



Support for SMEs' New Business Activities in Japan

Small and Medium Enterprise Agency
Ministry of Economy, Trade and Industry

July 2013

1. Framework for Supporting New Business Activities

- The sustainable development of Small and Medium Enterprises (SMEs) has an important role to play in improving Japan's economic performance and new initiatives are essential, such as the development of new high value-added products and services to meet new market needs.
- The following accreditation and approval is carried out under the legal system in order to support such initiatives.

<p>Act on Promotion of Business Activities through Collaboration Between Small and Medium Sized Enterprise Operators and Agriculture, Forestry and Fishery Producers(effective July 2008)</p>	<p>[Collaboration between Agriculture (including Forestry and Fishery), Commerce and Industry] Develop demand through collaboration between SMEs and agriculture, forestry and fishery businesses whereby management resources (technology, sales channels etc.) are shared and new business activities (development of new products and services etc.) is carried out.</p>	<p>○ Accreditation of business plans by central government</p>
<p>Act on Promotion of Business Activities by Small and Medium Sized Enterprises Utilizing Regional Resources (effective June 2007)</p>	<p>[Utilization of Regional Resources] SMEs develop demand by utilizing resources (such as production technology, agricultural, forestry or fishery products and tourist resources) derived from local industries as designated by prefectural governments in order to carry out new business activities (including the development of new products and services)</p>	<p><Main support measures> - Hands-on support from Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ) (follow-up support for accredited businesses) - Subsidies - Financing system operated by Japan Finance Corporation - Credit guarantee special provisions etc.</p>
<p>Act for Facilitating New Business Activities of Small and Medium-sized Enterprises (effective April 2005)</p>	<p>[New Collaboration (collaboration between different fields)] Develop new business fields through collaborations between SMEs in different business fields whereby managerial resources are shared and new business activities are carried out (including the development of new products and services)</p> <p>[Management Innovation] Improve the level of management at SMEs by carrying out new business activities including the development of new products and services</p>	<p>○ Central government or prefectural governments give accreditation for business plans</p> <p><Main support measures> - Financing system operated by Japan Finance Corporation - Credit guarantee special provisions etc.</p>

2. Main Support Measures

Secretariat for supporting creation of new business activities (SMRJ)

- Business consultation office
- Support from experts in improving business plans
- Follow-up support for accredited businesses

Subsidies

(Support for the promotion of new business activities / collaboration of agriculture, commerce and manufacturing)

- Subsidize part of the expense of following accredited business plans
 - Subsidy rate: no more than 2/3 ; Upper limit: 30 million yen per project
- * Initial budget for fiscal 2013: 1.86 billion yen (2 billion yen)

Financing system operated by Japan Finance Corporation

- Low interest financing for equipment installation or operational funding based on accredited business plans
 - SME Unit: special interest rate (3)
 - Micro Business and Individual Unit: special interest rate C

Credit guarantee special provisions

- Additional budgets to general guarantees etc.
 - In addition to general guarantees (200 million yen), guarantees without collateral (80 million yen) and special small guarantees (12.5 million yen), the same amount is guaranteed under a separate budget
- Expansion of upper limit for new business development guarantees
 - Expansion of upper limit from 200 million yen to 400 million yen

(effective August 2012)

SME Business Capabilities Enhancement Support Act

- Support for procurement of local funding when developing business overseas
 - Special Provisions of Japan Finance Corporation Act
 - Special Provisions of Trade and Investment Insurance Act
 - Special Provisions of Credit Insurance Act

Other: Special Provisions on Patent Fees (new collaborations only), Special Provisions of the Act on Equipment Installation Support for Small Enterprises (agricultural-commercial-industrial collaboration only), etc.

3. Collaboration Between SMEs and Agriculture/Forestry/Fishery Businesses

What is meant by “collaboration between SMEs and agriculture/forestry/fishery businesses”?

- Support provided under the Act on Promotion of Business Activities through Collaboration Between Small and Medium Sized Enterprise Operators and Agriculture, Forestry and Fishery Producers (effective July 2008)
- Developing demand through collaboration between SMEs and agriculture/forestry/fishery businesses whereby management resources (technology, sales channels etc.) are shared and new business activities (development of new products and services etc.) are carried out.

<Business scheme>

Central Government (Bureau of Economy, Trade and Industry or Agricultural Administration Office)

[Basic Policy]

The responsible minister

(Minister of Agriculture, Forestry and Fisheries or Minister of Economy, Trade and Industry etc.)

formulates accreditation criteria for business plans for collaboration between SMEs and agriculture/forestry/fishery businesses and supported project business plans

Plan application

Plan accreditation

Plan application

Plan accreditation

SMEs

[Business plans for collaboration

between SMEs and agriculture/forestry/fishery businesses]

Create a business plan to tackle the development of new products etc. in partnership between the SME (commercial and industrial only) and agriculture/forestry/fishery businesses, in line with the basic policy.

Main requirements for business plans for collaboration between SMEs and agriculture/forestry/fishery businesses

- (1) The business will be carried out through organic collaborations between SMEs and agriculture/forestry/fishery businesses
- (2) The management resources of both parties will be effectively utilized
- (3) The plan is to develop new products or new roles, or develop new production, supply or demand
- (4) Improvements will be achieved in the SME management and management of the agriculture/forestry/fishery business

General incorporated associations, foundations, NPOs

[Supported project plans for collaboration

between SMEs and agriculture/forestry/fishery businesses]

Create a plan for support, such as instruction and advice, to be given to general incorporated associations, foundations or NPOs which satisfy certain criteria and are involved in partnerships between SMEs and agriculture/forestry/fishery businesses, in line with the basic policy.

Main requirements for supported project plans for collaboration between SMEs and agriculture/forestry/fishery businesses

The targets set out by the SME operator or agriculture/forestry/fishery producer will be achieved as a result of building 5 or more projects or providing instruction or advice to 5 or more projects in collaborations between SMEs and agriculture/forestry/fishery businesses within the plan period.

4. Utilization of Regional Resources

What is meant by the “utilization of regional resources”?

- Support provided under the Act on Promotion of Business Activities by Small and Medium Sized Enterprises Utilizing Regional Resources (effective June 2007)
- The development of demand by SMEs as a result of utilizing regional resources (production technology, agricultural/forestry/fishery products and tourist resources) derived from local industries in order to carry out new business activities (such as the development of new products and services)

<Business Scheme>

Central Government (Bureau of Economy, Trade and Industry)

[Basic Policy]

The responsible minister (Minister of Economy, Trade and Industry, Minister of Internal Affairs and Communications, Minister of Finance, Minister of Health, Labour and Welfare, Minister of Agriculture, Forestry and Fisheries, or Minister of Land, Infrastructure, Transport and Tourism) formulates accreditation criteria for regional resources and business plans for collaboration between SMEs and agriculture/forestry/fishery businesses and supported project business plans for the utilization of regional resources.

Opinions of prefectural government added

Prefectural Government

[Designate regional resources]

Publicize regional resources

Make plan application to central government via prefectural government

Plan accreditation

(Results reported)

SMEs

[Business plans for utilization of regional resources]

Formulate a business plan for the SMEs to tackle the development of new products etc. by utilizing regional resources (production technology, agricultural/forestry/fishery products and tourist resources) derived from local industries as designated by prefectural governments, in line with the basic policy.

<Main requirements for business plans for utilization of regional resources>

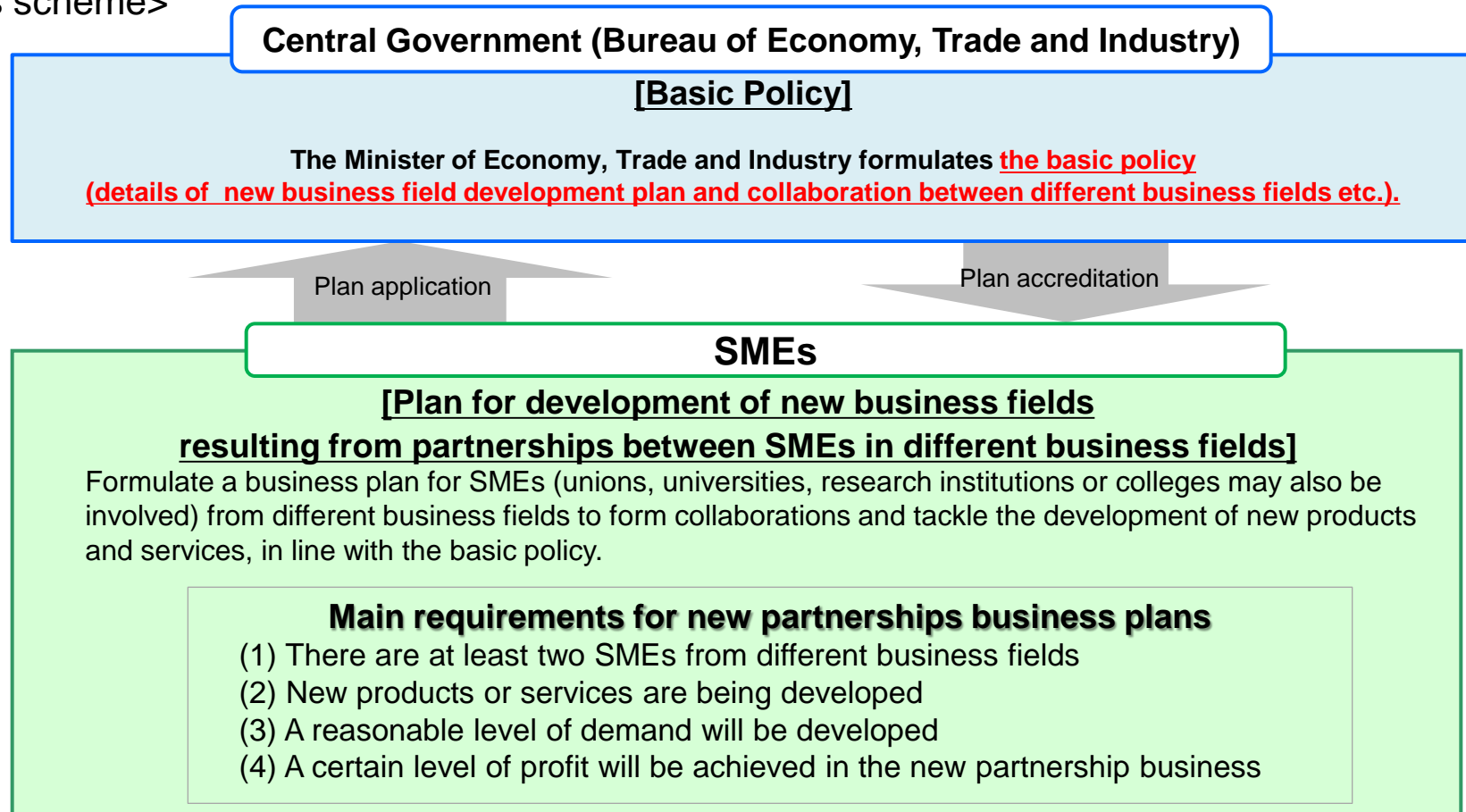
- (1) The business utilizes the regional resources designated by the prefectural governments.
- (2) The business is a “new” type of business.
- (3) Development of a certain level of new demand from outside the region can be expected (5% or more of total sales within five years).

5. New Partnerships

What is meant by “new” partnerships?

- Support provided under the Act for Facilitating New Business Activities of Small and Medium-sized Enterprises (effective April 2005).
- The development of new business fields as a result of SMEs from different business fields collaborating and utilizing each other’s management resources (technologies, sales channels etc.) in order to carry out new business activities (such as the development of new products and services).

<Business scheme>



6. Management Innovation Support

What is meant by “management innovation support”?

- Support provided under the Act for Facilitating New Business Activities of Small and Medium-sized Enterprises (effective April 2005).
- Improving the management level at individual SMEs, irrespective of the industry, by supporting a wide range of initiatives implemented through positive and self-supporting endeavor backed up by imagination and creativity.

<Business scheme>

Central Government (Bureau of Economy, Trade and Industry)

[Basic Policy]

The Minister of Economy, Trade and Industry formulates
the basic policy (approval criteria for management innovation plan etc.).

Prefectural Governments etc.

Management innovation plans approved by the governors of prefectural governments etc.

Plan application

Plan approval

SMEs

[Management innovation plans]

Formulate a business plan for SMEs to tackle the development of new products and services in new business activities, in line with the basic policy.

Main requirements for management innovation plans

- (1) The business activities are new (examples: development of a new product or the introduction of new methods of producing or selling products, etc.).
- (2) The period of the plan is between 3 and 5 years.
- (3) Management will be improved to a reasonable level as a result of the new initiatives.
* In the case of a 3-year plan, growth in added value or per capita added value must be 9% or higher, and ordinary income must be 3% or higher.

Support for the promotion of new business activities / collaboration of agriculture, commerce and manufacturing

Details of Program

Program outline and aims

Support the development of new cutting-edge or “model” products or services and the development of sales channels etc. through initiatives carried out by SMEs or Small/Micro enterprises, including new business activities and collaborations with agriculture/forestry/fishery businesses as set out under paragraphs (1) to (3) below.

(1) New partnerships

New business carried out by combining the management resources of SMEs or Small/Micro enterprises from different business fields working in collaborations

(2) Collaborations with agriculture/forestry/fishery businesses

New business carried out through the effective combination of the know-how of parties involved in collaborations between SMEs or small and micro enterprises with agriculture/forestry/fishery businesses

(3) Utilization of regional resources

New business carried out through the utilization of agricultural/forestry/fishery products, industrial products or tourism resources unique to the particular region.

Conditions (eligible parties, eligible activities, subsidy ratio etc.)

Central government



SME, Small/Micro enterprise etc.

2/3 subsidy etc.

Program Concept

- Subsidize the cost of market research, prototype development and entry into exhibitions etc. carried out by SMEs or Small/Micro enterprises in accordance with a legally accredited business plan (maximum subsidy 30 million yen; subsidy ratio 2/3)
- Support activities aimed at supporting the construction of collaborations under the Act on Promotion of Business Activities through Collaboration Between Small and Medium Sized Enterprise Operators and Agriculture, Forestry and Fishery Producers (maximum subsidy 20 million yen; subsidy ratio 2/3)

SMEs and Small/Micro enterprises supporting the regional economy

New partnerships



Agricultural - commercial - industrial collaboration



Utilization of regional resources



Initiatives for new business activities that utilizes these elements

Support provided under “Support for the promotion of new business activities / collaboration of agriculture, commerce and manufacturing”



Market research



Developing prototypes



Entering exhibitions

Creating new business in the region and improving management

Project to revitalize Small/Micro Enterprises

Details of Program

Program outline and aims

- Support new business activities by enthusiastic managers or employees working for Small/Micro enterprises, including women and younger members of staff

Conditions (eligible parties, subsidies etc.)

- Support initiatives by Small/Micro enterprises to develop or produce unique new products, introduce new sales methods, or provide new services, while receiving reliable and high-quality management support

[Maximum subsidy] 2 million yen

[Subsidy ratio] 2/3

[Application requirements]

- (1) The applicant is a small or micro enterprise in accordance with the Small and Medium Enterprises Basic Act
- (2) There is a collaboration with the “Organizations Supporting Management Innovation” etc. in accordance with the SME Business Capabilities Enhancement Support Act, etc.

Program Concept

Outline of supported businesses

New product development

Elderly ladies underwear

Previously, specialist underwear for the elderly was only available on a unisex basis. Thanks to the unique ideas of a female businesswoman, a protector function was added to prevent broken bones and a product was developed with a design that was appealing to women.

Development of new service

Region-specific information on child-raising support services

Previously, information on child-raising support services was available online, but it was decided to distribute a free paper with region-specific information in order to provide more detailed region-specific information, such as information on kindergartens and school bus services

Development of sales channels

Targeting the “glasses connoisseur”

Numerous innovative glasses designs not available from regular opticians were procured from various regions and “glasses connoisseurs” from around the country were targeted as a new customer base.

2/3

Central government



Subsidy

Small/Micro enterprise

Project to revitalize Small/Micro Enterprises

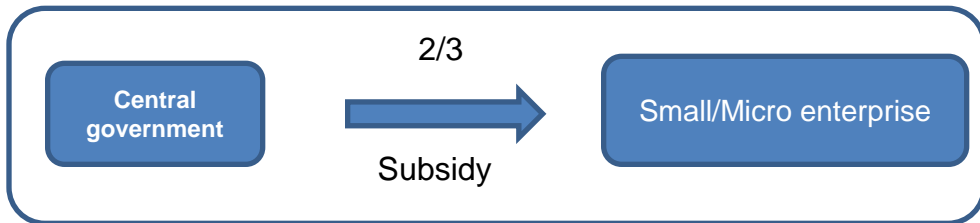
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 - [Subsidy ratio] 2/3
 - [Application requirements]
- (1) The applicant is a small or micro enterprise in accordance with the Small and Medium Enterprises Basic Act
- (2) There is a collaboration with an accredited supporting organization etc. in accordance with the SME Business Capabilities Enhancement Support Act, etc.



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