	1,375,874	36,867	5,975,321	6,705,986	20,965,370	14,288,785	41,960,141	11,268,566	22,341,244	14,325,652	47,935,462
SME/large enterprise totals	5,938,454		36,867	5,975,321	27,671,356		14,288,785	41,960,141	33,609,810		14,325,652	47,935,462

- Notes: 1. Total number of workers = sole proprietors + unpaid family workers + paid company executives + regular employees (permanent employees + part-timers) + temporary workers
2. The numbers of workers working at establishments belonging to individual enterprises are aggregated at the enterprise level. Small enterprises, medium enterprises, and large enterprises are categorized by size and industry at the enterprise level.
3. Due to the survey's design, the "total number of workers" includes only workers at establishments in Japan. In the supplementary statistical data published in White Papers on Small and Medium Enterprises in Japan, the "number of regular employees" includes regular employees at overseas establishments. In industries that have become more globalized, therefore, the "number of regular employees" may appear to be greater than the "total number of workers."

Table 3
Sales by major industry group
(based on private enterprises in non-primary industries, 2013)

(Unit: ¥100 million)

Major industry groups	Sole proprietorships				Companies				Sole proprietorships + companies			
	Small enterprises	Medium enterprises	Large enterprises	Total	Small enterprises	Medium enterprises	Large enterprises	Total	Small enterprises	Medium enterprises	Large enterprises	Total
Mining and quarrying of stone and gravel	35	13	0	49	10,590	3,704	6,951	21,245	10,626	3,717	6,951	21,294
Construction	22,617	137	0	22,754	293,570	299,739	261,185	854,494	316,188	299,876	261,185	877,248
Manufacturing	15,584	424	0	16,008	206,623	1,028,302	2,217,637	3,452,561	222,207	1,028,725	2,217,637	3,468,569
Electricity, gas, heat supply and water	0	0	0	0	3,179	19,710	234,069	256,958	3,180	19,710	234,069	256,959
Information and communications	146	9	0	154	13,794	131,803	324,034	469,631	13,940	131,811	324,034	469,785
Transport and postal activities	1,022	37	0	1,059	42,515	220,717	264,695	527,927	43,537	220,754	264,695	528,986
Wholesale trade	12,358	2,456	0	14,814	163,658	1,140,599	1,462,618	2,766,875	176,016	1,143,055	1,462,618	2,781,689
Retail trade	47,301	33,065	386	80,752	87,858	445,979	699,339	1,233,176	135,160	479,043	699,726	1,313,929
Finance and insurance	644	0	0	644	28,686	56,677	712,060	797,423	29,330	56,677	712,060	798,067
Real estate and goods rental and leasing	9,832	45	0	9,877	82,610	95,460	152,486	330,555	92,442	95,504	152,486	340,432
Scientific research, professional and technical services	13,119	5,685	314	19,118	23,722	74,134	145,752	243,608	36,841	79,819	146,066	262,726
Accommodations, eating and drinking services	26,995	6,919	86	34,000	15,056	85,691	69,680	170,427	42,051	92,610	69,766	204,427
Living-related and personal services and amusement services	14,050	1,308	352	15,710	31,148	168,594	121,965	321,707	45,199	169,902	122,316	337,417
Education, learning support	2,222	874	16	3,112	1,526	13,751	9,027	24,303	3,748	14,625	9,043	27,415
Medical, health care and welfare	23,040	29,377	988	53,405	2,284	23,295	9,584	35,163	25,324	52,672	10,572	88,568
Compound services	182	1	0	183	20	111	27,740	27,870	202	112	27,740	28,053
Services (not elsewhere classified)	4,898	468	9	5,374	17,662	126,270	104,487	248,419	22,560	126,738	104,496	253,793
All non-primary industries	194,046	80,817	2,151	277,013	1,024,503	3,934,533	6,823,308	11,782,344	1,218,549	4,015,350	6,825,458	12,059,357
SME/large enterprise totals	274,862		2,151	277,013	4,959,036		6,823,308	11,782,344	5,233,899		6,825,458	12,059,357

- Notes: 1. "Sales" are here defined as proceeds from the sale of products or services, operating revenue, construction revenue, and similar revenues. Income from the sale of stocks and securities, land, buildings, and machinery and appliances is not included.
2. Sales of all enterprises are categorized by industry group, capital, and number of regular workers at the enterprise level.
3. As a rule, MIC's 2014 *Economic Census for Business Frame* surveys sales in the one-year period from January to December 2013. Thus although the survey was conducted as of July 1, 2014, sales figures are for 2013.
4. Sales are calculated in hundreds of millions. Amounts that round to less than ¥100 million (i.e., amounts of less than ¥50 million) are shown as "0," and cells are left blank where there are no enterprises of the relevant size.

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