Japan’s Policy on Small and Medium Enterprises (SMEs) and Micro Enterprises

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

September 2013
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1. Overview

(1) What are SMEs?
(2) SME Support Systems
(3) SME-related Budget
1. (1) What are SMEs? ①

・Accounting for 99.7% of all companies, 70% of all employees, and more than 50% of all added value (manufacturing industry) in Japan, SMEs form the very basis of the Japanese economy.

・Even such large corporations as Toyota, Honda, and Sony started out as small backstreet factories, and the revitalization of SMEs can promote competition in the marketplace, creating new industries and becoming the motive force behind economic restructuring.

・The majority of the products of large corporations consist of components from SME subcontractors; thus, it is the hidden strength of SMEs that underpins trust in Japanese products.

・The economies of Japan’s provincial areas are supported by the activities of SMEs – mainly in the service industry, retail trade, and the construction industry – and SMEs play a part in revitalizing local economies and boosting employment opportunities.
1. (1) What are SMEs? ② - Definition -

**Image of SMEs**

- Socially vulnerable (stereotypical perception)

**Basic Principle**

- Rectifying disparities between companies in terms of productivity, etc.

**Image of SMEs**

- Basis of the Japanese economy, source of dynamism

**Basic Principle**

- Diverse, dynamic growth and development by independent SMEs

### Definition in the SME Basic Act

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Stated capital</th>
<th>Employees</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>¥300 million or less</td>
<td>300 or fewer</td>
<td>20 or fewer</td>
</tr>
<tr>
<td>Wholesale</td>
<td>¥100 million or less</td>
<td>100 or fewer</td>
<td>5 or fewer</td>
</tr>
<tr>
<td>Service industry</td>
<td>¥50 million or less</td>
<td>100 or fewer</td>
<td>5 or fewer</td>
</tr>
<tr>
<td>Retail</td>
<td>¥50 million or less</td>
<td>50 or fewer</td>
<td></td>
</tr>
</tbody>
</table>

### Definition in the Corporation Tax Act

| Stated capital    | |
|-------------------| |
| ¥100 million or less |
1. (1) What are SMEs? ③ Changes in Policy

The basic principles of policy on SMEs have been revised according to the needs of the times and support measures have been implemented and enhanced, e.g. policies on finance, promotion, guidance, and unionization.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventing the concentration of economic power, developing sound SMEs</td>
<td>Two-tier structure: rectifying disparities between SMEs and large corporations</td>
<td></td>
<td>Supporting motivated, capable SMEs</td>
<td></td>
</tr>
<tr>
<td>Basic Principles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion Policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>○ SME Cooperatives Act (1949)</td>
<td>○ Shopping District Promotion Association Act (1962)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>○ SME Association Organization Act (1957)</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
1. (1) What are SMEs? 

SMEs account for 99.7% of Japan’s 4.2 million companies. They account for 60% and more than 50% of total employees and total value added (manufacturing industry), respectively.

Number of companies (4.2 million)

- SMEs: Approx. 4.19 million (99.7%)
- Large enterprises: Approx. 12,000 (0.3%)

No. of employees (42.73 million)

- SMEs: Approx. 28.27 million (66%)
- Large enterprises: Approx. 14.46 million (34%)

Value added (manufacturing industry) ¥80.3 trillion

- Large corporations: Approx. ¥39.7 trillion (49.5%)
- SMEs: Approx. ¥40.6 trillion (50.6%)

METI, Census of Manufactures (2009)
SME policies are mainly coordinated by the Small and Medium Enterprise Agency and implemented by a number of related organizations working in partnership.

1. (2) SME Support Systems

**Small and Medium Enterprise Agency**
Planning and formulation of policy on SMEs

- **Management improvement support providers**
  (certified support service providers)
  (13,459)

**Japan External Trade Organization (JETRO)**
Headquarters (1), JETRO Osaka (1), domestic offices (37), Overseas offices (73), Institute of Developing Economies (1)

**Organization for Small and Medium Enterprises and Regional Innovation, Japan (SMRJ)**
Headquarters (1), regional head offices (9)

**Prefectures (47)**
Planning and formulation of local policy on SMEs

- Management advice
- Holding courses
- Providing information
- Dispatching experts, etc.

**SME Support Centers**
Prefectures, etc. (47)
Each region (13)
*Management improvement support providers 51

- Chambers of Commerce and Industry (514)
  *Management improvement support providers 210
  *All certified as management improvement support providers

- Shoko Chukin Bank
  Head Office (1), branch offices (100)
  *Certified as management improvement support providers

- Japan Finance Corporation
  Head Office (1), branch offices (152)

**Existing SME supporters**

- Financial institutions
- Professional associations
- Government agencies
- Trade organizations

**Support for internationalization**

- Human resource development and training programs
- Opposition to foreign trade
- Support for overseas expansion

**SMEs (4.2 million)**

As of end July 2013
1. (2) SME Support Systems

Minister of Economy, Trade and Industry

Small and Medium Enterprise Agency

Director-General

Director-General for Small and Medium Enterprise Policy

Director-General’s Secretariat

Office of Director for Policy Coordination

Administrative Affairs Office

Public Relations and Business Counseling Office

Director-General, Business Environment Department

Policy Planning Division

Office for Business Stability

Research Office

International Affairs Office

Finance Division

Corporate Finance and Tax Affairs Division

Fair Trade Division

Regional Bureaus of Economy, Trade and Industry

Director-General, Business Support Department

Business Support Division

Office for Small Enterprise Policy

New Business Promotion Division

Startup and Technology Division

Retail and Wholesale Commerce Division

Minister’s Secretariat

Economic and Industrial Policy Bureau

Trade Policy Bureau

Trade and Economic Cooperation Bureau

Industrial Science and Technology Policy and Environment Bureau

Manufacturing Industries Bureau

Commerce and Information Policy Bureau

Agency for Natural Resources and Energy

Japan Patent Office

SME Policy Making Council

Advisory

Consultation
<table>
<thead>
<tr>
<th>Office of Director for Policy Coordination:</th>
<th>Overall coordination of affairs under the jurisdiction of the Small and Medium Enterprise Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Relations and Business Counseling Office:</td>
<td>Public Relations</td>
</tr>
<tr>
<td>Policy Planning Division:</td>
<td>Planning and formulation of basic policies for nurturing and developing SMEs</td>
</tr>
<tr>
<td>Office for Business Stability:</td>
<td>Business stability of SMEs</td>
</tr>
<tr>
<td>Research Office:</td>
<td>Gathering, analysis and provision of general information concerning nurturing, developing and improving the management of SMEs</td>
</tr>
<tr>
<td>International Affairs Office:</td>
<td>International cooperation concerning affairs under the jurisdiction of the Small and Medium Enterprise Agency</td>
</tr>
<tr>
<td>Finance Division:</td>
<td>Smooth provision of finance for SMEs</td>
</tr>
<tr>
<td>Corporate Finance and Tax Affairs Division:</td>
<td>Coordination of the tax system relating to SMEs, facilitating management succession in SMEs</td>
</tr>
<tr>
<td>Fair Trade Division:</td>
<td>Ensuring fairness in trade involving SMEs, securing business opportunities for SMEs</td>
</tr>
<tr>
<td>Business Support Division:</td>
<td>Improvements in the management of SMEs, e.g. improvements in management methods</td>
</tr>
<tr>
<td>Office for Small Enterprise Policy:</td>
<td>Support for small enterprises</td>
</tr>
<tr>
<td>New Business Promotion Division:</td>
<td>Improvements in the management of SMEs through new business activities</td>
</tr>
<tr>
<td>Startup and Technology Division:</td>
<td>Creation of new business by SMEs, improvements in the technology of SMEs</td>
</tr>
<tr>
<td>Retail and Wholesale Commerce Division:</td>
<td>Nurturing and development of small and medium retailers, service providers and wholesalers</td>
</tr>
</tbody>
</table>
1. (3) Key Points in the FY2013 Budget Regarding SMEs and Micro Enterprises

- As well as bringing out the dynamism of the SMEs and micro enterprises that underpin local economies, thorough support will be provided for initiatives focused on business revitalization via the substantial economic measures in the supplementary budget and the “seamless measures” in the FY2013 budget.

- In addition to expanding measures focused on micro enterprises, the FY2013 budget supports new efforts in the field of manufacturing (monodzukuri) and overseas expansion, endeavors to strengthen the performance of local commerce, and initiatives focused on revitalizing the business of SMEs and micro enterprises.

Emergency Economic Measures (Supplementary Budget) ¥543.4 billion (of which, ¥171.3 billion is allocated by the Ministry of Finance)

1. Stimulation of local economies and creation of local demand by SMEs and micro enterprises

- Subsidies for manufacturing ¥100.7 billion
- Project to develop shopping districts ¥20 billion
- Project to revitalize shopping districts ¥10 billion
- Subsidies for promoting business startups such as businesses to create demand in the region ¥20 billion
- Project to support human resource measures ¥28.2 billion
- Project to support overseas expansion and training ¥2 billion
- Project to support business creation ¥1.5 billion
- Project to support market acquisition by using regional potential ¥20 billion
- Project to establish consultation offices to facilitate the shift to a higher consumption tax ¥4.2 billion

2. Business revitalization of SMEs and micro enterprises

- Support for formulation of management improvement plans by certified support service providers ¥40.5 billion
- Enhancement of functions of SME business rehabilitation support cooperatives ¥4 billion
- Project to provide training on management improvement and business rehabilitation plans for certified support service providers ¥0.5 billion
- Support for funding of SMEs and micro enterprises ¥289.3 billion (of which, ¥171.3 billion allocated to the Ministry of Finance)

Support for SMEs and micro enterprises ¥107.1 billion (¥106.0 billion)

<table>
<thead>
<tr>
<th>Support for micro enterprises, etc.</th>
<th>Support for new challenges in manufacturing and overseas business expansion, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project to revitalize micro enterprises ¥3 billion (new)</td>
<td>Project to support manufacturing SME collaboration ¥11.9 billion (new)</td>
</tr>
<tr>
<td>Project to support business creation, etc. by SMEs and micro enterprises ¥4.8 billion (new)</td>
<td>Comprehensive support project for overseas expansion of SMEs ¥3.2 billion (new)</td>
</tr>
<tr>
<td>Project to support independence of small-scale subcontractors ¥0.7 billion (new)</td>
<td>Support for promoting new business activities/collaboration in agriculture, commerce and manufacturing ¥1.9 billion (new)</td>
</tr>
<tr>
<td>Human resource development by small-scale manufacturing operators ¥0.4 billion (new)</td>
<td></td>
</tr>
</tbody>
</table>

Reinvigoration of the business of SMEs and micro enterprises

- Projects by SME business rehabilitation support cooperatives ¥4.3 billion (¥4.7 billion)
- Training projects for certified support service providers, etc. ¥0.1 billion (new)

Support for financing

- Financing support ¥26.5 billion (¥27.0 billion)
- Project to provide funds for reinforcing SMEs’ management skills ¥0.4 billion (new)
- Project to support the bases of SMEs’ management skills (guarantee system for reinforcing management skills) ¥0.2 billion (¥0.2 billion)

Support for recovery and reconstruction by disaster-stricken SMEs and micro enterprises

<table>
<thead>
<tr>
<th>Support for recovery and reconstruction by disaster-stricken SMEs and micro enterprises</th>
<th>&lt;Post-disaster Reconstruction Special Account: ¥87.7 billion (¥98.8 billion)&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for financing (Great East Japan Earthquake Recovery Special Loans, etc.) ¥53 billion (¥31.5 billion)</td>
<td>Project to support regional small- and medium-scale commerce ¥3.9 billion (new)</td>
</tr>
<tr>
<td>Disaster recovery project for joint facilities of SME associations (group subsidy) ¥25 billion (¥50 billion)</td>
<td>Project to support manufacturing SME collaboration ¥11.9 billion (new)</td>
</tr>
<tr>
<td>Development of temporary factories and stores ¥3 billion (¥5 billion)</td>
<td>Comprehensive support project for overseas expansion of SMEs ¥3.2 billion (new)</td>
</tr>
<tr>
<td>Project by SME business rehabilitation support cooperatives (industrial recovery consultation centers) ¥3.1 billion (new), etc.</td>
<td>Support for promoting new business activities/collaboration in agriculture, commerce and manufacturing ¥1.9 billion (new)</td>
</tr>
</tbody>
</table>

*Figures in brackets represent the budget for FY2012
2. Major SME Policies

(1) Supporting SMEs
(2) Creating Jobs
2. (1) Supporting SMEs

Financing Measures

As SMEs have few assets and weak financial foundations, it is difficult for them to procure capital from the stock market, so securing a smooth supply of funds is one of their key challenges. Accordingly, government-affiliated financial institutions have been established to create a system to provide SMEs with long-term funds at low rates of interest. There are limits to the funding that can be provided by public financial institutions alone, so a system of credit enhancement has also been introduced. This enables SMEs to make use of funds from private sector financial institutions, as the government guarantees the loans taken out with such institutions by SMEs and pays it back in subrogation if the SME concerned does not.

Currently (as of at the end of FY2012), the value of outstanding loans by public financial institutions to SMEs is ¥22.5 trillion, about 9% of the ¥240 trillion total value of all outstanding loans to SMEs, while the value of loans subject to credit guarantees is ¥32 trillion, about 13% of the total value. Thus, this system complements provision by private sector financial institutions.

Changes in outstanding loans to SMEs

<table>
<thead>
<tr>
<th>Year</th>
<th>Private sector financial institutions</th>
<th>Public financial institutions (finance corporations/Shoko Chukin Bank)</th>
<th>Loans to SMEs guaranteed by guarantee corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>26.2 [9.2%]</td>
<td>279.3 [90.8%]</td>
<td>28.2 [9.2%]</td>
</tr>
<tr>
<td>2001</td>
<td>27.6 [9.7%]</td>
<td>258.6 [90.3%]</td>
<td>27.6 [9.7%]</td>
</tr>
<tr>
<td>2002</td>
<td>26.8 [10.1%]</td>
<td>238.2 [89.9%]</td>
<td>26.8 [10.1%]</td>
</tr>
<tr>
<td>2003</td>
<td>26.3 [10.3%]</td>
<td>228.4 [89.7%]</td>
<td>26.3 [10.3%]</td>
</tr>
<tr>
<td>2004</td>
<td>25.5 [10.3%]</td>
<td>221.5 [89.7%]</td>
<td>25.5 [10.3%]</td>
</tr>
<tr>
<td>2005</td>
<td>24.3 [9.8%]</td>
<td>224.4 [90.2%]</td>
<td>24.3 [9.8%]</td>
</tr>
<tr>
<td>2006</td>
<td>23.0 [9.1%]</td>
<td>230.7 [90.9%]</td>
<td>23.0 [9.1%]</td>
</tr>
<tr>
<td>2007</td>
<td>21.7 [8.7%]</td>
<td>227.1 [91.3%]</td>
<td>21.7 [8.7%]</td>
</tr>
<tr>
<td>2008</td>
<td>21.3 [8.7%]</td>
<td>225.0 [91.3%]</td>
<td>21.3 [8.7%]</td>
</tr>
<tr>
<td>2009</td>
<td>22.2 [9.1%]</td>
<td>220.4 [90.9%]</td>
<td>22.2 [9.1%]</td>
</tr>
<tr>
<td>2010</td>
<td>22.5 [9.4%]</td>
<td>217.0 [90.6%]</td>
<td>22.5 [9.4%]</td>
</tr>
<tr>
<td>2011</td>
<td>22.5 [9.5%]</td>
<td>214.2 [90.5%]</td>
<td>22.5 [9.5%]</td>
</tr>
<tr>
<td>2012</td>
<td>22.4 [9.5%]</td>
<td>213.4 [90.5%]</td>
<td>22.4 [9.5%]</td>
</tr>
</tbody>
</table>

(FY)
2. (1) Supporting SMEs ① Financing Measures

• For Japan’s 4.2 million SMEs, securing a smooth supply of funds is a key management challenge.
• Policy finance institutions targeting SMEs consistently provide about 10% of all loans to SMEs. In combination with loans with attached credit guarantees, public loans account for around 20% of all loans to SMEs.
• More specifically, these mainly consist of (i) policy loans (support loans for founding companies or overseas business expansion) and (ii) safety net loans (loans to companies suffering a temporary downturn in business conditions or which have been affected by a disaster (earthquakes, typhoons, etc.)) to SMEs.

Shoko Chukin Bank

Japan Finance Corporation (JFC)

Loans to member companies

Investment

Loans to medium-sized companies

Member companies (approx. 73,000 companies)

Factories, etc. (approx. 47,000 companies)

Self-employed people, etc. (approx. 958,000 companies)

End of March 2013

For Japan’s 4.2 million SMEs, securing a smooth supply of funds is a key management challenge. Policy finance institutions targeting SMEs consistently provide about 10% of all loans to SMEs. In combination with loans with attached credit guarantees, public loans account for around 20% of all loans to SMEs. More specifically, these mainly consist of (i) policy loans (support loans for founding companies or overseas business expansion) and (ii) safety net loans (loans to companies suffering a temporary downturn in business conditions or which have been affected by a disaster (earthquakes, typhoons, etc.)) to SMEs.
• In order to facilitate the supply of finance required by SMEs, which lack creditworthiness and adequate collateral, credit guarantee corporations (52 nationwide) provide private sector financial institutions with guarantees for the debt obligations of SMEs.
• If the guaranteed debt is not repaid, the credit guarantee corporation repays it in subrogation.

In the event that the SME with the guarantee defaults on the loan, the credit guarantee corporation pays around 80-100% of the guaranteed debt in subrogation.
In order to support efforts to improve the management of micro enterprises, which have few management resources and low productivity even compared with other SMEs, unsecured low-interest loans are provided by the Japan Finance Corporation, without the need for a guarantor.

**Japan Finance Corporation (JFC)**

2. Recommendation for loan

3. Unsecured low-interest loan with no guarantor

1.95% (as of May 2013)
(Standard interest rate of National Life Finance Corporation (loan periods of up to 5 years): 0.3%)
Approx. 35,000 loans, approx. ¥150 billion (FY2011)

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**Commerce and industry association / chamber of commerce and industry**

1. Guidance on accounting, bookkeeping and drawing up business plans

**Micro enterprises**

- Have no property with collateral value
- Unstable management
- Managers lack skills in accounting, bookkeeping, and creating business plans
2. (1) Supporting SMEs ② Measures Concerning Subcontracting Trade

- SME subcontractors have little bargaining power, so if the main subcontracting entrepreneur abuses its superior bargaining position (e.g. delaying or unduly reducing payments), this can impinge upon their interests. The operation of legislation clamping down on such unfair acts by main subcontracting entrepreneurs ensures a satisfactory business environment for SME subcontractors.
- In FY2012, around 260,000 companies were investigated, as a result of which, around ¥1.3 billion in unfairly deducted fees and other payments was returned from main subcontracting entrepreneurs.
- In addition, free consultations and ADR (alternative dispute resolution) were carried out by consultants and more than 400 lawyers at the Aid Offices for Subcontractors established in 48 locations nationwide.

[FY2012 operational status of the Small and Medium Enterprise Agency’s Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors]

<table>
<thead>
<tr>
<th>Investigation under the Act</th>
<th>Guidance to main subcontracting entrepreneurs under the Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document-based investigation</td>
<td>Warnings</td>
</tr>
<tr>
<td>Approx. 260,000 companies</td>
<td>9,011 companies</td>
</tr>
<tr>
<td>Applications received</td>
<td>On-site inspections</td>
</tr>
<tr>
<td>1,158 companies</td>
<td>1,035 companies</td>
</tr>
<tr>
<td>79</td>
<td>Request to the Japan Fair Trade Commission to take action</td>
</tr>
<tr>
<td></td>
<td>1 company</td>
</tr>
<tr>
<td>Referral of queries where a breach of the Act is strongly suspected</td>
<td></td>
</tr>
<tr>
<td>Aid Offices for Subcontractors</td>
<td></td>
</tr>
<tr>
<td>Number of inquiries: 4,931</td>
<td>More serious violations</td>
</tr>
</tbody>
</table>
2. (1) Supporting SMEs ③ Tax System for SMEs

In the same way as the financial system, the tax system for SMEs is one of the most important measures for SMEs. Alleviating the tax burden by means of various preferential tax reduction and exemption measures supports efforts to stimulate the business activities of SMEs.

Specific measures
A lower corporation tax rate (called the “reduced tax rate”) than that for large corporations is applied to SMEs.

<table>
<thead>
<tr>
<th>Normal corporation</th>
<th>Category</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large corporations</td>
<td>Portion of annual revenue up to ¥8 million</td>
<td>15%</td>
</tr>
<tr>
<td>(Stated capital of more than ¥100 million)</td>
<td>Portion of annual revenue over ¥8 million</td>
<td>19%</td>
</tr>
<tr>
<td>SMEs</td>
<td>(Stated capital of ¥100 million or less)</td>
<td></td>
</tr>
</tbody>
</table>

In the FY2011 tax reform, the reduced tax rate applied to the portion of SMEs’ (with stated capital of ¥100 million or less) revenue up to ¥8 million a year was reduced from 18% to 15%, while the effective corporation tax rate applied to the portion of revenue over ¥8 million a year was reduced by 5%.

Past developments
FY2011 corporation tax rate reductions
- Corporation tax rate for large corporations reduced from 30% to 25.5%.
- Tax rate (main rule) applied to the portion of SMEs’ annual revenue up to ¥8 million reduced from 22% to 19%.

- There are tax systems focused on SMEs relating to capital investment, experimental research costs, and business succession.
  - Capital investment: special depreciation of 30% of the price paid or 7% tax credit
  - Experimental research costs: tax credit equivalent to 12% of experimental research costs
  - Business succession: postponed payment of inheritance tax (80%) and gift tax (100%) on unlisted shares, etc.
- Capital investment: tax system to promote investment by SMEs, etc.
  - Experimental research costs: tax system focused on R&D, etc.
  - Business succession: system of postponed payment of inheritance tax and gift tax on unlisted shares, etc.
2. (1) Supporting SMEs ④ “Mirasapo” Support Portal Site

1. Opening of the “Mirasapo” Support Portal Site
The business challenges faced by SMEs and micro enterprises are becoming more complex, advanced, and specialized.
→ Need to build a support system that can provide a finely-tuned response to consultation needs.

Mirasapo: A comprehensive portal site where SMEs can obtain the latest information about support that meets their needs, seek advice readily from experts and more experienced managers, and exchange information with other companies, whenever and wherever it suits them
(Name derived from the Japanese for “site supporting the future of SMEs and micro enterprises.” It began operating provisionally at the end of July.)

2. Main functions of Mirasapo
① Support measures and provision of information: Providing easily comprehensible information about support measures by the government and public institutions. Electronic application functions can be used for some subsidies.

② Formation of a community: Providing a forum (community) where users can exchange information with experts and more experienced managers about specific themes, e.g. starting a business or expanding overseas. Users can create new communities tailored to their own issues.

③ Expert counseling: Developing a database of experts in each field, enabling users to choose an expert according to the particular issues they face and seek counseling online.

*Regional platforms: These are networks created in each region via collaboration by a number of SME support institutions, with databases of experts being shared among those institutions.
*Recruitment via Mirasapo of new experts who could be dispatched to SMEs began on July 30.

3. Future plans
In light of opinions from users and discussions by the Headquarters for the Growth of Small and Micro Enterprises, the functions will be expanded in future and the full version is due to start operating this fall.
Users can get advice from more experienced managers and experts regarding their concerns about the management of SMEs and micro enterprises.

https://www.mirasapo.jp/

Information about support offered by the national government and public institutions; Information about support measures can be obtained by theme and by type of measure.

[Mirasapo News]

[Portal for Support Measures]
2. (1) Supporting SMEs ④ Support for Management

A total of 9 SME Universities, affiliated to the SMRJ, have been established in locations nationwide to support the development of SME personnel. Improving the level of knowledge among SME managers, changing their ways of thinking, and cultivating SME supporters is vital in securing the management base of SMEs.

- Nine universities nationwide. Number of participants: 16,000 annually; more than 560,000 people have attended courses since the universities opened in 1962
- Target participants: SME operators and SME supporters (staff at commercial and industrial associations who provide management guidance, etc.)
- Main training: The main training provided includes training for management successors, training for managers and courses to cultivate SME management consultants
- Taking into account convenience for participants, the courses do not only take the form of courses held at the SME universities themselves, but also include courses held in areas with training needs and online courses via the Internet.
Under the Industrial Revitalization Act, Business Support Councils for SME were established in each prefecture to support the revitalization of SMEs.

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**Support schemes**

**Consultation service (first response)**

- Advice aimed at resolving issues
  - Identifying management problems or other specific issues via interviews or analysis of submitted data
  - Provision of appropriate advice aimed at resolving the issue
  - Introduction to a relevant support organization or support measures, if required

*If the cooperative judges that there is a need to formulate a rehabilitation plan and coordinate with financial institutions

**Support for formulating a rehabilitation plan (secondary response)**

- Support for formulating a rehabilitation plan
  - Formation of an individual support team, support for the formulation of a specific rehabilitation plan

- Coordination with relevant organizations
  - Coordination with relevant financial institutions

**Follow-up**

- Regular follow-up after the plan is drawn up, provision of any advice needed

---

**Achievements**

(End of March 2013)

- Inquiries received from 27,593 companies
- Rehabilitation plans formulated by 4,711 companies
The average age of SME managers has risen to about 60, so ensuring smooth business succession is a pressing issue. Issues relating to business succession that arise when business assets are transferred to the successor include (i) the burden of inheritance tax and gift tax; (ii) preventing dissipation of shares in the company due to statutory reserved shares; and (iii) a lack of funds for acquiring business assets. Accordingly, a wide range of support is provided to facilitate business succession for SMEs, including institutional responses and advice.

### Sole business proprietors

**Issues**
- Large tax burden if the successor inherits land used for business.
- Insufficient funds for the successor to purchase business assets dispersed due to inheritance, etc.

**Responses**
- Reduction of the inheritance tax burden on sole proprietors who have inherited land used for business.
  
  **<Current>**
  - 80% reduction on land used for residence or business, up to a maximum of 400m²
  
  **<Details of the FY2013 Tax Reform>**
  - 80% reduction on land used for residence or business, up to a maximum of 730m²

  **[Requirement]** Must remain in business until the deadline for submission of the inheritance tax return, etc.

- Successor must take out a low-interest loan to fund acquisition of business assets.

### Company proprietors

**Issues**
- Large tax burden if the successor acquires shares in their own company.
- Disputes with other relatives regarding statutory reserved shares and risk of being unable to acquire some shares.
- Insufficient funds for the successor to purchase shares in their own company dispersed due to inheritance, etc.

**Responses**
- Appraisal of shares in accordance with the state of the SME. Appraisal using either the comparable peer company analysis method, the net asset value method, or a combination of both, depending on the scale of the company.
- System of special measures put in place to allow postponed payment of 80% of the taxable amount of inheritance tax (100% in the case of gift tax) imposed on shares in their own company obtained via inheritance or as a gift.
- Special measures under the Civil Code to prevent disputes over statutory reserved shares.
- Successor must take out a low-interest loan to fund acquisition of business assets.

As well as these institutional responses, consultation services have been set up at certified support service providers nationwide to deal with queries from SME managers regarding concerns around business succession. In addition, there are initiatives to “support the supporters” of SMEs, such as holding courses on business succession led by experts in the field, aimed at certified public tax accountants and financial institutions who come into contact with SME managers on a daily basis. Thus, the government is providing finely-tuned support to facilitate business succession at SMEs.
**2. (1) Supporting SMEs ⑥ Support for Business Succession ②**

- The tax system concerning business succession is a system of special measures that allows postponed payment of inheritance tax and gift tax if a successor has acquired from the current proprietor (either as an inheritance or a gift) shares in an unlisted company, if authorized by the Minister of Economy, Trade and Industry.

**Overview of the Existing System**

- If the successor (who must be a relative of the previous proprietor) acquires unlisted shares via inheritance or a gift from the previous proprietor, postponed payment of 80% (100% in the case of a gift) of the tax payable is permitted.
- This grace period is terminated (with the full amount becoming payable) if the following requirements are not met during the five-year period after the inheritance/gift:
  * Maintenance of at least 80% employment each year for five years
  * The successor takes over as representative of the company
  * The previous proprietor steps down as an officer (paid) (in the case of gift tax), etc.
- If the shares are retained and business continued even after that five-year period, an exemption from payment of the tax is provided upon the death of the successor (or bankruptcy of the company).

**Key Details of the FY2013 Tax Reform**

- Successor (must be a relative of the previous proprietor)
  → Successor may use the system even if not a relative of the previous proprietor.
- Maintenance of at least 80% employment each year for five years
  → Maintenance of at least 80% employment on average over the five-year period
- The previous proprietor steps down as an officer (paid)
  → The previous proprietor steps down as representative (may remain as an officer (paid))

*Due to enter into force in January 2015

**Authorization by the Minister of Economy, Trade and Industry**

(October 1, 2008 - June 30, 2013)

<table>
<thead>
<tr>
<th></th>
<th>No. of cases authorized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized (inheritance tax)</td>
<td>438</td>
</tr>
<tr>
<td>Authorized (gift tax)</td>
<td>238</td>
</tr>
</tbody>
</table>
2. (1) Supporting SMEs ⑦ Transfer of Business

Support for the transfer of business enables employment and technologies to be maintained, thereby supporting new business development by SMEs and strengthening their business.

1. Business Transfer Advice Desks (*1) established at certified support service providers (support organizations such as chambers of commerce and industry that have been certified under the Industrial Revitalization Act) in all 47 prefectures provide information and advice concerning business transfers.

2. In addition, in areas where a support system has been established due to high demand for business transfer support, Business Transfer Support Centers (*2) have been established to provide more expert advice on business transfers.

(*1) Business Transfer Advice Desks;
The staff of Business Transfer Advice Desks provide a free service, as a general rule, dealing with a variety of management issues affecting SMEs, such as issues arising from business transfers, and provide information and details of support organizations and support measures to help to resolve those issues.

(*2) Business Transfer Support Centers;
At Business Transfer Support Centers, experts in business transfers (such as certified public tax accountants with experience in the field and former employees of financial institutions) serve as intermediaries between companies wishing to conduct business transfers and provide support aimed at the conclusion of business transfer contracts. As of August 2013, Business Transfer Support Centers had been established in 8 locations nationwide (Hokkaido, Miyagi, Tokyo, Shizuoka, Aichi, Osaka, Ehime, and Fukuoka).

[Support System]

Company that wants to acquire the business
(wants to pass on the business)

Company that wants to acquire the business

Support organization certified under the Industrial Revitalization Act

Business rehabilitation support

Business transfer support

(1) Establishment of Business Transfer Advice Desk
(2) If necessary, establishment of a Business Transfer Support Center, which can provide a more expert response
(3) Centers are staffed by experts in business transfers (experienced tax accountants, consultants, etc.)

Duty of confidentiality

Private sector support personnel/organizations

- Intermediary agent
- Certified public tax accountant
- Certified public accountant
- Lawyer
- Consultant
- Regional bank, Shinkin bank, guarantee corporation, SME management consultant, administrative scrivener, etc.

SMRJ (Head Offices nationwide)

- Hubs for information exchange between certified support service providers
- Advice on transfer support methods
- Advice on support methods relating to tax, legal matters, etc.
Support for technology development is vital in enabling SMEs and micro enterprises in the field of manufacturing (monodzukuri) to open up new demand.

Support for basic technology R&D carried out by SMEs and micro enterprises in the manufacturing sector and prototypes using the outcomes of that R&D promotes higher added value business development.

◆ Project to support the upgrading of strategic core technology
Financial support for core manufacturing technology supporting Japanese manufacturing industry (e.g. casting, forging, machining, plating) from R&D to prototype production.

• FY2013 budget: ¥10.78 billion
• Maximum sum entrusted:
  ¥45 million in the first fiscal year (general)
  ¥23 million in the first fiscal year (micro enterprises)

*(Example of support)*
Molding motor vehicle gear parts using only a forging process, where machining had previously been required to finish them after forging. Resulted in 100% of the material being used, reducing the cost of the process by 1/5.
While SMEs and micro enterprises have a great need to secure human resources, students have a strong desire to work for large corporations, so the employment mismatch has not yet been eliminated.

*March 2013 ratio of job offers to applicants among university graduates:
Companies with at least 5,000 staff: 0.60 times        Companies with fewer than 300 staff: 3.27 times

◆ Project to support hiring of new graduates
This provides support for internships for new graduates and those who have not found employment within three years of graduating, in order to teach them the skills, techniques, and know-how required when working for SMEs.
(1) Target: New graduates, etc. (implemented for around 20,000 people)
(2) Subsidy: Up to ¥7,000 per day (internships last a few months, up to 6 months)

◆ Project to help SMEs find new workers
This provides support for internships for women and others who previously quit their jobs due to child rearing, etc. and who now wish to find employment again, in order to provide them with opportunities to update their workplace skills.
(1) Target: Women and others who previously quit their jobs due to child rearing, etc. and who now wish to find employment again (implemented for around 5,000 people)
(2) Subsidy: Up to ¥7,000 per day (internships last between a few weeks and 6 months)

◆ Project to support the acquisition and retention of personnel by SMEs in provincial areas of Japan
This provides support for the formation of partnerships between SME organizations and local universities, etc. in provincial areas of Japan, in order to implement consistent initiatives covering everything from developing face-to-face relationships between students and SMEs and micro enterprises to the hiring and retention of new graduates.
Support for Overseas Business Expansion

- According to the FY2011 White Paper on SMEs in Japan, about 6,300 SMEs (manufacturing industry) undertake direct exports and the figure has been growing steadily in recent years.

- Companies with a positive attitude toward overseas expansion boost employment within Japan and overseas expansion also has a great effect on the maintenance of employment in Japan.

- At the same time, SMEs that have not so far expanded overseas are hesitant about overseas expansion for various reasons, so support is required to help them overcome these obstacles.

Project to support overseas expansion and training by SMEs and micro enterprises

FY2012 supplementary budget: ¥2 billion

- Conducting feasibility studies (F/S) on overseas expansion and building local support platforms based on partnerships between public and private sector support bodies in the overseas area concerned.

- Support for training conducted in Japan to cultivate local employees who can support the overseas expansion of small and medium-sized service industry, etc.

Comprehensive support for overseas expansion of SMEs

FY2013 initial budget: ¥3.15 billion (new)

- Support at various stages of overseas expansion by SMEs, such as collaboration by JETRO and SMRJ in using trade fairs to provide opportunities for business discussions with foreign buyers (both within Japan and overseas), and the provision of information concerning foreign laws and regulations.

- As part of the project to support the cultivation of a “Japan brand,” support for the formulation of a basic strategy, product development, and exhibiting at overseas trade fairs when several SMEs collaborate and seek to use outstanding local materials or technologies in order to open up overseas markets.
It is vital to support new product development and market cultivation by SMEs and micro enterprises, which occupy a key role in local economies.

- Support for promoting new business activities/collaboration in agriculture, commerce and manufacturing (FY2013 budget: ¥1.86 billion)
  Based on laws such as the SME New Business Activity Promotion Act and the Agriculture and Business Collaboration Promotion Act, support is provided for initiatives by SMEs and micro enterprises aimed at developing and cultivating markets for advanced new products and services that could serve as a model for others.

- Micro enterprise revitalization project (FY2013 budget: ¥3 billion)
  In collaboration with financial institutions that are certified support service providers under the Management Ability Strengthening Support Act, support is provided for initiatives by motivated proprietors and employees (particularly women and young people) of micro enterprises to develop and cultivate markets for new products and services.

### Development and commercialization of a brittle material processing device

| Shoda Techtron Corp. (Hamamatsu, Shizuoka Prefecture) |
| Fates Inc. (Hamamatsu, Shizuoka Prefecture) |
| Prosonic Inc. (Kawasaki, Kanagawa Prefecture) |
| [Hazuki Industry Inc. (Kasugabe, Saitama Prefecture)] |

The brittle materials (glass, ceramics, etc.) used in hard disks and other items are difficult to process and hitherto had to be processed one by one, but these companies have developed and sold a device that enables a concentric cylindrical drill to be used to make high-precision holes in a laminate of these materials (fixed with an adhesive that can easily be removed) at high-speed, enabling several pieces to be drilled simultaneously.

- Shoda Techtron manufactures and sells devices for processing brittle materials and had been manufacturing and selling a device that processed one piece of brittle material at a time, but it formed this partnership and developed a cutting device that applied Prosonic’s vibration technology.

- This project made it possible to simultaneously process dozens of pieces of brittle material fixed together with adhesive, thereby greatly increasing efficiency.

### Development and sale of high added value Arita porcelain fountain pens, etc.

| Saga Cardboard Firm Ltd. (Arita-cho, Nishimatsuura-gun, Saga Prefecture) |
| Local resource] Imari/Arita porcelain |

The combination of ceramic products with fountain pen fittings and components requires a high level of precision, but with the cooperation of pottery workshops, the company has developed and sold Arita porcelain fountain pens.

Based on the intricate manufacturing techniques used to produce the Arita porcelain kaleidoscopes that the company was already making, traditional techniques for the production of Arita porcelain were combined with creative new techniques for handling the clay and firing it, resulting in a high added value product that is a joy to hold.

- At each stage of development, the company has collaborated with partners including pottery workshops (Koransha, Gen-emon Kihin), Saga Ceramics Research Laboratory, and Saga Prefecture Ceramic Industry Cooperative.

- By bringing together the traditional techniques used in Arita porcelain and developing new products and markets unprecedented outside the fields of tableware and ornaments, the company has contributed to the resurgence and development of Arita as a production area, demonstrating new possibilities for Arita porcelain, as well as inspiring young successors to develop new products (beer glasses, sake utensils) and aspire to expand overseas.

### Development of an automatic fresh sweet corn harvester for better agricultural productivity

| SME: Osada Nokki Co., Ltd. (Hokkaido) |
| [Agricultural partner: Hokkou Nouen Ltd. (Hokkaido)] |

Using technology for the manufacture of automatic harvesters for carrots and daikon radishes, this company worked in collaboration with a farmer with sweet corn production technology to develop and sell an automatic harvester for harvesting sweet corn intended to be eaten fresh, which hitherto had to be picked by hand.

- Unlike sweet corn destined to be processed, the commercial value of sweet corn to be eaten fresh deteriorates as a result of bruising or marks sustained during harvesting. Handpicking is a long, laborious process involving a lot of bending, so the aging local farming community had tended to avoid cultivating it.

However, the development of this product has greatly increased efficiency and reduced the labor involved, so it has become easier to cultivate high added value products, thereby contributing to the revitalization of local agriculture.

- Harvesting capacity: 1,323 ears/day by hand → 8,064 ears/day using the harvester

![Image of drilling]

![Brittle material]

![Arita porcelain kaleidoscope technology]

![Arita porcelain fountain pen]

![Image of harvesting sweetcorn for processing]
2. (2) Creating Jobs ⑤  

**Revitalization of Shopping Districts**

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**Project to develop shopping districts**

- **Project to revitalize shopping districts**

---

[Project to develop shopping districts]

*(FY2012 supplementary budget: ¥20 billion)*

- Support for the development of facilities and equipment by shopping district promotion associations, etc. in response to requests from local administrative bodies, etc.
  - Number of initiatives: approx. 2,000 (subsidy rate: 2/3)

<Types of initiative supported>

- Installation of security cameras or street lights to provide local citizens with a safe, secure living environment
- Use of vacant premises for startups by women and young people, to support the livelihoods of elderly people

[Project to revitalize shopping districts]

*(FY2012 supplementary budget: ¥10 billion)*

- Support for initiatives to draw more customers and events to stimulate consumption organized by local small and medium-sized retailers.
  - Number of initiatives: approx. 2,500 (subsidy rate: fixed sum)

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<table>
<thead>
<tr>
<th>Project to support regional small- and medium-scale commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013 initial budget: ¥3.9 billion (new)</td>
</tr>
</tbody>
</table>

- Support for initiatives by shopping districts aimed at revitalizing local community functions, such as the development of facilities tailored to the needs of local citizens and the consolidation of stores.

- Support for initiatives aimed at revitalizing shopping districts, such as projects to attract customers using local resources.

<Types of initiative supported>

- Development of childcare facilities tailored to local needs
- Consolidation of stores and redevelopment of districts in response to the surrounding environment, such as population decline

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*Images: Installation of street lights, Use of vacant premises, Development of childcare facilities, Consolidation of stores*
Support for procuring the required financing is vital in order to encourage venture businesses to startup and develop new projects.

**<Provision of various support measures>**

- **Subsidies for promoting business startups such as businesses to create demand in the region (startup subsidies)**
  Support is provided for business that will stimulate local demand, by soliciting business plans from women and young people who are starting a new company or branching out into new business areas, and providing them with a subsidy to cover part of the costs involved in implementing that plan.

- **New startup financing system**
  The JFC (national life project) screens the business plans of people starting a new business or those who have started a business but have not yet reached the end of their second tax return period, and offers unsecured loans without the need for a guarantor to those deemed appropriate.

- **Guarantees, etc. relating to startups**
  Credit guarantee corporations in each prefecture, etc. guarantee the money borrowed by those planning to start new businesses and by new business operators in order to carry out their business.

- **Fund investment project by the SMRJ**
  As well as investing in funds established by investment companies with the aim of providing investment and hands-on support for SME operators who founded their companies within the last five years or whose companies are in the initial stages of growth, the SMRJ provides financial and management-related support for operators of relatively new SMEs.

- **Japan Venture Awards (Organizer: SMRJ)**
  Awarded to highly entrepreneurial managers who serve as a model for those aspiring to starting a company. Held in conjunction with an event to increase interest in business startups.
2. (2) Creating Jobs

Public Agency Orders

Based on the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprise, efforts will be made to increase opportunities for SMEs to receive orders from the government and other public agencies.

More specifically, while ensuring compliance with the WTO Agreement on Government Procurement, efforts will be made to increase opportunities to receive orders, by such means as providing information via the portal site for information about public agency orders, and offering detailed explanations of the contract system via consultation services.

Coverage of the Receipt of Orders from the Government and Other Public Agencies: Contracts for goods, construction work, and services procured by the national government, etc.
- Goods: Purchase of office supplies, etc.
- Construction work: Road construction, etc.
- Services: Building maintenance services, etc.

<table>
<thead>
<tr>
<th>FY2012 Orders from the government and other public agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value: ¥7.1 trillion</td>
</tr>
<tr>
<td>Value of contracts with SME operators: ¥3.8 trillion</td>
</tr>
<tr>
<td>Proportion of total value: 53.5%</td>
</tr>
</tbody>
</table>

Ministries, agencies, incorporated administrative agencies, etc.

Portal site for information about public agency orders

Participation in bidding

Acquisition of information

Bidding information

SMEs
3. Recent Amendment of Acts
Outline of the Act to Partially Amend the Act on Promoting New Business Activities by SMEs to Encourage the Cultivation of Overseas Demand for SME Products (SME Business Capabilities Enhancement Support Act)

Entered into force August 2012

Background

- More diverse, complex business challenges for SMEs. Urgent need to formulate business plans for resolving issues and strengthen the business capabilities of SMEs via support projects involving finance and accounting experts (existing SME supporters, financial institutions, certified public tax accountants, tax accountant corporations, etc.)
- Expansion overseas amid falling domestic demand is fraught with financial problems for SMEs, such as difficulty in financing overseas subsidiaries. Urgent need to take steps to facilitate financing when SMEs undertake business activities overseas.

Overview of the Act

- To strengthen the business capabilities of SMEs, (i) those providing support services to SMEs (e.g. existing SME supporters, financial institutions, certified public tax accountants, and tax accountant corporations) will be certified and backing provided for the support offered by the SMRJ; and (ii) overseas expansion by SMEs will be promoted and the financing of overseas subsidiaries of SMEs facilitated via the JFC and Nippon Export and Investment Insurance (NEXI), given the potential not only of manufacturing industry, but also high added value industries (e.g. local industrial resources, agriculture, and the content industry as part of the Cool Japan brand) that Japan can publicize worldwide.

Outline of the Measures

1. Diversification and revitalization of support project leaders
   (1) Implementing highly specialized support projects for SMEs via certification of those providing support services, e.g. existing SME supporters, financial institutions, certified public tax accountants, and tax accountant corporations.
   (2) Aiding support projects through cooperation such as the dispatch of SMRJ experts and providing support for financing via guarantees.
   (3) These initiatives will enable SMEs to draw up high-quality business plans, thereby strengthening their business abilities.

2. Financing support for overseas expansion
   The following measures will be implemented for SME operators doing business in accordance with approved or certified plans.
   (1) Augmenting JFC loan guarantees and NEXI insurance, and supporting the procurement of finance from local financial institutions overseas for the local subsidiaries of SMEs.
   (2) Increasing the SME credit insurance limit and supporting overseas expansion via two-generation loans, etc.
   Consideration for maintaining the foundations of domestic business.

3. Abolition of the management foundation strengthening program

1. Diversification and revitalization of support project leaders
   Response via support measures in this Act
   - SMRJ (Special provision in the SMRJ Act)
   - Cooperation via dispatch of experts, etc.
   - Credit Guarantee Corporations (Special provision in the Credit Insurance Act)
   - Financing support via provision of guarantees

   Application Authorization

   Management improvement support providers* (existing SMEs supporters, financial institutions, certified public tax accountants, tax accountant corporations, etc.)

   *Guidance and advice concerning analysis of the business situation of SMEs and the formulation and implementation of business plans.

   Competent minister

   Support measures for SME operators

   (Support project) Guidance and advice concerning management consulting and the formulation and implementation of business plans,
   - Credit Guarantee Corporation
   - Credit guarantee fee cut (budgetary measure)

   SME operator

2. Financing support for overseas expansion
   ① Support for financing of local subsidiaries (issue of L/C, insurance)
   Application for guarantee

   - JFC (Special provision in the JFC Act)
   - NEXI (Special provision in the Credit Insurance Act)

   Investment relationship, etc.

   SMEs aiming to expand overseas

   - Risk share
   - Investment, etc.

   Competent minister / prefectural governor

   ② Support for financing via two-generation loans, etc. (Increase in insurance limit)
   Loan (money for overseas investment)

   - JFC Guarantee
   - NEXI Guarantee (increase in limit)

   Japanese financial institutions

   Loan in foreign currency

   Local financial institutions overseas

   Foreign corporation/ overseas branch

   Investment, etc.

   Credit Guarantee Corporations (Special provision in the Credit Insurance Act)
1. Background

(1) Accounting for about 90% of all SMEs, micro enterprises are vulnerable in terms of management resources, hence the recent decline in the number of such companies and their employees.
(2) They are highly significant in terms of their contribution to the stability of local economies and the development of Japan’s economy and society.
(3) As such, restructuring SME policy with a focus on micro enterprises and concentrating measures on them is a matter of urgency.

2. Overview of the Act

(1) Revises the SME Basic Act and clarifies the basic principles and policies for conducting measures in order to revitalize the business activities of micro enterprises. Also prescribes new matters of contemporary importance in terms of SME policy, such as the promotion of overseas expansion.
(2) Revises the SME Support Act and other related laws, with measures relating to (i) promoting projects such as using IT to provide introductions to experts and business partners; (ii) supporting efforts by SME subcontractors to cultivate clients; and (iii) facilitating financing.

3. Outline of the Measures

A. Revision of the SME Basic Act, etc.

(1) In the section on basic principles, the SME Basic Act now states that the significance of micro enterprises is that they “contribute to the stability of local economies and the development of the economy and society.” The section on policies for conducting measures also clearly prescribes the revitalization of micro enterprises. In terms of key contemporary issues relating to measures for SMEs, new provisions have been added concerning (i) overseas expansion, (ii) the use of IT, and (iii) facilitating business succession.

(2) The scope of micro enterprises will be made more flexible in other relevant laws. (SME Credit Insurance Act, Small Enterprise Mutual Relief Projects Act, Act on Supporting Small Business by Commerce and Industry Association and Chamber of Commerce and Industry) (Reference) Micro enterprise: A company with no more than 20 employees (in the commerce and service sectors, no more than 5)

B. Enhancing Measures to Revitalize Micro Enterprises

(1) Adding Electronically Recorded Monetary Claims to the scope of credit guarantees in order to facilitate financing. (SME Credit Insurance Act)

(2) Government certification of those using IT to introduce micro enterprises, etc. to experts and business partners, and support measures in collaboration with the SMRJ. (SME Support Act)

(3) Government certification of plans for SME subcontractors to work in partnership independently to cultivate new clients, and support measures including special provisions under the SME Credit Insurance Act. (SME Subcontractor Promotion Act)

(4) Adding debt-for-equity swaps (DES) to the operations of the JFC and the Okinawa Development Finance Corporation, to promote business rehabilitation. (Japan Finance Corporation Act and Okinawa Development Finance Corporation Act) *Due to radical strengthening of financial measures targeting micro enterprises, the system of subsidies for micro enterprises to cover the cost of installing equipment will be abolished. (Act on Equipment Installation Support for Small Enterprises)

Micro enterprise contributing to the stability of local economies

Hokkyoku Shirokumado (7 employees)
- Manufacture and sale of baby slings and other baby carriers.
- Enables parents to carry children safely and remain active.

Micro enterprise growing globally

Futaba Inc. (12 employees)
- Development of new products such as scarves using dyeing techniques passed down from the Edo period.
- Cultivated marketing channels in about 20 countries, mainly in Europe.

<table>
<thead>
<tr>
<th>No. of companies</th>
<th>1999</th>
<th>2009</th>
<th>Decline (number/share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>4.84 million companies</td>
<td>4.2 million companies</td>
<td>Down by 640,000 (13%)</td>
</tr>
<tr>
<td>of which, micro enterprises</td>
<td>4.23 million companies (87%)</td>
<td>3.66 million companies (87%)</td>
<td>Down by 560,000 (13%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>1999</th>
<th>2009</th>
<th>Decline (number/share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>31.2 million people</td>
<td>28.34 million people</td>
<td>Down by 2.85 million (9%)</td>
</tr>
<tr>
<td>of which, micro enterprises</td>
<td>10.98 million people (35%)</td>
<td>9.12 million people (32%)</td>
<td>Down by 1.86 million (17%)</td>
</tr>
</tbody>
</table>

Edited from data in Ministry of Internal Affairs and Communications, Establishment and Enterprise Census and Economic Census
4. Headquarters for the Growth of Small and Micro Enterprises
4. Headquarters for the Growth of Small and Micro Enterprises

Purpose of establishing the Headquarters for the Growth of Small and Micro Enterprises

- Policy of making effective use of the ideas that emerged from the Council for the Future of Small and Micro Enterprises, in order to ensure the growth of SMEs and micro enterprises.

- Establishment of the Headquarters for the Growth of Small and Micro Enterprises to implement policy on SMEs and micro enterprises, as well as compiling an action plan in which stakeholders commit to specific actions.

- Members
  - Chairman: Toshimitsu Motegi, Minister of Economy, Trade and Industry
  - Members who agree with the purpose of the Headquarters and will assist in the compilation of the action plan
  - At meetings in various locations nationwide, the participation of a wide range of stakeholders will be sought, including SME and micro enterprise operators, certified support service providers, and SME support groups, with a particular focus on energetic female and young managers playing an active role in those regions

Meetings of the Headquarters for the Growth of Small and Micro Enterprises

Main meetings (government officials in attendance)
- February 27 (Wed), Ota Ward, Tokyo (Prime Minister, METI Minister, METI Parliamentary Vice Minister Taira)
- March 16 (Sat), Gifu City, Gifu Prefecture (METI Parliamentary Vice-Minister Sato)
- April 23 (Tues), Tsuruoka City, Yamagata Prefecture (METI Parliamentary Vice Minister Sato)
- April 25 (Thurs), Chitose City, Hokkaido (METI Parliamentary Vice Minister Taira)
- May 12 (Sun), Kobe City, Hyogo Prefecture (METI State Minister Akaba)
- May 13 (Mon), Shimonoseki City, Yamaguchi Prefecture (METI State Minister Akaba)
- May 20 (Mon), Sakai City, Osaka Prefecture (METI State Minister Sugawara)
- July 16 (Tues), Naha City, Okinawa Prefecture

*Meetings of Headquarters Members
- May 8 (Wed), Sumida Ward, Tokyo (METI State Minister Sugawara)
- June 4 (Tues), Ministry of Economy, Trade and Industry (METI Minister, State Minister Sugawara)

Second-stage meetings of the Growth Headquarters for follow-up on the action plan
- July 16 (Tues), Naha City, Okinawa Prefecture
- August 1 (Thurs), Shiroishi City, Miyagi Prefecture (METI State Minister Akaba)

*23 other meetings were held nationwide, including some attended only by administrative members

**Action 1. Utilizing, mobilizing and branding latent resources in Japan’s regions to the maximum extent**

- Progressive deployment of comprehensive startup support
- Comprehensive support for startups that utilize and mobilize local resources
  (Support system for startups using local resources)
- Deliberations concerning mechanisms for brand management, quality control, and profit withdrawal, aimed at further strengthening regional brands, etc.

**Action 2. Intensifying the economic renovation of SMEs**

- Fundamental expansion of funding support for entrepreneurship and startups, e.g. extending the principal deferment period for entrepreneurs
- Revision of the personal guarantee system to increase motivation and initiative on the part of SMEs at all life stages
- Nationwide rollout of Business Transfer Support Centers, etc.

**Action 3. Breaking away from the subcontracting structure and actively entering growth fields as an autonomous player**

- Revising the 22 technology fields in the Supporting Industry Act
  (Shifting from the assumption of subcontracting to expansion into strategic markets)
- Comprehensive support for expanding into strategic markets such as aerospace
  (Support for acquiring international certification)
- Dispatch of experts in the field of medical devices and alleviation of the burden of planning inquiries, etc.

**Action 4. Launching overseas business expansion**

- Promotion of an integrated hands-on support system using former company employees
- Strengthening of consultation services within Japan via training for certified support service providers, and identification and support of promising companies
- Acceleration of the development of local support platforms into key hubs, etc.

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**Toward effective implementation of measures targeting SMEs and micro enterprises**

- Better publicity about available support
- More user-friendly support systems
- Restructuring of management support systems (quantitative and qualitative enhancement of support staff)
- Dissemination of the action plan and increasing the number of advocates for it

© Meetings of the Headquarters for the Growth of Small and Micro Enterprises will continue to be held, along with follow-up on the action plan and continuous improvements as required (PDCA cycle)
4. Innovation by SMEs in the New Growth Strategy

Reflecting the action plan of the Headquarters for the Growth of Small and Micro Enterprises in Japan’s Industry Revitalization Plan and implementing the recommended measures

Plan for the Revitalization of Japanese Industry  (major policies)

(6) Revitalize SMEs and Macro Enterprises through Innovation

畹(Target) Create a situation in which the startup rate is higher than the closure rate, bringing it to a level comparable with the U.S. and UK (10% or higher)
Increase the number of profitable SMEs from 0.7 to 1.4 million by 2020
Achieve new overseas business expansion with 10,000 SMEs over 5 years

① Promote business startups that utilize and mobilize local resources

➢ Promote business creation and startups by utilizing and concentrating local resources.
➢ Create premium regional brands.
➢ Utilize sophisticated JIS/JAS standards.
➢ Establish Regional Industrial Competitiveness Councils (tentative name)
➢ Create industrial clusters.

② Promote the renovation of SMEs

➢ Support continuous funding from creation to successful start-up of businesses.
➢ Alleviation of the burden of personal guarantees faced by proprietors by such means as formulating guidelines for proprietor guarantees.
➢ Nationwide roll-out of Business Transfer Support Centers.

③ Support SMEs to enter strategic markets

➢ Construct a special supporting system aimed at expansion into growth areas.
➢ Promote expansion of new areas by targeting large companies and different type of industries.

④ Support for SMEs expanding business overseas

➢ Expand and strengthen hands-on support systems.
➢ Accelerate to develop local support platforms overseas. Provide special services relating to legal, labor and intellectual property and respond to possible problems such as downsizing and withdrawal from markets.