

2015

White Paper on Small Enterprises in Japan

Take-Off Time for Micro Businesses



Outline of the 2015 White Paper on Small Enterprises in Japan

This first White Paper on Small Enterprises in Japan* is composed of two parts. Part I offers a structural analysis of micro businesses. Part II, entitled “Challenges of running micro businesses – Opening up the future,” profiles actual initiatives being put into practice by micro businesses today.

In detail, Chapter 1 of Part I analyzes the actual current circumstances of micro businesses, and Chapter 2 analyzes trends over time among micro businesses from a long-term perspective. This analysis provides the foundation for Chapter 3, which addresses three key topics: improving micro businesses’ management capabilities, new modes of working (freelancing), and new initiatives associated with business succession. Chapter 4 rounds off Part I with an analysis of micro businesses’ involvement in local communities.

Building on the analyses in Part I, Part II then profiles a number of actual initiatives being undertaken by micro businesses from four different angles.

* The “small enterprises” that are the focus of the White Paper on Small Enterprises consist of businesses with a regular workforce not in excess of 20 employees (five 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). To make it more apparent that the small enterprises addressed herein include sole proprietorships as well as companies, however, they are referred to as “micro businesses” in the body of this white paper.

Japan’s 3.85 million small and medium enterprises (SMEs), and the micro businesses that account for 3.34 million, or 90%, of these SMEs, leverage local features and characteristics and create job opportunities through their business activities, thereby meeting local demand and contributing to employment. They thus play a crucial role in contributing to the stability of local economies, improving living standards, and promoting interaction among local residents.

Meanwhile, Japan as a nation faces a number of structural changes; the population is shrinking and aging, competition is intensifying both at home and abroad, and regional economies are in the doldrums. These changes are exerting a major impact on the micro businesses that support local economies and local employment. In addition to the severe constraints on their business resources (both human resources and finances), micro businesses also have limited market areas and ranges of products and services, while their price competitiveness and ability to absorb risk are poor. These limitations leave them vulnerable to the effects of structural change. A further problem faced by micro businesses is the aging of their proprietors, and factors such as a shortage of successors to carry on the business are directly related to weak business performance and closures.

It was to help address these issues that the Basic Act for Promoting Small Enterprises (“Small Enterprises Promotion Act”) and the Act for the Partial Revision of the Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry (“Small Business Support Act”) were enacted in June 2014. The Small Enterprises Promotion Act adopts as a basic principle the “sustainable development of business” in addition to the principle of “growth and development” specified by the SME Basic Act, and provides direct support for the hard-working micro businesses that sustain employment at the local level. The year 2014 thus marked a major change in direction for measures promoting the development of micro businesses.

Part I Structural analysis of micro businesses

It is with these developments in mind that Part I provides a structural analysis that sheds light on the current situation of the 3,340,000 diverse micro businesses in Japan.

Using government statistics, Chapter 1 of Part I begins with an overview of the diversity of micro businesses and their numbers in various categories of industry, neither of which has hitherto been analyzed in detail. This is followed by a multi-faceted examination of micro businesses’ actual circumstances, including their human resources, finances, and their situation with regard to business succession, drawing on the results of a questionnaire survey of current micro business proprietors.

Shifting to a long-term perspective, Chapter 2 analyzes how micro businesses' presence in Japan has changed over time by examining long-term changes in the number of micro business establishments as a whole and, drilling down further, at the level of individual industries.

In Chapter 3, the focus turns to examining effective, forward-looking improvements to micro businesses' management capabilities. Based on the results of the questionnaire survey used in Chapter 1, this chapter analyzes a range of topics, including the actions being taken by micro businesses to develop their sales channels and the relationship between these actions and sales. The business circumstances of freelancers, who are also micro businesses in the broader sense, are also clarified using questionnaire findings, and the relationship between business succession and micro businesses performance is examined in detail.

Chapter 4 looks into the roles in the local community of micro businesses doing community-based business and generating local employment opportunities. Based on the results of a questionnaire survey of local residents, light is shed on residents' impressions of the activities of micro businesses to revitalize local communities and solve local issues. In addition, the importance of micro businesses' activities to sustaining local communities is analyzed.

Part II Challenges of running micro businesses – Opening up the future –

As noted at the outset, micro businesses are highly vulnerable to the effects of various structural changes, and face a variety of challenges, including the aging of proprietors and a shortage of successors.

Despite these difficult conditions, however, micro businesses also enjoy strengths in their business stemming from the trust fostered by face-to-face contact with their customers. By identifying needs that large enterprises cannot meet, they can provide a variety of goods and services without becoming embroiled in price competition. Micro businesses are also well positioned to contribute to the revitalization of local communities by, among other things, broadening local appeal (both within the locality and beyond) and developing locally based brands.

In Part II, the spotlight turns to specific examples of the indefatigable and ingenious initiatives currently being pursued by micro businesses and their proprietors. A total of 42 cases are described, each with a touch of human drama, from the point of view of the four goals established by the Basic Plan for the Promotion of Small Enterprises (October 2014) formulated under the Small Enterprises Promotion Act (namely, (1) promoting business management that should be implemented for future demand, (2) promoting business renovation, (3) facilitating business activities contributing to local economies, and (4) developing a system for supporting micro businesses through community-wide collective efforts).

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Support recipient: Takanawakodo LLC Representative: Keiko Takanawa	Hachioji City, Tokyo	Expert support from business consultants. Formulating business plans to outgrow individual business	248
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Support recipient: Kaede Y.K. Representative Director: Tomio Inoue	Niimi City, Okayama Prefecture	Living a life full of ups and downs while being supported by the region. Suddenly finding himself in a leadership position contributing to regional stimulation	276
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Support recipient: Bridge the blue border Representative: Yoshiji Tada	Takanabe Town, Koyu District, Miyazaki Prefecture	Pursuing the relationship between architecture and local life. The community that nature-abundant Miyazaki fosters	280

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	SME Basic Act definitions		Small Enterprises Promotion Act definitions		
	SMEs (meets either of the following conditions)		Small enterprises	Small enterprises	Micro enterprises
	Capital	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	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	Up to ¥50 million	Up to 50	Up to 5	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 entertainment and recreation 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.

(1) METI, *Census of Commerce*

This survey provides statistics on numbers of business establishments.

(2) Ministry of Finance (MOF), *Financial Statements Statistics of Corporations by Industry, Annually and Financial Statements Statistics of Corporations by Industry, Quarterly*

As these statistics focus exclusively on incorporated businesses, they do not reveal overall trends among micro enterprises. In consideration of sample sizes and response rates, moreover, the results concerning micro enterprises need to be viewed with some latitude. It should also be noted that the quarterly version does not include corporations with a capital of less than ¥10 million.

- (3) Ministry of Internal Affairs and Communications (MIC), *Establishment and Enterprise Census of Japan*, *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 aggregating all the establishments operated by the same sole proprietorship 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 of Japan*, 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 of Japan* do not all indicate increases or decreases.

3. This report contains analyses based on questionnaire surveys on 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 this report do not show the entirety of Japanese territory.

Part I

2015 White Paper on Small Enterprises in Japan

Structural analysis of micro businesses

Chapter 1 Facts on micro businesses in Japan

Micro businesses account for approximately 3.34 million, or 90%, of the 3.85 million small and medium enterprises (SMEs) in Japan, and because of their close local ties play a crucially important role in supporting local economies, societies, and employment.

However, these businesses are confronted with a changing structural environment. Foremost among the challenges that they face are Japan's aging and shrinking population (especially in rural areas) and rising competition from big-box stores and other retailers in the suburbs and from overseas. These in turn are creating problems such as a decline in the sales and numbers of micro businesses, and the aging of micro business proprietors themselves.

It was to help address these challenges that the Basic Act for Promoting Small Enterprises ("Small Enterprises Promotion Act") and the Act for the Partial Revision of the Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry ("Small Business Support Act") were enacted on June 20, 2014, during the 186th ordinary Diet session.

In keeping with the basic principle of contributing to SMEs' growth and development, the Small and Medium-sized Enterprise Basic Act ("SME Basic Act") amended in 1999 is designed to help promote business innovation and startups and to strengthen business fundamentals so as to foster SMEs' autonomous efforts. Instead of "growth and development," however, the basic principle of the Small Enterprises Promotion Act is to contribute to micro businesses' "sustainable development of business."

"Growth and development" means growing in size, and the basic principle of the SME Basic Act is to deliver support to enable SMEs to grow in terms of sales, profits, number of workers, and so on. In contrast, the "sustainable development of business" does not simply entail the pursuit of growth in size, whether measured in sales, profits, or workforce, but also takes a positive view toward efforts to enhance technologies and maintain employment. Given that 77% of micro businesses are "maintenance/fulfillment-oriented" businesses which do not seek to grow as organizations (see Fig. 3-1-18 in *2014 White Paper on Small and Medium Enterprises in Japan*), the enactment of the Small Enterprises Promotion Act represents a major shift in Japanese policy on SMEs.

In keeping with this basic principle, the Small Business Support Act calls for supporting the development of arrangements to enable commerce and industry associations and chambers of commerce and industry with close local ties to maximize micro businesses' potential and to leverage all their resources to help cultivate markets for micro businesses.

Fiscal 2014 was thus a year of major change in measures to promote the development of micro businesses in Japan. However, much remains to be learned about the diverse circumstances of these 3.34 million micro businesses.

Drawing on sources including the *2012 Economic Census for Business Activity and Survey on the Conditions of Business Activities of Micro Businesses*¹⁾, in Part I we provide a structural analysis of the micro businesses that are so fundamental to the economy, society, and employment in Japan, clarify how they are defined, and shed light on their diversity, business foundations, and other characteristics.

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 2015. It received 5,874 valid responses.

Section 1 Definition of micro businesses

1 What are micro businesses?

Legal provision is made for micro businesses in Article 2, Paragraph 5 of the SME 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 not in excess of 20 employees (or five employees in the case of businesses in the commerce and service industries).” In addition, the Basic Act for Promoting Small Enterprises newly 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 here. As these enterprises include “sole proprietorships” as well as “companies,” however, we use the term “micro businesses” below to make this point more apparent, except when specific reference is being made to “small enterprises” as legally defined.

Note that in this white paper we use the term “medium businesses” to refer to SMEs other than micro businesses.

Fig. 1-1-1 Definitions of small enterprises

Industry	SME Basic Act definitions		Small Enterprises Promotion Act 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 5
2) Wholesale	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	Up to ¥50 million	Up to 50	Up to 5	Up to 5
* The industries on the right are separately stipulated as shown here, based on government ordinance related to SME legislation. (Industry sectors specially designated by government ordinance)	[SMEs] 1) Manufacturing <ul style="list-style-type: none"> • Rubber product manufacturing industry: up to ¥300 million in capital or up to 900 regular employees 3) Services <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 [Small enterprises] 3) Services <ul style="list-style-type: none"> • Accommodations industry and entertainment and recreation services industry: up to 20 regular employees 			

Column

1-1-1

More flexible definition of micro businesses

The Small Enterprise Revitalization Act enacted in June 2013 permits small enterprises to be defined more flexibly by allowing their scope in certain industries to be changed by government ordinance under a number of individual pieces of legislation (the Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry (Small Business Support Act), Small and Medium-Sized Enterprise Credit Insurance Act, and Small Enterprise Mutual Relief Projects Act).

The industries affected are to be decided further to consideration based upon the following four selection criteria (presented at the first meeting of the Subcommittee for Small Enterprises of the Council for Small and Medium Enterprise Policy).

[Selection criteria for more flexible definition of small enterprises]

- 1) A specific request must have been made by a government agency or industry association with responsibility for the industry concerned.
- 2) An analysis can be made of the micro-level properties of the industry concerned using management indicators (such as ratio of ordinary profit to sales, equity ratio, and added value per person) in order to confirm the existence of a depression not covered by present definitions.
- 3) The nature of business in the industry sector concerned must differ structurally from that in other industry sectors (e.g., in terms of workforce size o).
- 4) The proportion of small enterprises as currently defined is relatively low in the industry sector concerned, and raising the workforce size criterion would not create an imbalance with other industry sectors.

In the case of the accommodations industry and entertainment and recreation services industry, enterprises necessarily employ large numbers of employees due to the nature of their businesses. Thus enterprises that have too many employees to be classified as small enterprises under the current definition may nevertheless have fragile business underpinnings. As it was considered reasonable to relax the workforce size requirement when applying the above criteria, the number of employees that enterprises in these industries are permitted to have and still be defined as small enterprises was raised to 20, putting them on a par with manufacturers.

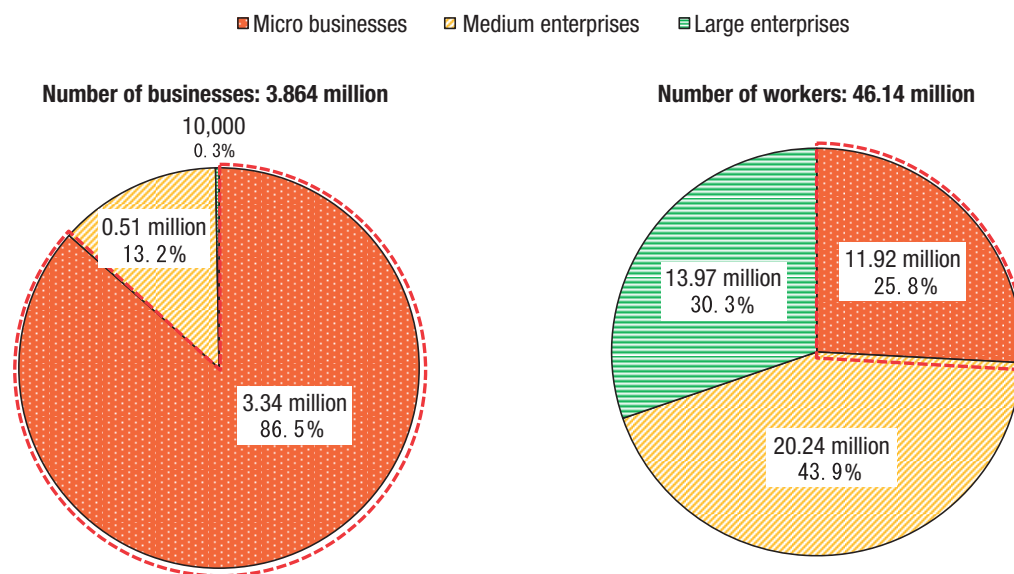
As a result, businesses in these industries that have between six and 20 employees can now qualify for managerial improvement loans for small enterprises (“Marukei” loans) and use the special petty insurance system and small enterprise mutual relief system as micro businesses.

In future, the criteria for other industries will also be revised through the amendment of cabinet orders when analysis shows that the definition of “small enterprise” may reasonably be made more flexible.

2 Current state of micro businesses**(1) Micro businesses as a proportion of all enterprises in Japan (in numbers of businesses, workers, and sales)**

We begin by looking at the proportions of the numbers of businesses, workers, and sales accounted for by micro businesses in all enterprises in Japan.

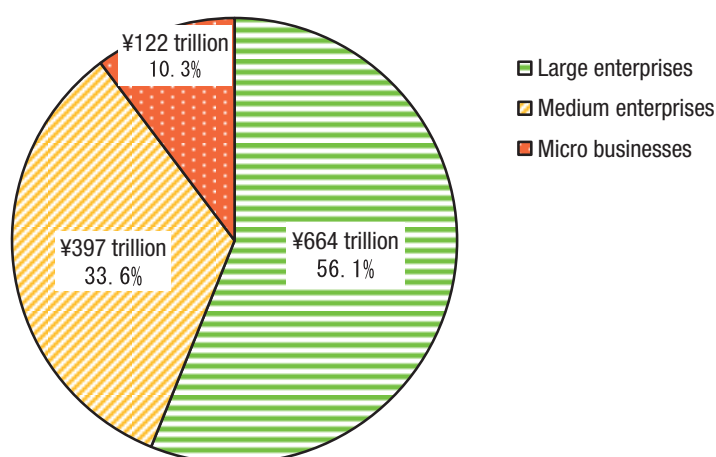
Approximately 3.343 million (87%) of Japan’s 3.864 million enterprises are micro businesses, employing 11.92 million (26%) of the 46.14 million workers employed by all enterprises. Micro businesses thus make up an extremely large share of the Japanese economy (Fig. 1-1-2).

Fig. 1-1-2 Numbers of businesses and workers by enterprise size

Source: Recompiled from Ministry of Internal Affairs and Communications (MIC) and Ministry of International Trade and Industry (METI), 2012 *Economic Census for Business Activity*.

A breakdown of sales by enterprise size, on the other hand, shows that micro businesses account for only 10.3% of the total, whereas large enterprises

account for 56.1% and medium enterprises for 33.6% (Fig. 1-1-3).

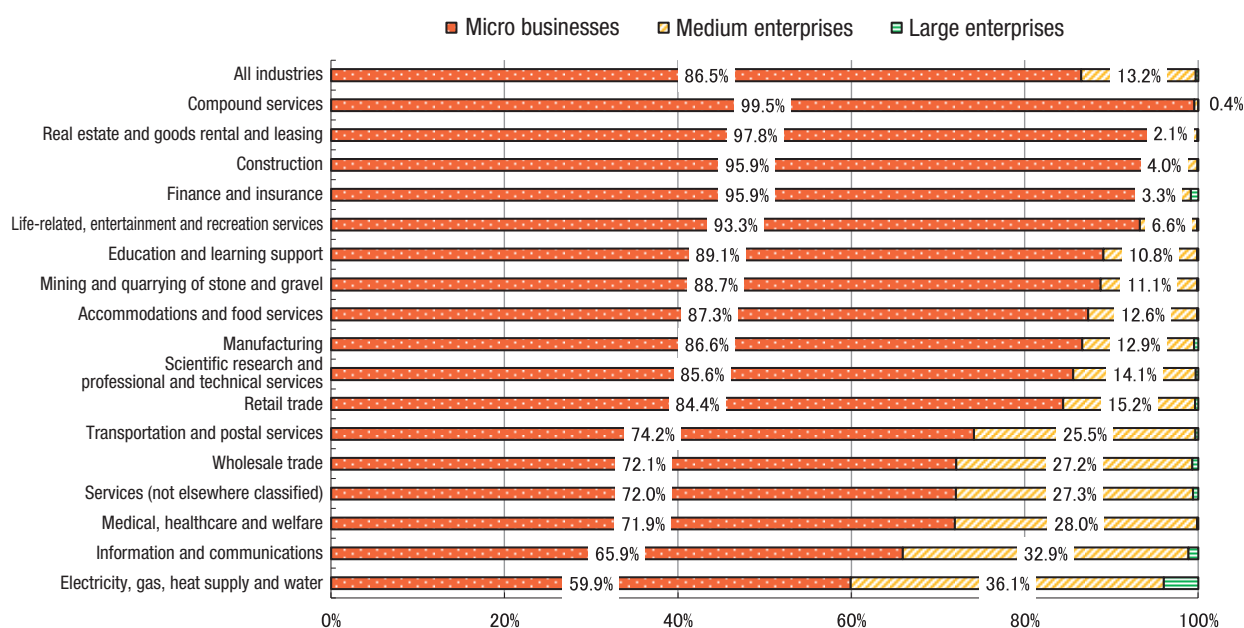
Fig. 1-1-3 Sales by enterprise size

Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

Micro businesses make up 86.5% of enterprises in all industries. A breakdown of industry sectors by major industry group shows that micro businesses make up 99.5% of the compound services (postal agency, contracted postal service, cooperative associations, etc.), and also account for large proportions of the real estate and goods rental and leasing, construction,

finance and insurance, and life-related, entertainment and recreation service industries. On the other hand, they account for a much lower 59.9% of enterprises in the electricity, gas, heat supply and water industry, and also have low shares in industries such as information and communications and medical, healthcare and welfare (Fig. 1-1-4).

Fig. 1-1-4 Breakdown of enterprise size by industry sector



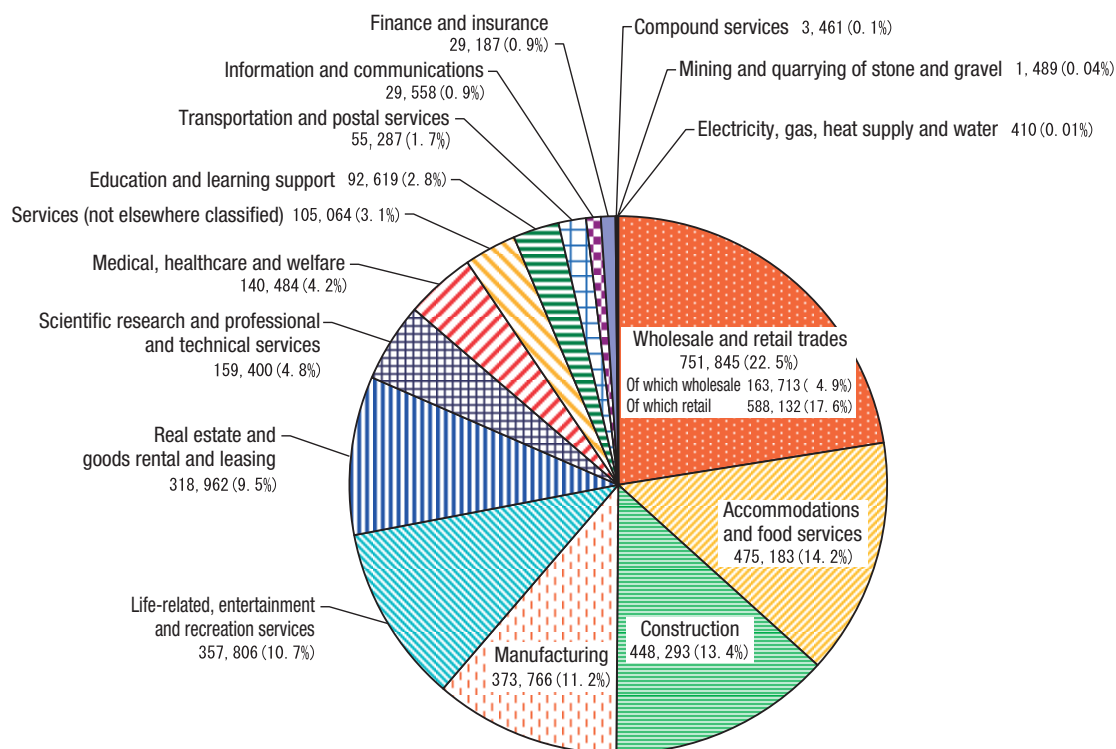
Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

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

Next, we look at how Japan's 3.34 million micro businesses are distributed by industry sector (at the major industry group level). The largest proportion (approximately 23%) are found in the wholesale and retail trades (4.9% in wholesale and 17.6% in retail), followed by accommodations and food services (14%), construction (13%), manufacturing (11%), life-related, entertainment and recreation services (11%), and real estate and goods rental and leasing (10%). Altogether, these six industries account for 81.5% of all micro

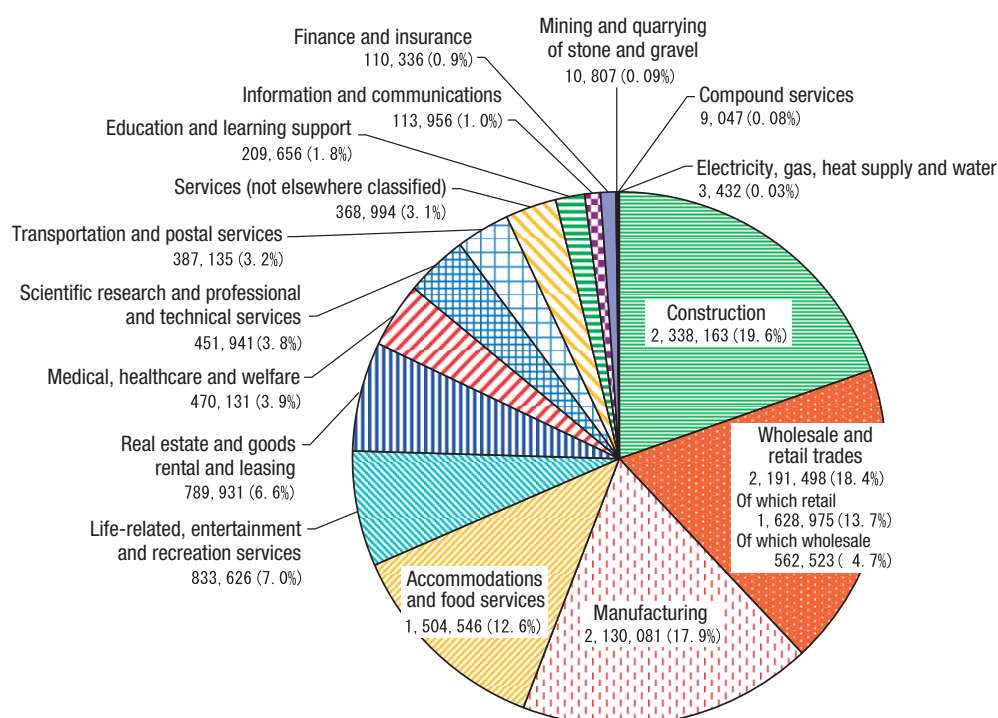
businesses (Fig. 1-1-5).

Construction accounts for the largest proportion (approximately 20%) of all workers employed by micro businesses, followed by the wholesale and retail trades (18%), manufacturing (18%), accommodations and food services (13%), life-related, entertainment and recreation services (7%), and real estate and goods rental and leasing (7%) (Fig. 1-1-6). These six industries together account for approximately 82% of all employment by micro businesses, demonstrating that micro businesses are particularly heavily concentrated in these fields.

Fig. 1-1-5 Numbers of micro businesses (breakdown by industry sector)

Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

Note: Non-primary industries only.

Fig. 1-1-6 Numbers of workers employed by micro businesses (breakdown by industry sector)

Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

Notes: 1. Non-primary industries only.

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

Figure 1-1-7 is a breakdown of the number of workers per business by industry. It can be seen that each micro business has an average of 3.6 workers.

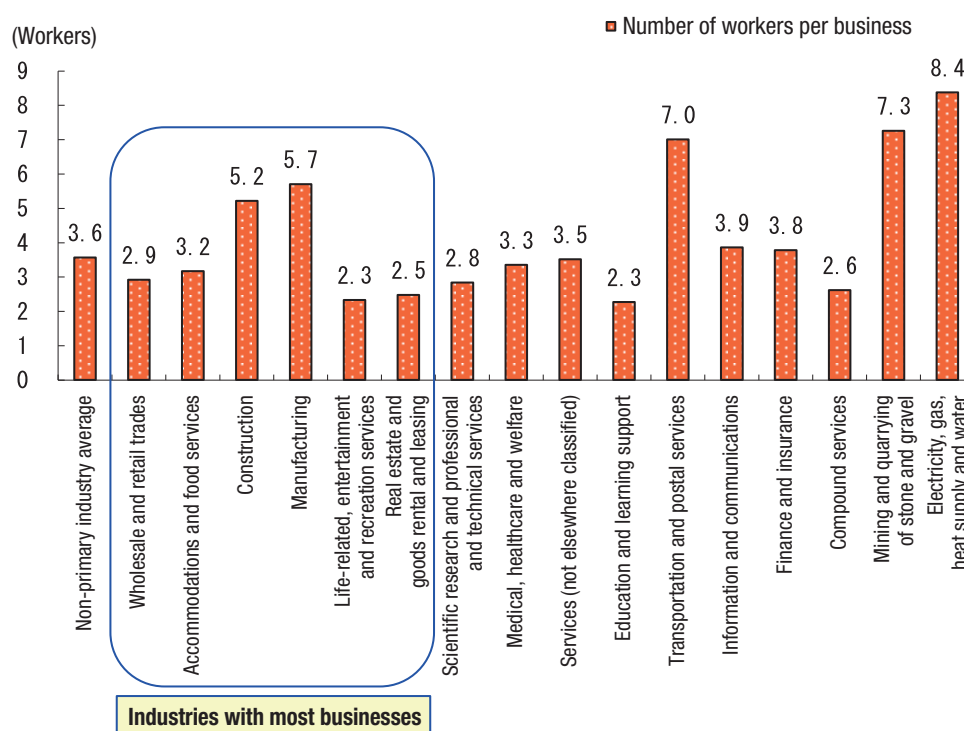
A comparison of the six industries in which micro businesses are especially numerous reveals the number of workers per business to be comparatively higher in construction (5.2 workers), which has the third most businesses, and in manufacturing (5.7 workers), with the fourth most.

The industries with the first and second most businesses, namely the wholesale and retail trades and accommodations and food services, have an average of

2.9 and 3.2 workers per business respectively, reflecting the prevalence of comparatively small businesses in these industries.

Despite being somewhat fewer in number, micro businesses in transportation and postal services employ a relatively high number of employees per business (7.0 workers). The numbers are also higher in the mining and quarrying of stone and gravel and the electricity, gas, heat supply and water industries, but the small numbers of businesses in these industries mean that they account for relatively few employees overall.

Fig. 1-1-7 Numbers of workers per business by industry sector



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

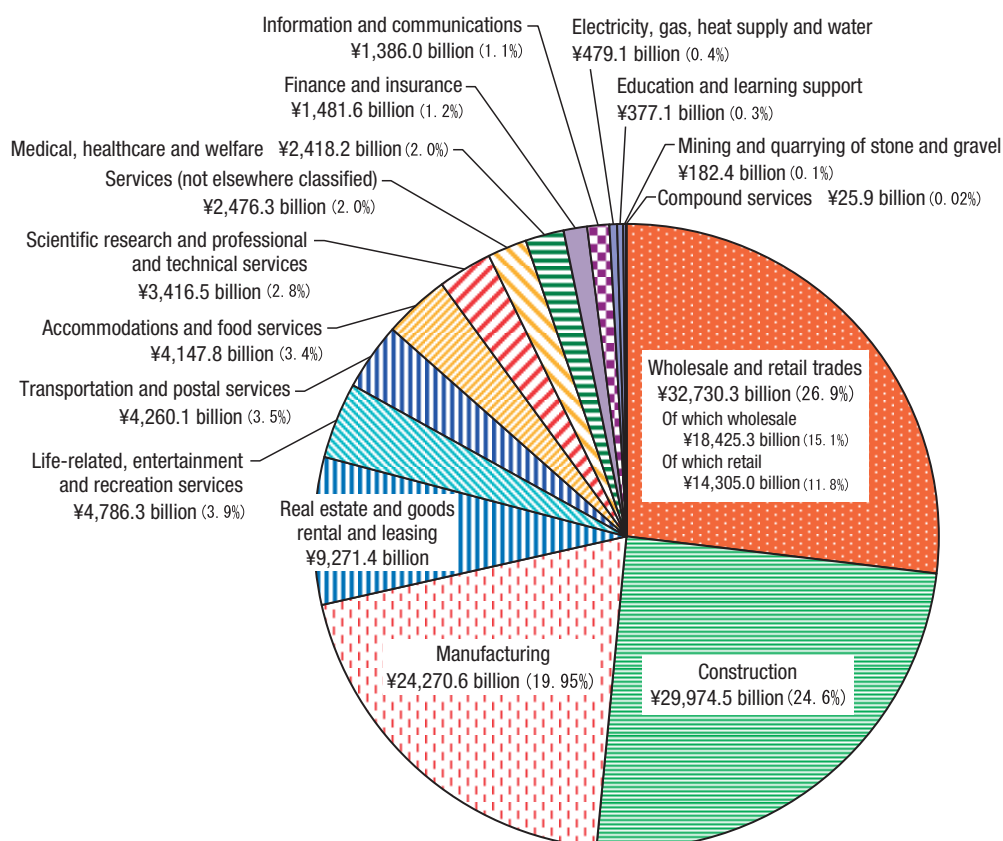
Note: Industry sectors are shown in descending order of number of businesses.

(3) Industry breakdown of micro businesses (sales by major industry group)

Figure 1-1-8 is a breakdown of the sales of micro businesses by industry sector. From this it can be

seen that the wholesale and retail trades account for the largest proportion of sales (approximately 27%), followed by construction (25%) and manufacturing (20%).

Fig. 1-1-8 Sales of micro businesses (breakdown by industry)



Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

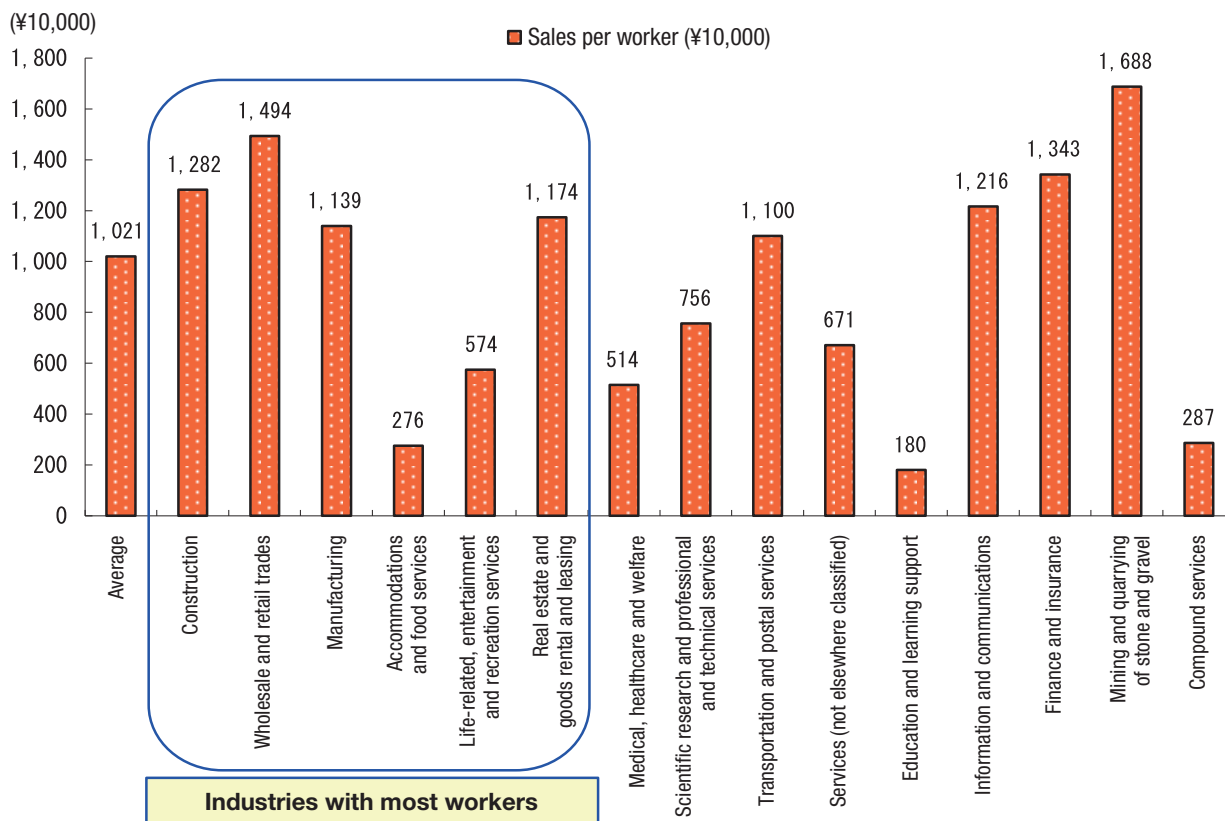
A breakdown of sales per worker by industry sector is shown in Fig. 1-1-9. From this it is apparent that average sales per worker at micro businesses come to ¥10.21 million.

Comparing the six industries with the most workers, sales per worker are lowest in accommodations and food services, which has the fourth most workers, at

¥2.76 million, and highest in the wholesale and retail trades, which have the second most workers, at ¥14.94 million.

Sales per worker are also high in mining and quarrying of stone and gravel, electricity, gas, heat supply and water, and information and communications, although they employ comparatively few workers.

Fig. 1-1-9 Sales per worker by industry sector



Source: Recompiled from MIC, METI, 2012 *Economic Census for Business Activity*.

- Notes:
1. Sales per worker exceed ¥100 million in the electricity, gas, heat supply and water industry, as businesses in this industry employ few workers but have high sales. It is therefore not shown as it would be off the scale of the graph. (More specifically, sales per worker in this industry come to ¥139.60 million.)
 2. Industry sectors are shown in descending order of number of workers.

Column

1-1-2

Micro enterprises

“Micro enterprises” were newly defined in the Basic Act for Promoting Small Enterprises (“Small Enterprises Promotion Act”) enacted on June 20, 2014. Article 2, Paragraph 2 of this act defines a micro enterprise as “a business that in general ordinarily has five or fewer employees.” Thus all enterprises with five or fewer regular employees are now defined as micro enterprises, regardless of which industry they belong to.

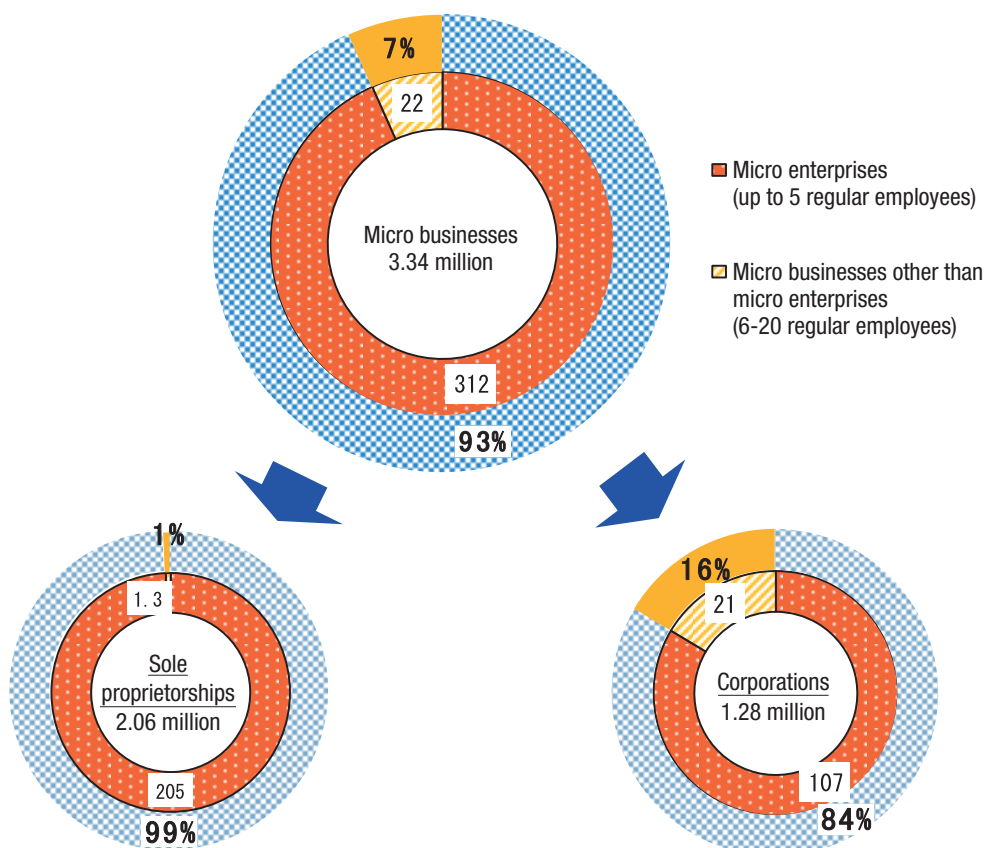
Article 4 of the same act states that “when promoting the development of small enterprises, consideration must be given to enabling micro enterprises to make effective use of their management resources, boosting their dynamism, and facilitating the smooth and steady running of their operations.”

This column provides an overview of micro enterprises in terms of their share of all micro businesses, and their distribution of industries.

• **Micro enterprises’ overall presence**

Of Japan’s 3.34 million micro businesses, 3.12 million are micro enterprises, representing 93% of the total. In addition, 2.05 million (99%) of the 2.06 million sole proprietorships and 1.07 million (84%) of the 1.28 million corporations are micro enterprises (Column Fig. 1-1-2 (1)).

Column Fig. 1-1-2 (1) Percentages of micro enterprises among micro businesses



Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

Column Fig. 1-1-2 (2) shows the percentage of micro enterprises among micro businesses in each industry sector at the major industry group level. With only one or two exceptions such as the electricity, gas, heat supply and water industry, micro enterprises account for almost all micro businesses across the board.

In the wholesale trade, retail trade, and services industries, micro businesses and micro enterprises are basically defined in the same way, such that micro businesses essentially equal micro enterprises.

Column Fig. 1-1-2 (2) Percentages of micro enterprises among micro businesses (by industry sector)



Source: Recompiled from MIC, METI, 2012 Economic Census for Business Activity.

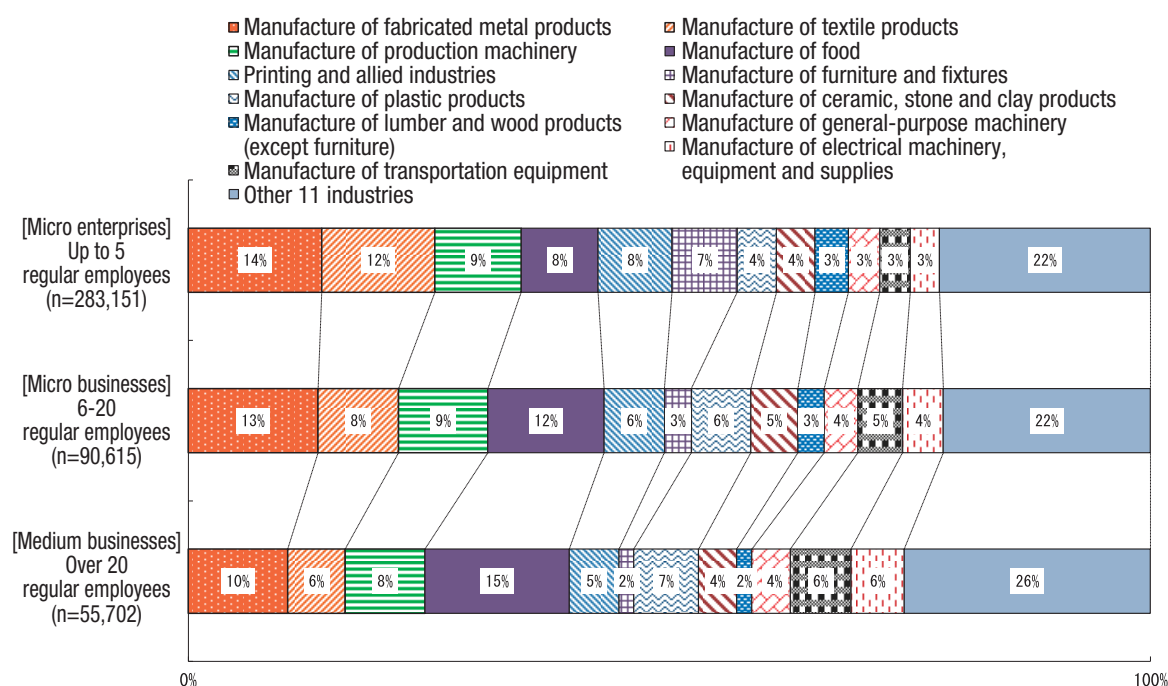
Note: In the industries inside the dotted line, "micro businesses" and "micro enterprises" are defined the same.

Column Fig. 1-1-2 (3) is a breakdown of industry categories in manufacturing by enterprise size (at the intermediate industry group level).

From this it can be seen that the principal business types that account for higher proportions of micro enterprises than of micro businesses (excluding micro enterprises) or medium businesses are the manufacture of fabricated metal products, manufacture of textile mill products, printing and allied industries, and the manufacture of furniture and fixtures.

Conversely, the principal business types that account for smaller proportions of micro enterprises than of micro businesses (excluding micro enterprises) or medium businesses are the manufacture of food, manufacture of plastic products, manufacture of transportation equipment, and manufacture of electrical machinery, equipment and supplies.

Column Fig. 1-1-2 (3) Breakdown of industry categories in manufacturing by enterprise size (at the intermediate industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

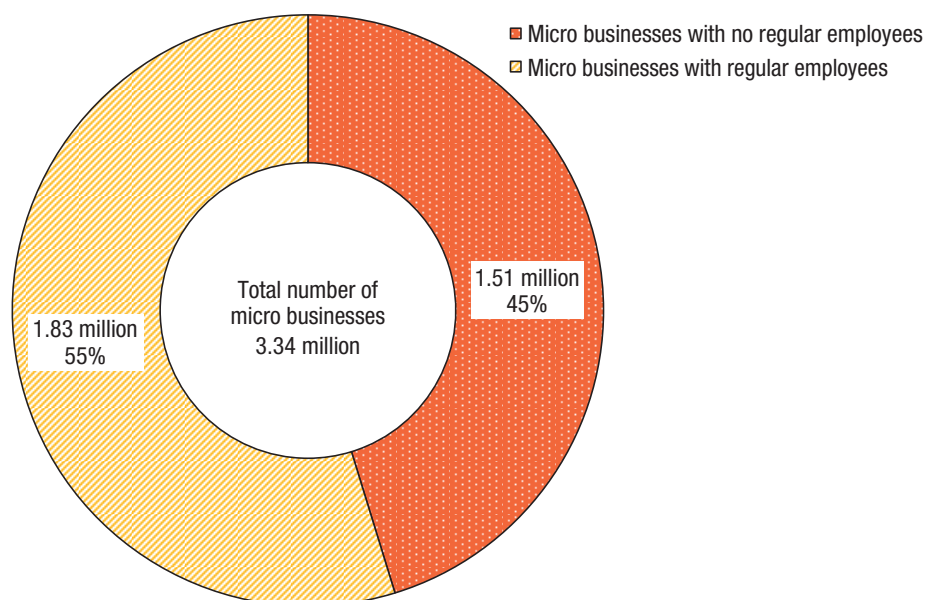
Note: "Other 11 industries" consists of the following: manufacture of pulp, paper and paper products; manufacture of business oriented machinery; manufacture of iron and steel; manufacture of leather tanning, leather products and fur skins; manufacture of beverages, tobacco and feed; manufacture of electronic parts, devices and electronic circuits; manufacture of non-ferrous metals and products; manufacture of rubber products; manufacture of chemical and allied products; manufacture of information and communication electronics equipment; manufacture of petroleum and coal products; and miscellaneous manufacturing industries.

(4) Employment of regular employees by micro businesses

Fig. 1-1-10 shows the proportions of micro businesses

that do and do not have regular employees. In all, 1.51 million, or 45%, of the 3.34 million micro businesses in Japan do not employ regular employees.

Fig. 1-1-10 Micro businesses with and without regular employees

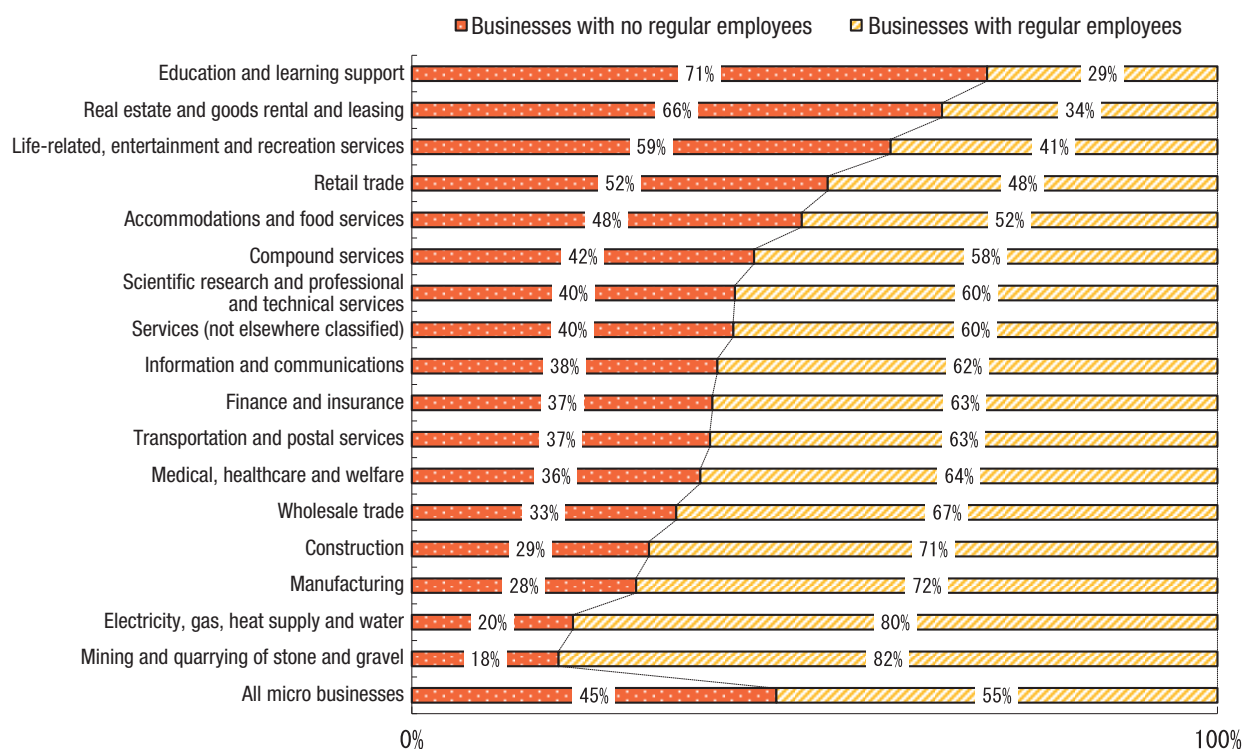


Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

A breakdown by industry sector (at the major industry group level) shows that education and learning support have the highest proportion of micro businesses with no regular employees (71%), followed by real estate and goods rental and leasing (66%), life-

related, entertainment and recreation services (59%), retail trade (52%), and accommodations and food services (48%). These five industries all exceed the 45% average for micro businesses as a whole (Fig. 1-1-11).

Fig. 1-1-11 Micro businesses with and without regular employees (by industry sector)

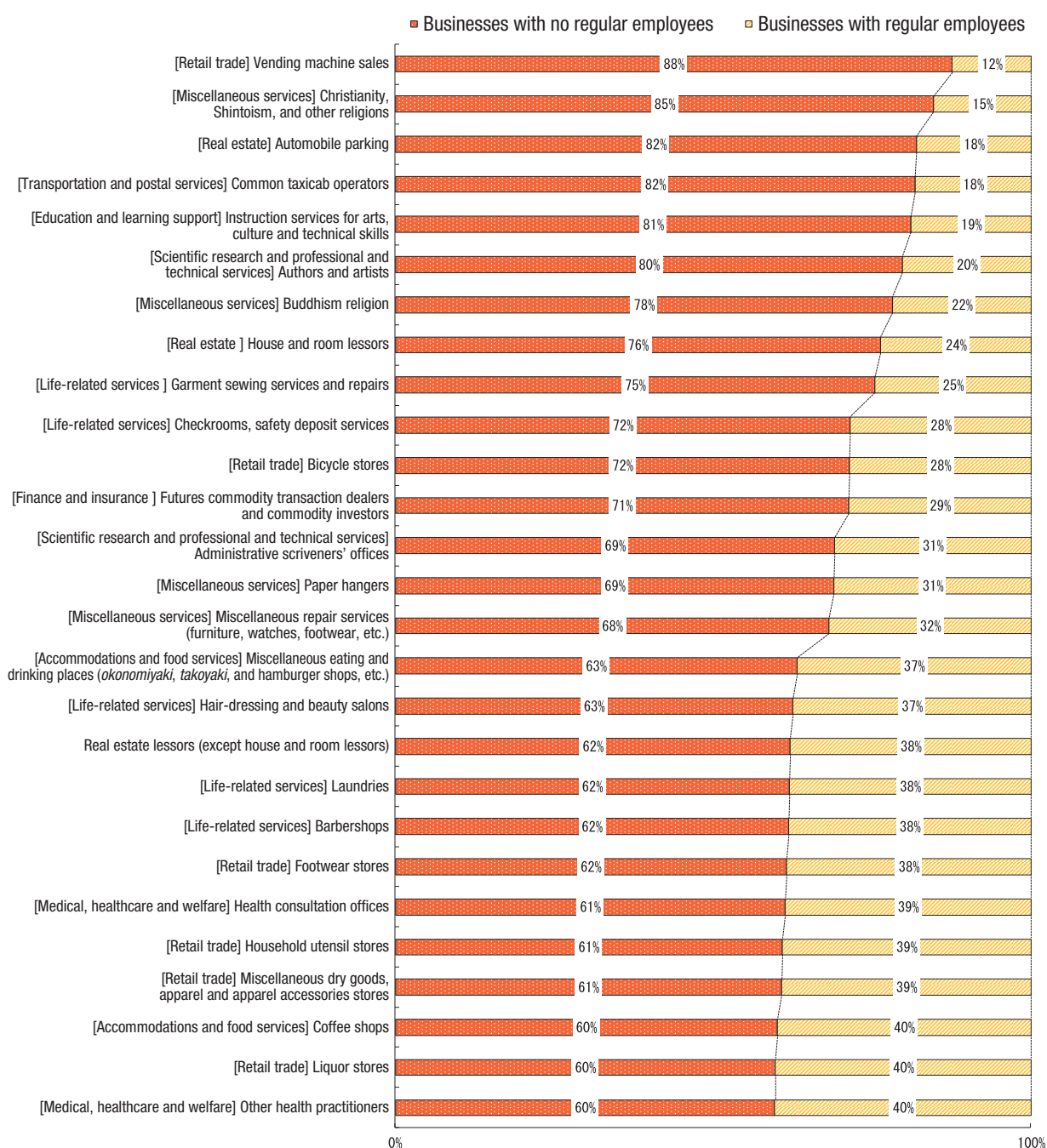


Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

The state of employment of regular employees by micro businesses is shown in greater detail in Fig. 1-1-12, which examines the minor industry groups in which 60% or more of micro businesses have no regular employees. From this it can be seen that the proportion of micro businesses with no regular employees exceeds 80% in vending machine sales, religion, automobile

parking, instruction services for arts, culture and technical skills, and authors and artists, and 70% in house and room lessors, garment sewing services and repairs, checkrooms, safety deposit services, bicycle stores, and futures commodity transaction dealers and commodity investors.

Fig. 1-1-12 Industry sectors in which at least 60% of micro businesses have no regular employees (at the minor industry group level)

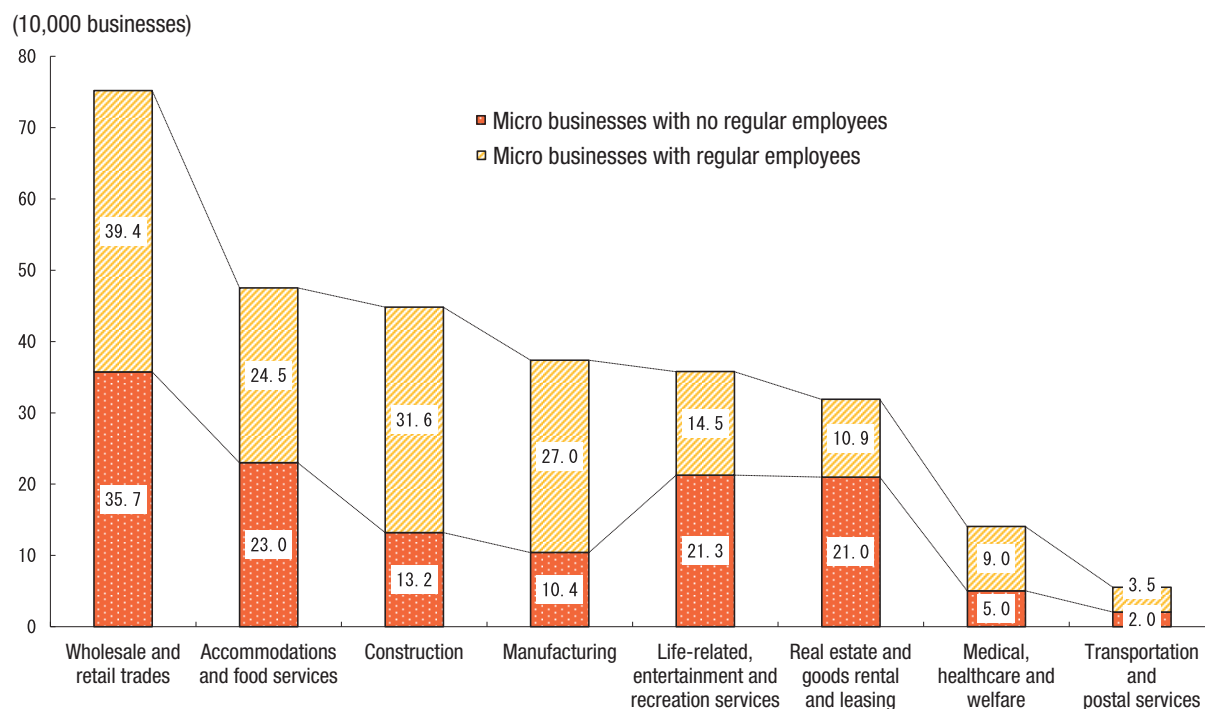


Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

Fig. 1-1-13 shows the number of micro businesses in key industries (at the major industry group level) and the proportion that do or do not employ regular employees. The industries with the most micro businesses employing no regular employees are, in

descending order, the wholesale and retail trades (357,000), accommodations and food services (230,000), life-related, entertainment and recreation services (213,000), and real estate and goods rental and leasing (210,000).

Fig. 1-1-13 Number of micro businesses in key industries (by employment of regular employees)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

Note: Industries are shown at the major industry group level according to the Japan Standard Industrial Classification.

Having looked at the number of micro businesses in key industries at the major industry group level, we next examine the situation in more detail. Fig. 1-1-14 focuses on several commonly encountered types of micro business at the minor industry group level, showing the numbers in each category and the proportions that do or do not employ regular employees.

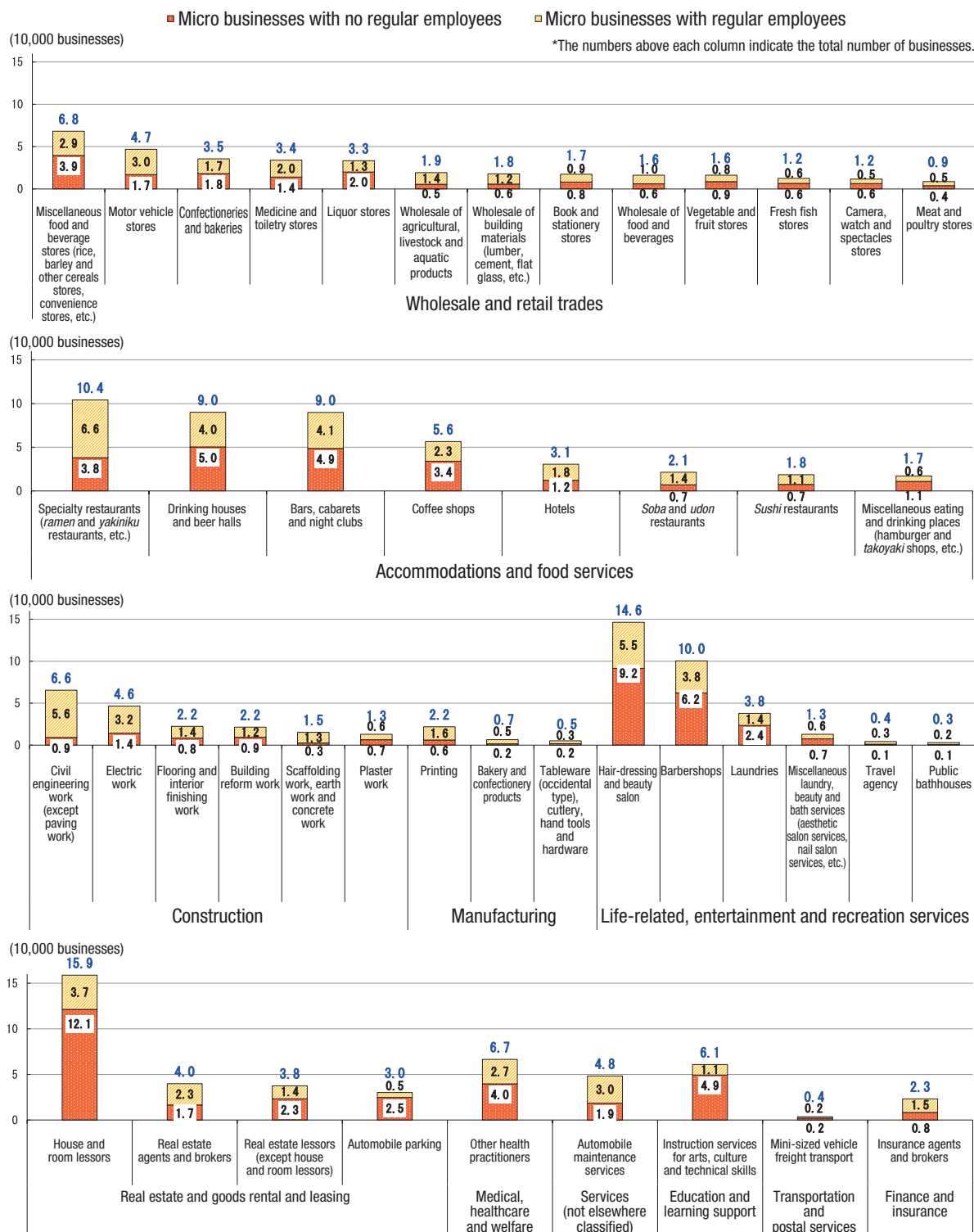
The wholesale and retail trades have large numbers of micro businesses in categories such as miscellaneous food and beverage stores (rice, barley and other cereals stores, convenience stores, etc.) and motor vehicle stores, while accommodations and food services have large numbers of micro businesses in categories such as specialty restaurants (*ramen* and *yakiniku* restaurants, etc.) and drinking houses and beer halls.

Large numbers of micro businesses are also to be

found among hair-dressing and beauty salons and barbershops in the life-related, entertainment and recreation services industry, house and room lessors in the real estate and goods rental industry, other health practitioners in the medical, healthcare and welfare industry, and instruction services for arts, culture and technical skills in the education and learning support industry.

Among these industry groups, there are particularly large numbers of house and room lessors (121,000), hair-dressing and beauty salons (92,000), barbershops (62,000), drinking houses and beer halls (50,000), and providers of instruction services for arts, culture and technical skills (49,000) that are micro businesses with no regular employees.

Fig. 1-1-14 Numbers of commonly encountered types of micro businesses by industry sector (by employment of regular employees)



Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

Notes: 1. Shown are the main industry groups according to the Japan Standard Industrial Classification (at the minor industry group level).

2. "House lessors": businesses that lease dwellings (including dwellings with shops) (rental and leasing, apartment business, short-term apartment rental, villa rental, etc.)

"Room lessors": businesses that lease rooms with no exclusive or shared kitchen drainage facilities (exclusive or shared) that cannot be used for independent living.

"Real estate agents and brokers": businesses that act as agents or brokers for the sale, purchase, lease, and exchange of real estate (including brokering of parking space rental).

"Real estate lessors (except house and room lessors)": businesses that engage in office, shop, land (landowner), and other real estate (conference room rental) leasing business.

"Instruction services for arts, culture and technical skills": businesses that provide instruction in music, calligraphy, flower arrangement, tea ceremony, foreign languages, sports, health, etc.

"Insurance agents and brokers": businesses that engage in life insurance brokerage (life insurance agents) and nonlife insurance agency (nonlife insurance agents) business, etc.

Column

1-1-3

“Workers” and “regular employees”

People are employed by micro businesses in a variety of ways, and most employment statistics use the concept of “employment status” to measure these different work styles statistically. Although employment status is not defined in the statistical standards laid down by the Statistics Act, many kinds of statistics define the categories used in much the same way.

From Column Fig. 1-1-3 below, it can be seen that “paid executives” and “individual proprietors” are also included under “workers.” In contrast, the scope of SMEs and the definition of small enterprises provided for in the SME Basic Act are defined based on “regular workforce.” As the term regular workforce (regular employees) used in the act does not include paid executives or individual proprietors, it is important to note that it does not have the same meaning as “workers,” which comprises all people who work.

Column Fig. 1-1-3 Categories and definitions of “employment status” used in the Economic Census

	Definitions used in the <i>Economic Census for Economic Business Frame</i> and <i>Economic Census for Business Activity</i>
Workers	Individuals who belong to and work at an establishment. Non-paid family workers are also included. Individuals dispatched to other establishments are included, but individuals dispatched from another company are not.
Regular employees	Individuals employed for an indefinite period, for a definite period exceeding one month, or for at least 18 days each month in the two months before the census.
Regular company employees/ staff members	Individuals generally referred to as “regular company employees” or “regular staff members.”
Non-regular employees/ staff members	Regular employees other than the above who are referred to as “non-regular employees,” “part-time workers,” “ <i>arubaito</i> workers,” etc.
Temporary employees	Individuals not covered by any of the definitions of regular employees.
Paid executives	Individuals who are paid as executives, whether full-time or part-time. Executives who are nevertheless paid under the same pay regulations as ordinary staff members are included in “regular employees.”
Individual proprietors	Individuals who actually manage a sole proprietorship.
Non-paid family workers	Members of the family of an individual proprietor who help with work for no pay. Family members who receive a wage or salary on a par with employees are included in “regular employees” or “temporary employees.”

Section 2 Diversity of micro businesses

As was seen in Section 1, micro businesses account for some 90% of all enterprises in Japan, 26% of all workers, and 10% of all sales. Further, 45% of them have no regular employees. They are found in all industries, with the number of workers per micro

business ranging according to industry from 2.3 to 8.4, with the average for non-primary industries as a whole standing at 3.6.

Micro businesses are thus small in size, employ few workers, and exist in an astounding range of industries

and forms of business. At the sub-minor group level, they are found in over 1,400 industry groups, in which they deliver all kinds of indispensable everyday products and services.

In this section, we delve in greater detail into the 3.34 million micro businesses examined mainly at

the major industry group level in Section 1 by further analyzing them at the intermediate level (consisting of approximately 95 categories) and the minor level (approximately 513 categories) of classification of non-primary industries in order to explore their breadth of distribution and structure.

1 Numbers of micro businesses by industry sector

(1) Retail trade

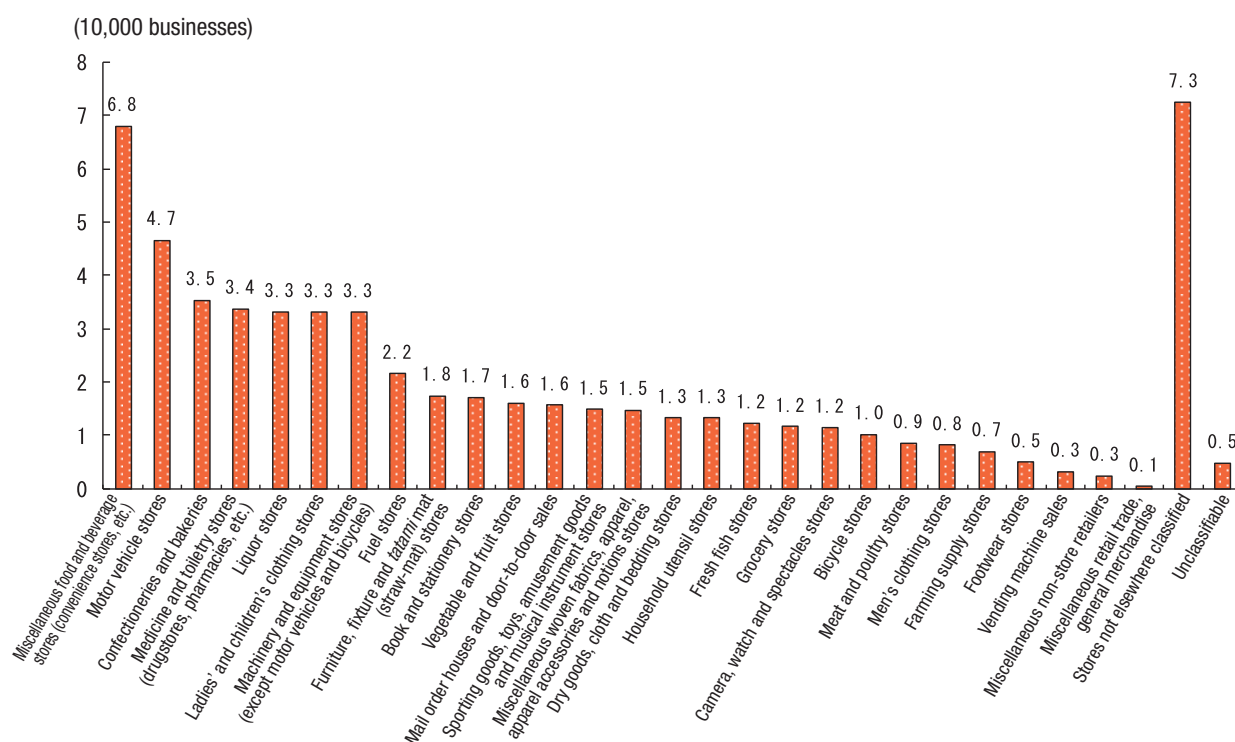
Fig. 1-1-15 presents a breakdown at the minor industry group level of the number of businesses in the retail trade, which is the industry with the most businesses in Japan.

From this it is apparent that there are 68,000 miscellaneous food and beverage stores (convenience stores, etc.), 47,000 motor vehicle stores, 35,000 confectioneries and bakeries, 34,000 medicine and toiletry stores such as drugstores, 33,000 liquor stores, 33,000 ladies' and children's

clothing stores, and 33,000 machinery and equipment stores (except motor vehicles and bicycles). These seven categories alone account for approximately 50% of all retailers.

There are also over 10,000 businesses in each of the following categories, all of which occupy a prominent place in everyday life: book and stationery stores, vegetable and fruit stores, fresh fish stores, and bicycle stores.

Fig. 1-1-15 Breakdown of approximately 590,000 businesses in the retail trade (at the minor industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

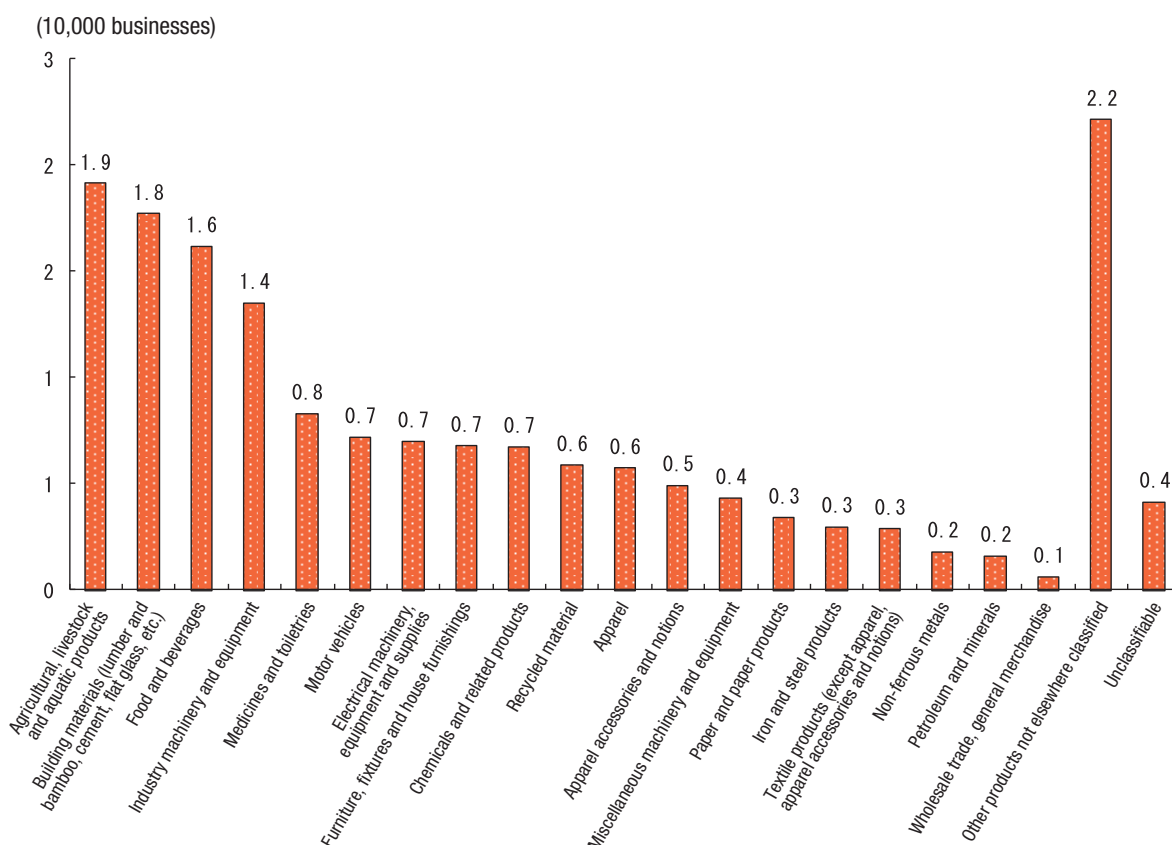
Note: "Stores not elsewhere classified" consists of the following retail trades: home improvement stores; tobacco and smoking article specialty stores; flowers and other florists stores; building materials stores; jewelry stores; pet and pet articles stores; retail trade of antiques; retail trade of second-hand goods (except antiques); and miscellaneous retail trade not elsewhere classified.

(2) Wholesale trade

A breakdown of businesses in the wholesale trade at the minor industry group level shows that 19,000 are in agricultural, livestock and aquatic products, 18,000 are in building materials, 16,000 are in food and beverages,

and 14,000 are in industry machinery and equipment. Together, these four categories account for over 40% of the total number of enterprises in the wholesale trade (Fig. 1-1-16).

Fig. 1-1-16 Breakdown of approximately 160,000 businesses in the wholesale trade (at the minor industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

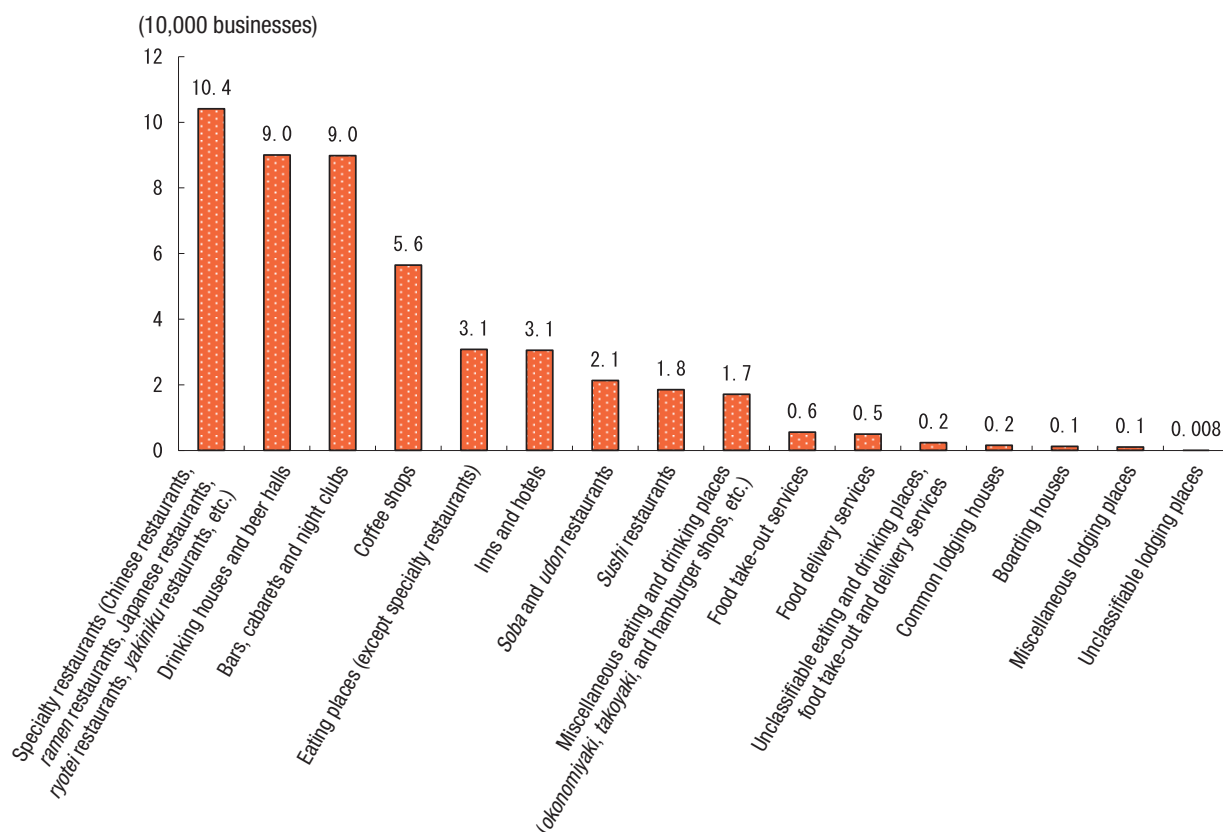
- Notes:
1. "Recycled material" consists of the following wholesale trades: empty bottles; cans and other containers; iron scrap; non-ferrous scrap; waste paper; and miscellaneous recycled material.
 2. "Other products not elsewhere classified" consists of the following wholesale trades: hardware; fertilizers and feeds; sporting goods; amusement goods and toys; tobacco products; jewelry; books and magazines; agents and brokers; and miscellaneous wholesale trade not elsewhere classified.

(3) Accommodations and food services

A breakdown of businesses in accommodations and food services at the minor industry group level shows that 104,000 are specialty restaurants (*ramen* and *yakiniku* restaurants, etc.), 90,000 are drinking

houses and beer halls, 90,000 are bars, cabarets, and night clubs, and 56,000 are coffee shops. These four categories alone account for approximately 90% of the enterprises in the accommodations and food services industry (Fig. 1-1-17).

Fig. 1-1-17 Breakdown of approximately 480,000 businesses in accommodations and food services (at the minor industry group level)



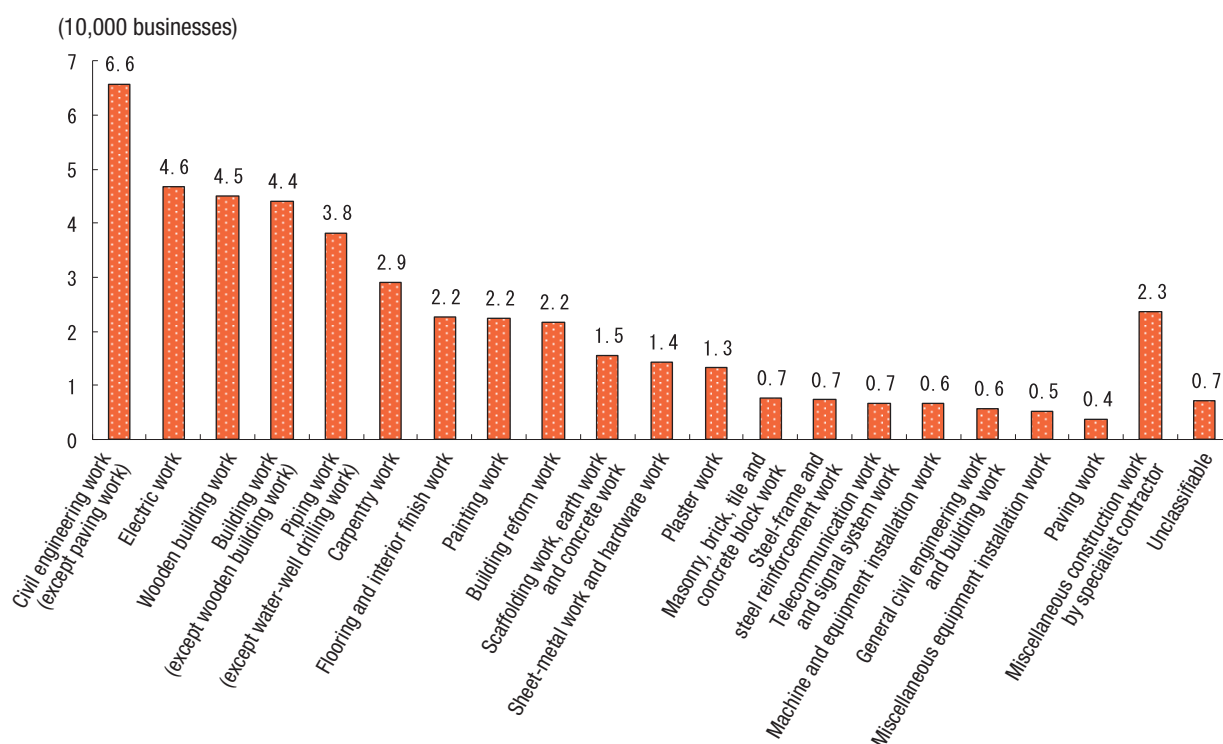
Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

(4) Construction

Examining businesses in accommodations and food services at the minor industry group level, civil engineering work (except paving work) is the most numerous with 66,000, followed by electric work with 46,000, wooden building work with 45,000,

building work (except wooden building work) with 44,000, piping work (except water-well drilling work) with 38,000, and carpentry work with 29,000. These six categories alone account for around 60% of all enterprises in construction (Fig. 1-1-18).

Fig. 1-1-18 Breakdown of approximately 45,000 businesses in construction (at the minor industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

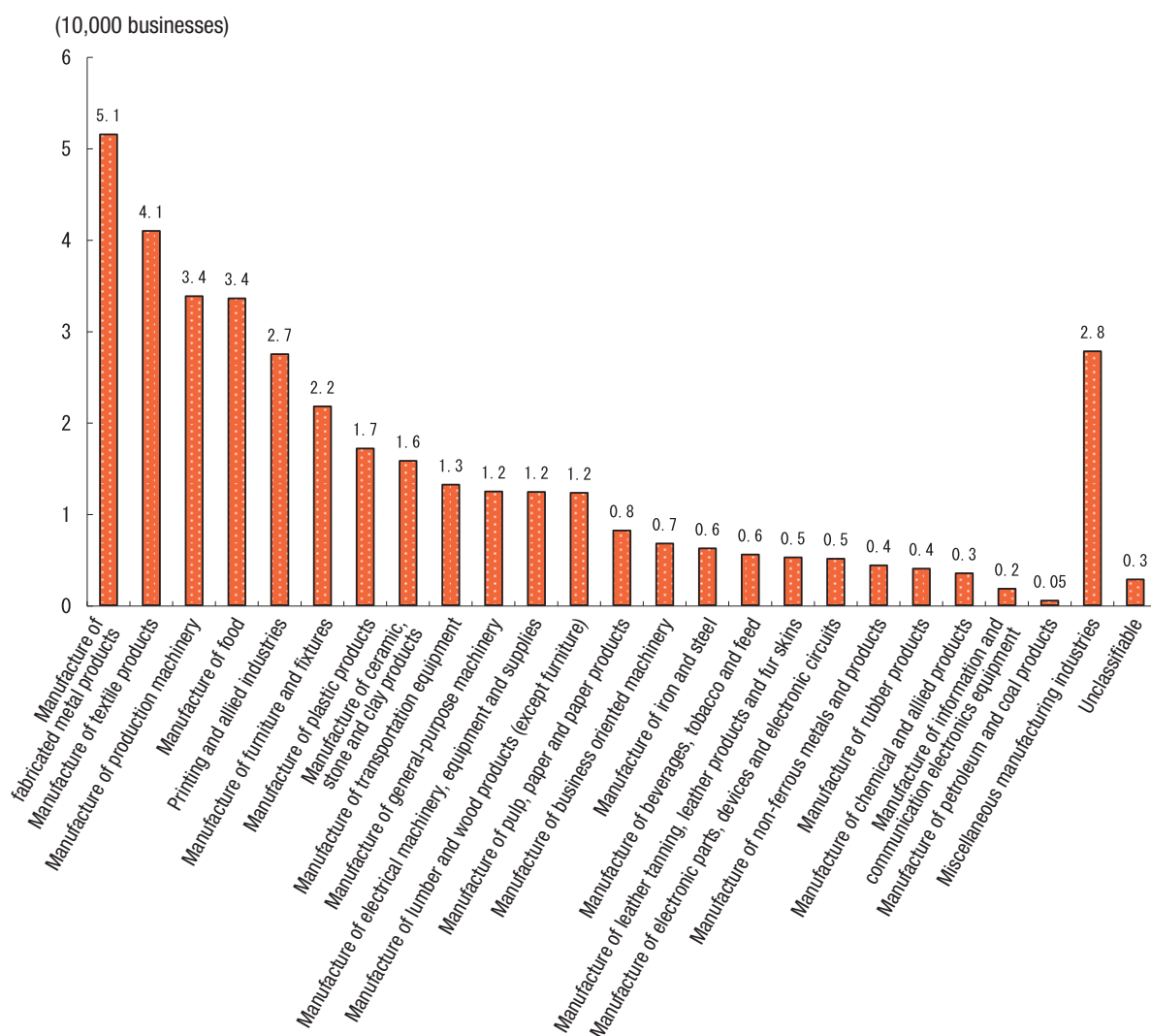
Note: "Miscellaneous equipment installation work" consists of the following: glass glazing work; metal furnishing work; roofing work; water-proofing work; wrecking and demolition work; and construction work by specialist contractor not elsewhere classified.

(5) Manufacturing

Breaking manufacturing down at the intermediate group level due to the very large number of categories at the minor group level, we find that there are 51,000 businesses in manufacture of fabricated metal products, 41,000 in manufacture of textile products, 34,000

in manufacture of production machinery, 34,000 in manufacture of food, 27,000 in printing and allied industries, 22,000 in manufacture of furniture and fixtures, and 17,000 in manufacture of plastic products. These seven categories alone make up some 60% of all businesses in manufacturing (Fig. 1-1-19).

Fig. 1-1-19 Breakdown of approximately 370,000 businesses in manufacturing (at the intermediate group level)



Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

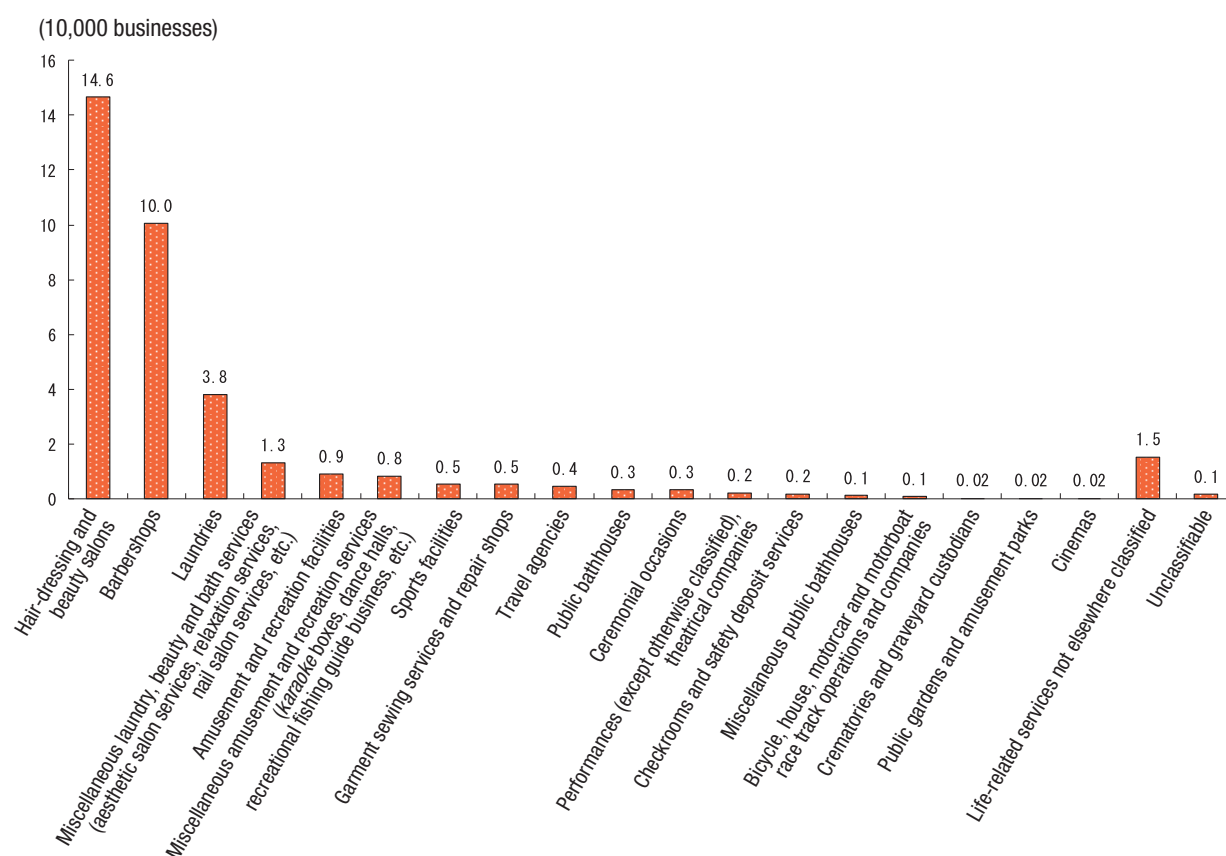
Note: "Miscellaneous manufacturing industries" consists of the following: precious metal products (including jewels); costume jewelry; costume accessories; buttons and related products; watches, clocks, clockwork-operated devices and parts; musical instruments; toys and sporting goods; pens, lead pencils, painting materials and stationery; lacquer ware; *tatami* mats and other sundry goods; and manufacturing industries not elsewhere classified.

(6) Life-related, entertainment and recreation services

A breakdown of businesses in life-related, entertainment and recreation services at the minor industry group level reveals hair-dressing and beauty salons to be by far the most numerous with 146,000,

followed by barbershops with 100,000 (together these two categories total 246,000). Adding the 38,000 laundries (which includes dry cleaners), these three categories alone account for approximately 70% of all businesses in the life-related, entertainment and recreation services group (Fig. 1-1-20).

Fig. 1-1-20 Breakdown of approximately 360,000 businesses in life-related, entertainment and recreation services (at the minor industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

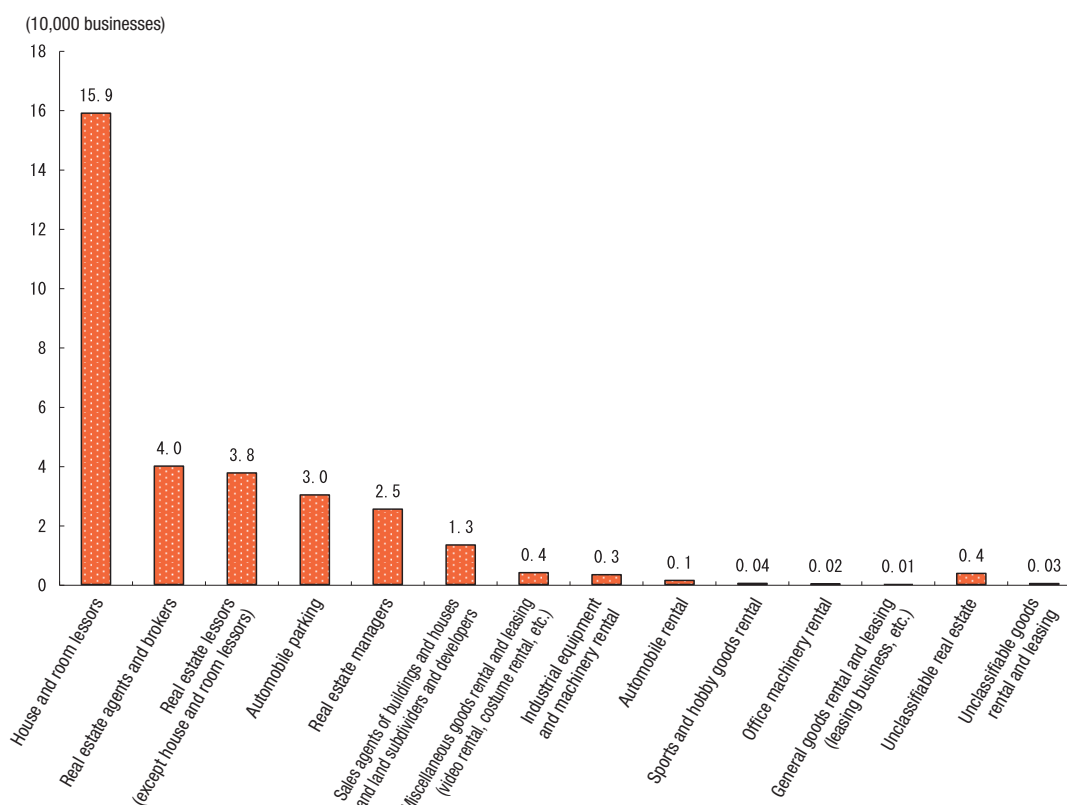
Note: "Life-related services not elsewhere classified" consists of the following: food processing services; matrimonial agency and wedding ceremony hall brokers; photographic print, film developing and finishing; and miscellaneous life-related services not elsewhere classified.

(7) Real estate and goods rental and leasing

A breakdown of businesses in real estate and goods rental and leasing at the minor industry group level reveals house and room lessors to be by far the most numerous at 159,000, with this category alone accounting for around 50% of all the businesses in

this group. The next commonest types of businesses are real estate agents and brokers with 40,000, real estate lessors (except house and room lessors) with 38,000, automobile parking with 30,000, and real estate managers with 25,000. These five categories together account for about 90% of the total number of businesses in real estate and goods rental and leasing.

Fig. 1-1-21 Breakdown of approximately 320,000 businesses in real estate and goods rental and leasing (at the minor industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

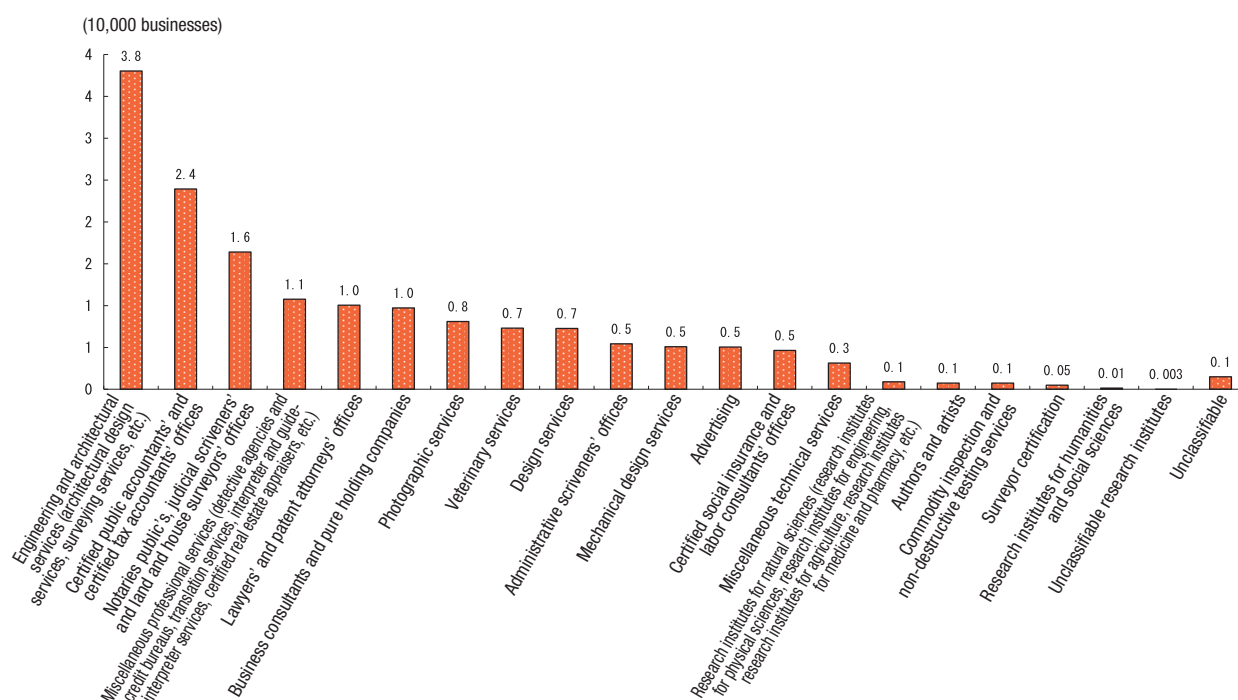
- Notes:
1. "House lessors" are businesses that mainly lease dwellings (including dwellings with shops) (house leasing, apartment business, etc.).
 2. "Room lessors" are businesses that lease rooms with no exclusive or shared kitchen drainage facilities and that cannot be used for independent living.
 3. "Real estate agents and brokers" are businesses that mainly act as agents or brokers for sale, purchase, lease, and exchange of real estate (including brokering of parking space).
 4. "Real estate lessors (except house and room lessors)" consist of office lessors, land lessors, and miscellaneous real estate lessors (such as rental conference rooms).
 5. "Real estate managers" are businesses that provide mainly management services or real estate maintenance services for owners (including owner associations) of buildings, apartments, and other properties.
 6. "Miscellaneous goods rental and leasing" consists of film and theater supply rental, recorded music and video material rental, costume rental, and goods rental and leasing not elsewhere classified.

(8) Scientific research and professional and technical services

A breakdown of scientific research and professional and technical services at the minor industry group level reveals engineering and architectural services (such as architectural design services and surveying services) to have the most businesses with 38,000, followed by certified public accountants' and certified

tax accountants' offices with 24,000, notaries public's, judicial scriveners' and land and house surveyors' offices with 16,000, miscellaneous professional services (such as translation and interpretation services) with 11,000, and lawyers' and patent attorneys' offices with 10,000. Together, these five categories account for around 60% of all businesses in scientific research and professional and technical services (Fig. 1-1-22).

Fig. 1-1-22 Breakdown of approximately 160,000 businesses in scientific research and professional and technical services (at the minor industry group level)



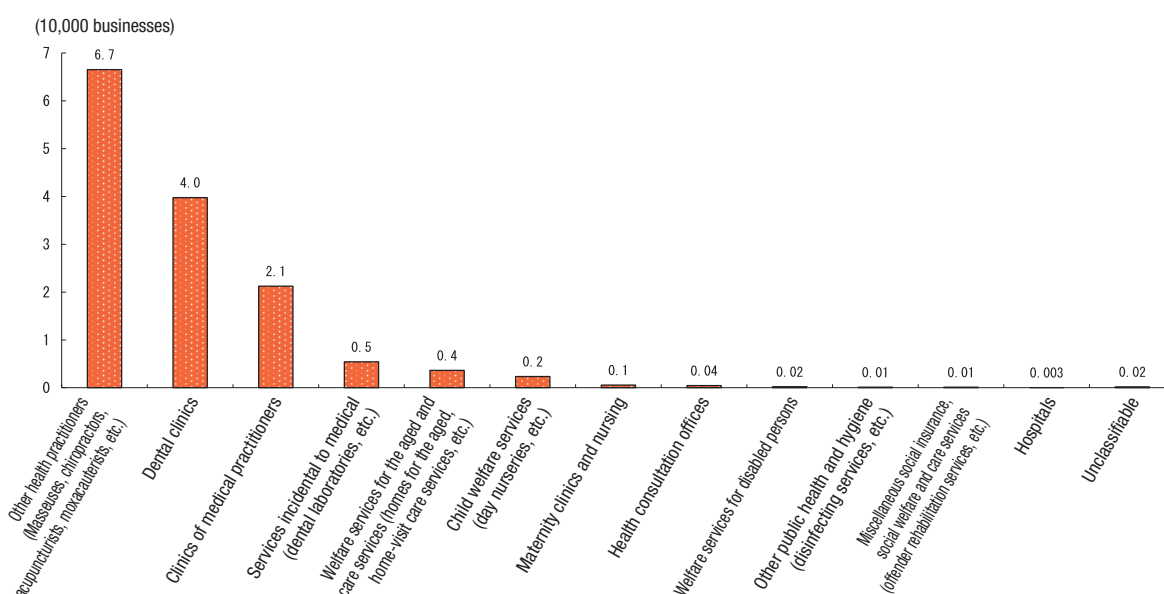
Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

(9) Medical, healthcare and welfare

A breakdown of businesses in medical, healthcare and welfare at the minor industry group level reveals the largest number to be health practitioners with 67,000, followed by dental clinics with 40,000, and

clinics of medical practitioners with 21,000. These three categories together account for about 90% of all enterprises in the medical, healthcare and welfare industry (Fig. 1-1-23).

Fig. 1-1-23 Breakdown of approximately 140,000 businesses in medical, healthcare and welfare (at the minor industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

(10) Eight other industries

As businesses in the services (not elsewhere classified), education and learning support, transportation and postal services, information and communications, finance and insurance, compound services, mining and quarrying of stone and gravel, and electricity, gas, heat supply and water categories are too numerous to consider at the minor industry group level, these will be examined below at the intermediate group level (Fig. 1-1-24).

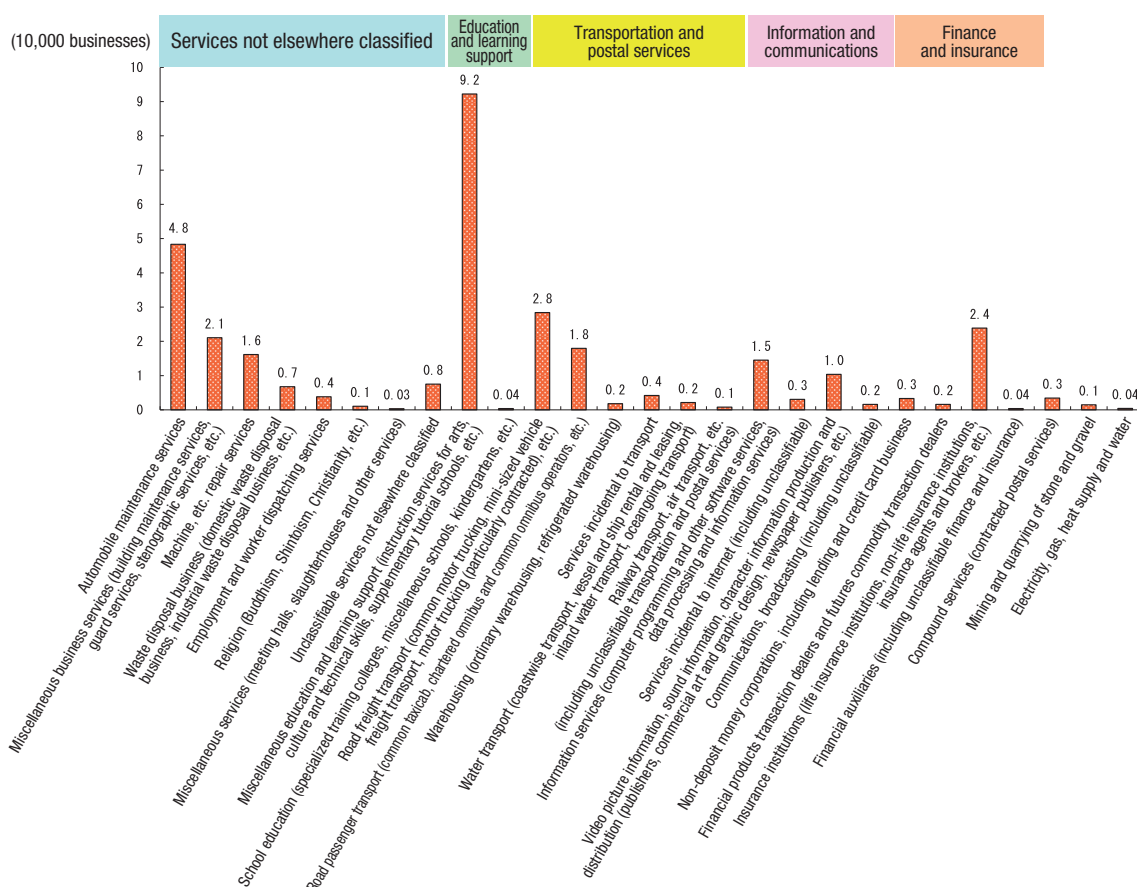
In services not elsewhere classified, 48,000 businesses provide automobile maintenance services, 21,000 provide miscellaneous business services (such as building maintenance and guard services), and 16,000 provide machine and other repair services. Together,

these three categories account for approximately 80% of all businesses (approximately 105,000) in services not elsewhere classified.

In education and learning support, providers of supplementary tutorial schools and instruction services for arts, culture and technical skills (including cultural hobby lessons) are by far the most numerous type of business, accounting for some 92,000 of the total. In transportation and postal services, businesses are concentrated in road freight transport with approximately 28,000 and road passenger transport with approximately 18,000.

Information services (such as software programming) account for approximately 15,000, while there are approximately 24,000 insurers in finance and insurance.

Fig. 1-1-24 Breakdown of approximately 320,000 businesses in eight other industry sectors (at the intermediate industry group level)



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

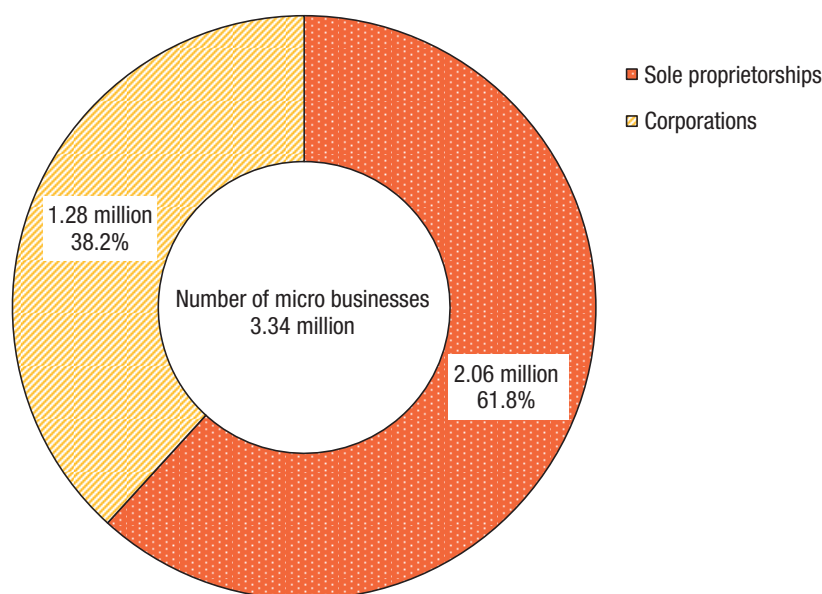
Note: Industries are classified at the intermediate industry group level. Examples of the main categories at the minor industry group level are shown in parentheses.

2 Sole proprietorships and corporations

One feature of micro businesses is the prevalence of unincorporated sole proprietorships. Fig. 1-1-25 shows how many of Japan's 3.34 million micro businesses are sole proprietorships and how many are corporations.

From this it can be seen that sole proprietorships constitute approximately 2.06 million, or 60%, of the total. Corporations account for approximately 1.28 million, or 40%.

Fig. 1-1-25 Micro businesses broken down into sole proprietorships and corporations



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

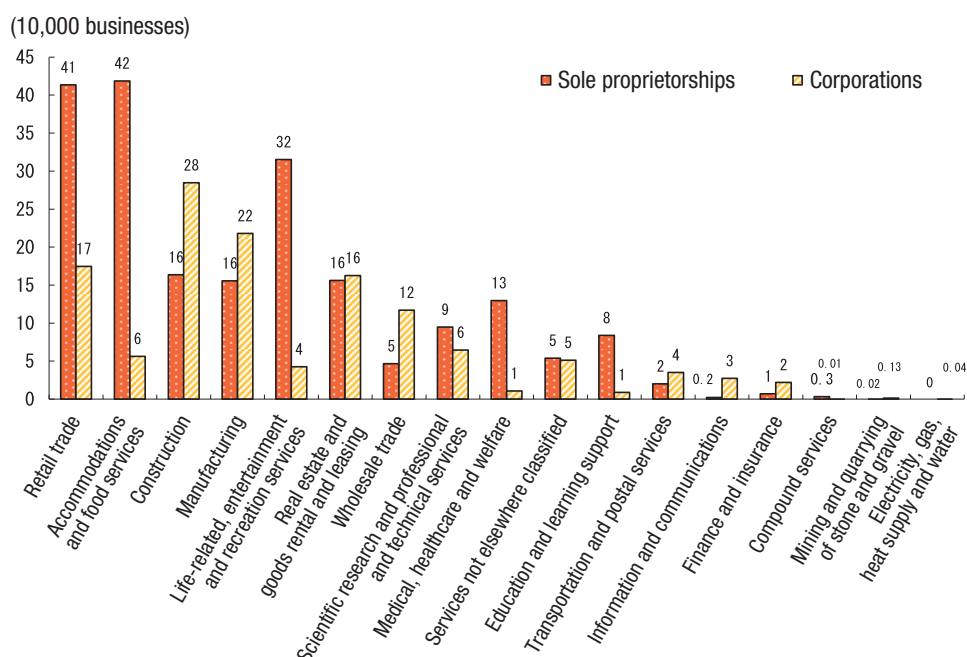
As seen in Fig. 1-1-25, approximately 60% of Japan's micro businesses are sole proprietorships. Fig. 1-1-26 shows a breakdown of micro businesses into sole proprietorships and corporations by industry sector in terms of their actual numbers. Fig. 1-1-27 shows a similar breakdown in percentage terms.

It is apparent from these breakdowns that the industries with both large numbers and high proportions of sole proprietorships are accommodations and food services with approximately 420,000 (88%), the retail trade with approximately 410,000 (70%), life-related, entertainment and recreation services with

approximately 320,000 (88%), real estate and goods rental and leasing with approximately 160,000 (49%), medical, healthcare and welfare with approximately 130,000 (92%), scientific research and professional and technical services with approximately 90,000 (59%), and education and learning support with approximately 80,000 (90%).

A common feature of all these industries is the large number of businesses providing products and services to individuals, making sole proprietorships more vulnerable to the effects of shrinking local demand due to demographic decline.

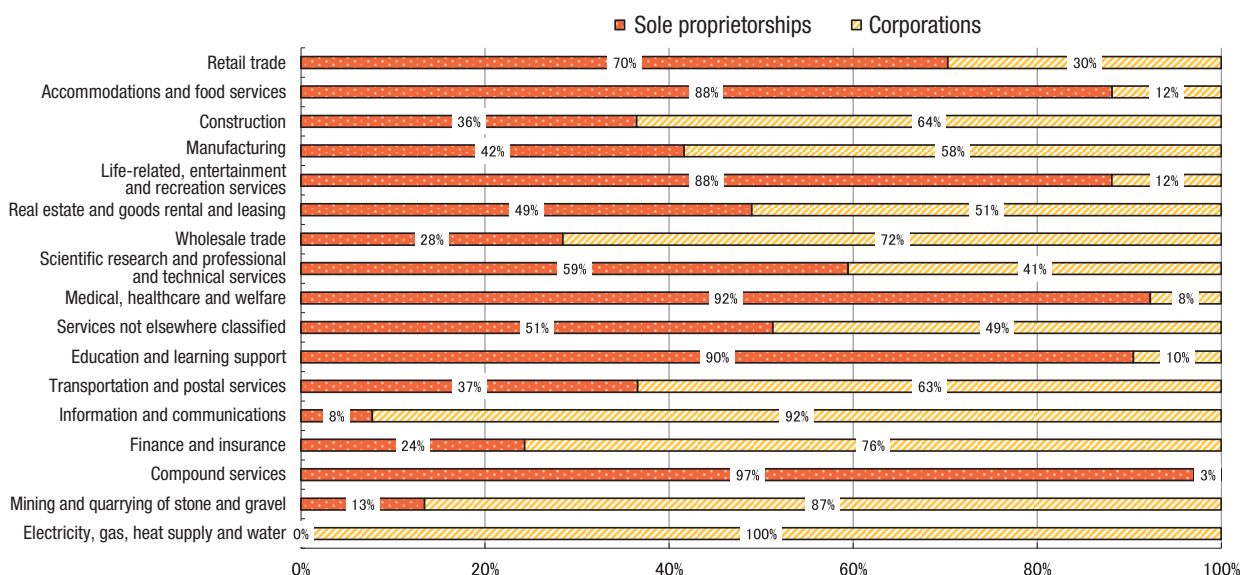
Fig. 1-1-26 Breakdown of micro businesses into sole proprietorships and corporations by industry sector (actual numbers)



Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

Note: "Compound services" consists of postal agencies, contracted postal services, and cooperative associations. However, small enterprises consist only of providers of contracted postal services.

Fig. 1-1-27 Breakdown of micro businesses into sole proprietorships and corporations by industry sector (percentages)



Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

Note: "Compound services" consists of postal agencies, contracted postal services, and cooperative associations. However, small enterprises consist only of providers of contracted postal services.

3 Sales and value added of sole proprietorships and corporations

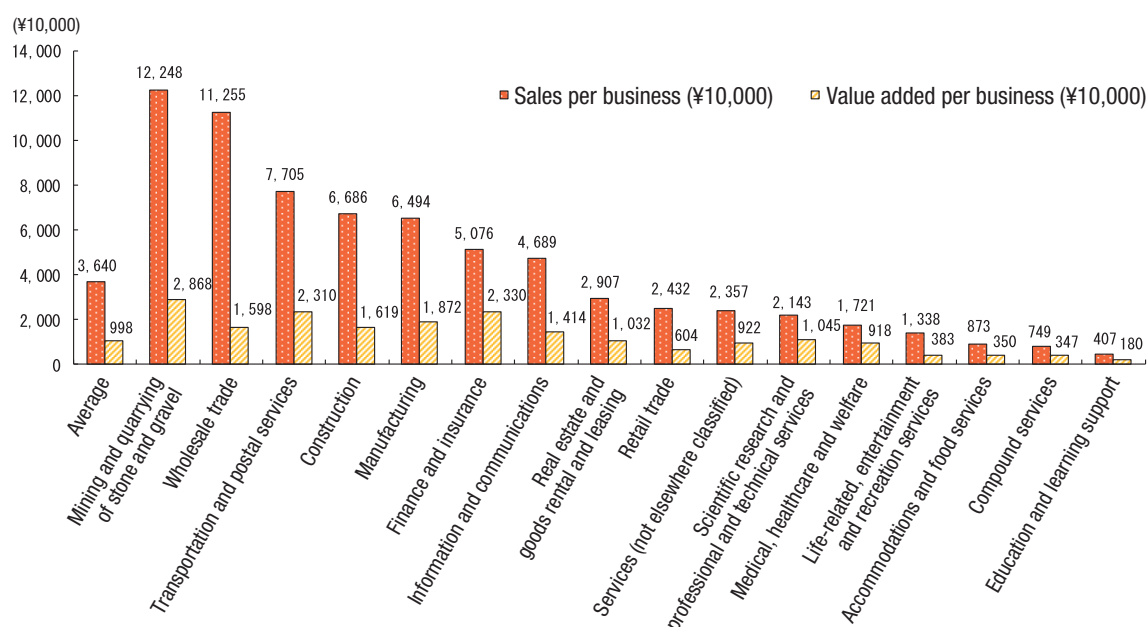
Next, we analyze sole proprietorships and corporations from the point of view of sales and value added.

Fig. 1-1-28 compares micro business sales and value added per business by industry, while Fig. 1-1-29 compares micro business per worker sales and value added by industry.

From this it can be seen that the averages per business are ¥36.40 million for sales and ¥9.98 million for value added. The averages per worker are ¥10.21 million for sales and ¥2.80 million for value added.

A breakdown by industry shows that sales per business are highest in mining and quarrying of stone and gravel at ¥122.48 million, followed by the wholesale trade at ¥112.55 million, and transportation and postal services at ¥77.05 million. Value added sales per worker are highest in mining and quarrying of stone and gravel at ¥28.68 million, followed by finance and insurance at ¥23.30 million, transportation and postal services at ¥23.10 million, and manufacturing at ¥18.72 million.

Fig. 1-1-28 Micro business sales and value added per business

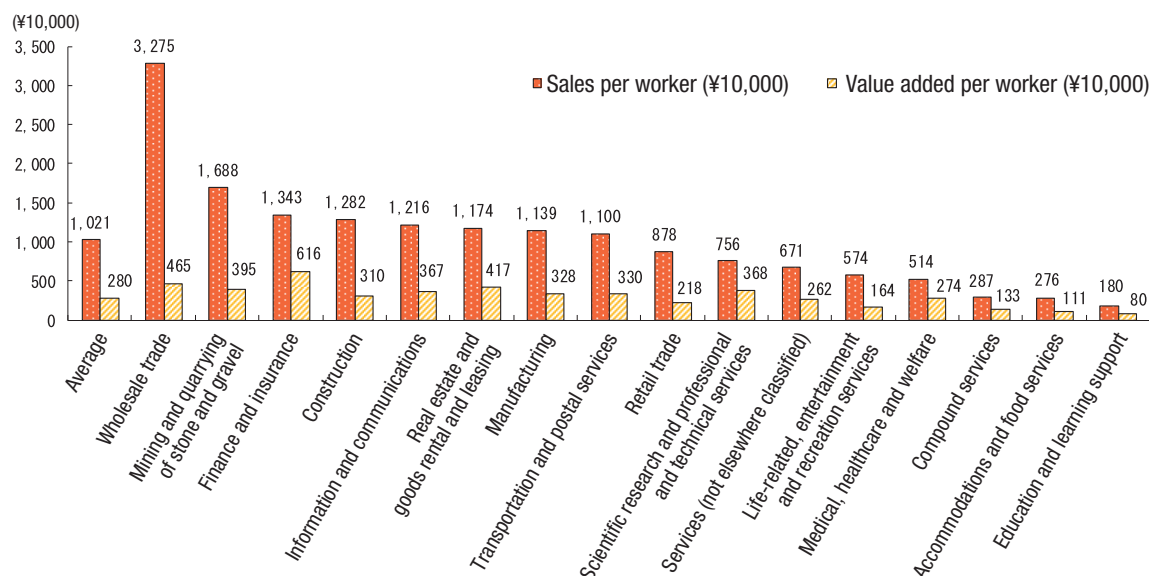


Source: Recompiled from MIC and METI, 2012 Economic Census for Business Activity.

- 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, it is calculated by the following formula:

$$\text{value added} = \text{sales} - \text{total expenses (cost of sales + selling and general administrative expenses)} + \text{gross pay} + \text{taxes and public impositions}$$
 2. Sales per enterprise exceed ¥1,100 million in the electricity, gas, heat supply and water industry due to the small number of enterprises and high level of sales in this industry. It is therefore not shown as it would be off the scale of the graph. (More specifically, sales per enterprise in this industry are ¥1,168.53 million and value added per enterprise is ¥187.15 million.)

Fig. 1-1-29 Micro business sales and value added per worker



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, it is calculated by the following formula:

value added = sales – total expenses (cost of sales + selling and general administrative expenses) + gross pay + taxes and public impositions

2. Sales per worker exceed ¥100 million in the electricity, gas, heat supply and water industry due to the small number of enterprises and high level of sales in this industry. It is therefore not shown as it would be off the scale of the graph. (More specifically, sales per worker in this industry are ¥139.60 million and value added per worker is ¥22.36 million.)

Next, we examine the sales and value added of sole proprietorships and corporations separately by industry. Fig. 1-1-30 and Fig. 1-1-31 compare the sales per business of each by industry.

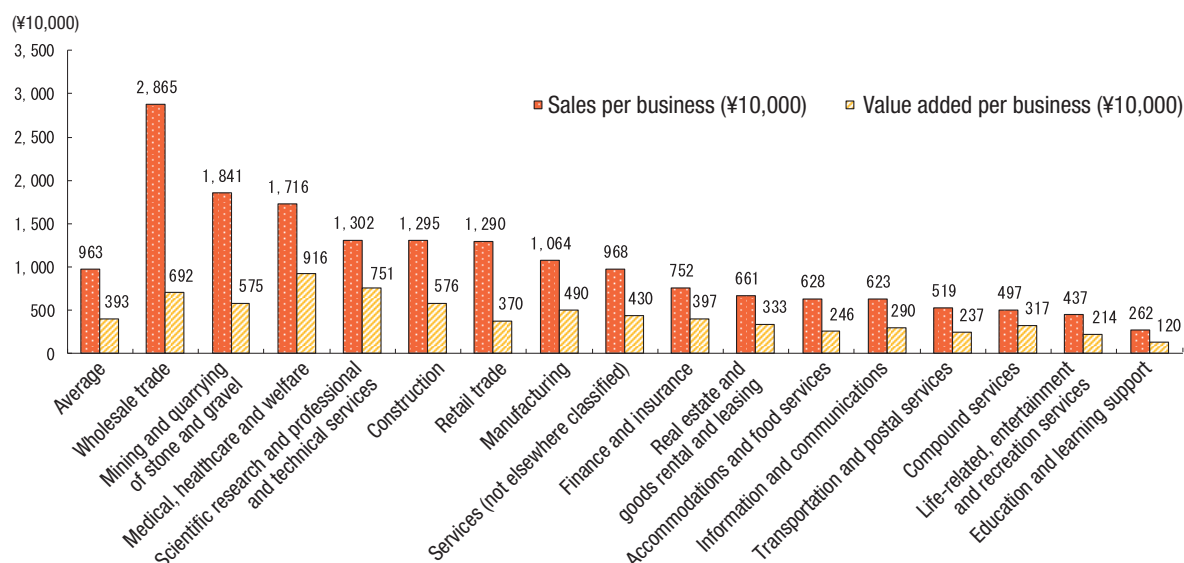
These reveal that whereas sole proprietorships' average sales per business come to ¥9.63 million and average value added per business comes to ¥3.93 million, the corresponding figures for corporations are ¥79.67 million and ¥19.74 million respectively. In other words, corporations have on average 8.3 times higher sales and 5.0 times higher value added than sole proprietorships.

At the level of individual industries as well, it can be seen that these figures are higher for organized corporations than for sole proprietorships in all industries.

Fig. 1-1-32 and Fig. 1-1-33 compare the sales and value added per worker of sole proprietorships and corporations at the level of individual industries.

From this it can be seen that whereas sole proprietorships' average sales per worker are ¥3.99 million and average value added per worker are ¥1.63 million, the corresponding figures for corporations are ¥14.68 million and ¥3.64 million respectively. Corporations thus have on average 3.7 times higher sales and 2.2 times higher value added than sole proprietorships. At the level of individual industries as well, the figures are higher for organized corporations than for sole proprietorships in all industries. However, the gap between the two is not as great as when considered on a per business basis.

Fig. 1-1-30 Micro business sales and value added per business (sole proprietorships)



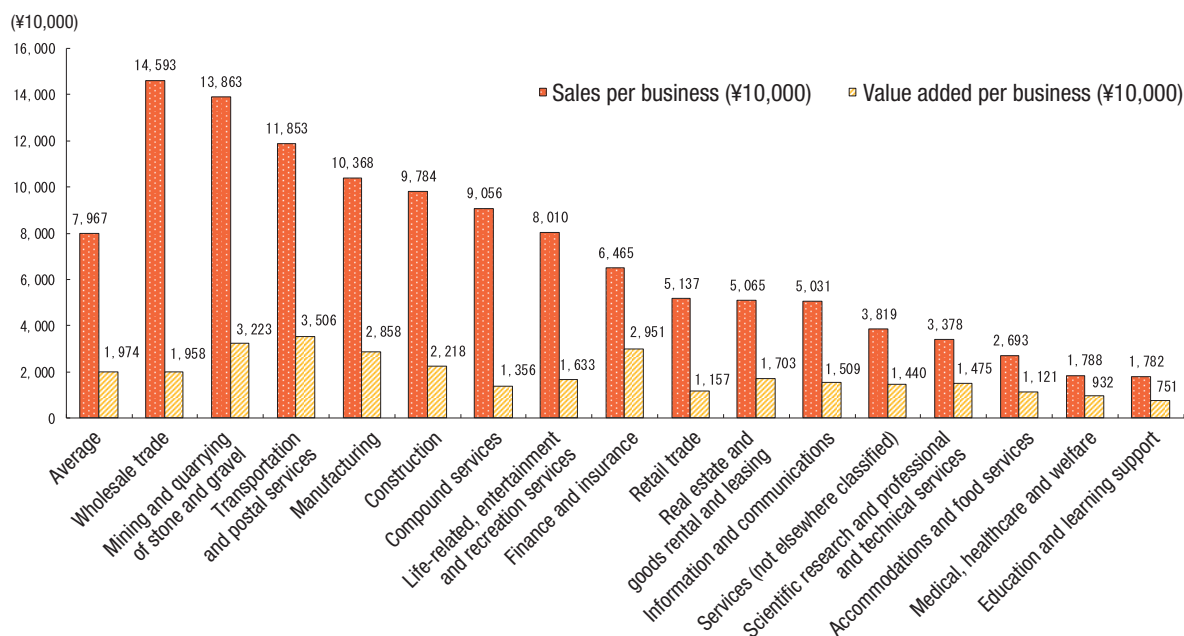
Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

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, it is calculated by the following formula:

value added = sales – total expenses (cost of sales + selling and general administrative expenses) + gross pay + taxes and public impositions

2. The electricity, gas, heat supply and water industry contains no sole proprietorships for statistical purposes and so is not included in the above.

Fig. 1-1-31 Micro business sales and value added per business (corporations)



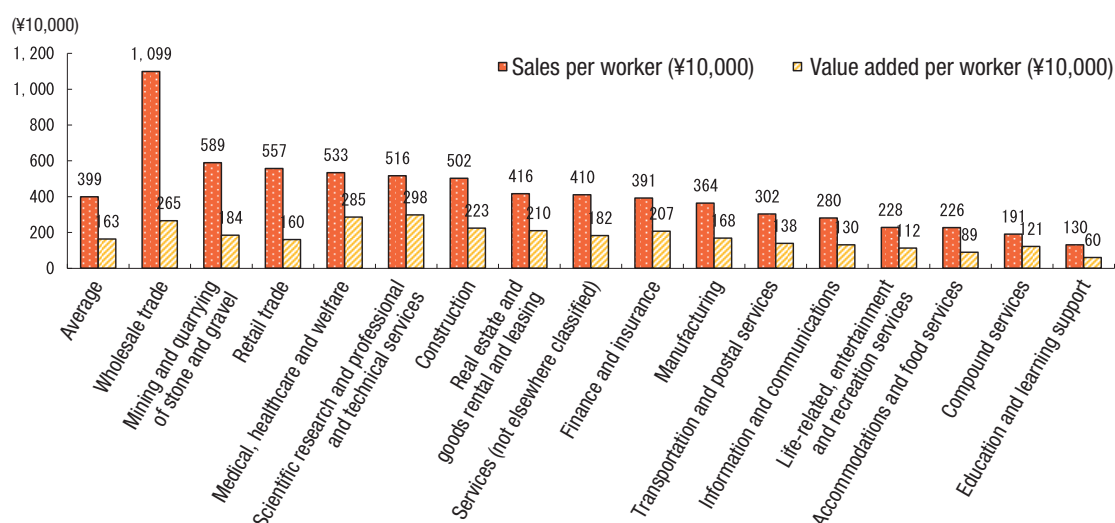
Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

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, it is calculated by the following formula:

value added = sales – total expenses (cost of sales + selling and general administrative expenses) + gross pay + taxes and public impositions

2. Sales per enterprise exceed ¥1,100 million in the electricity, gas, heat supply and water industry due to the small number of enterprises and high level of sales in this industry. It is therefore not shown as it would be off the scale of the graph. (More specifically, sales per business in this industry are ¥1,168.53 million and value added per business is ¥187.15 million.)

Fig. 1-1-32 Micro business sales and value added per worker (sole proprietorships)



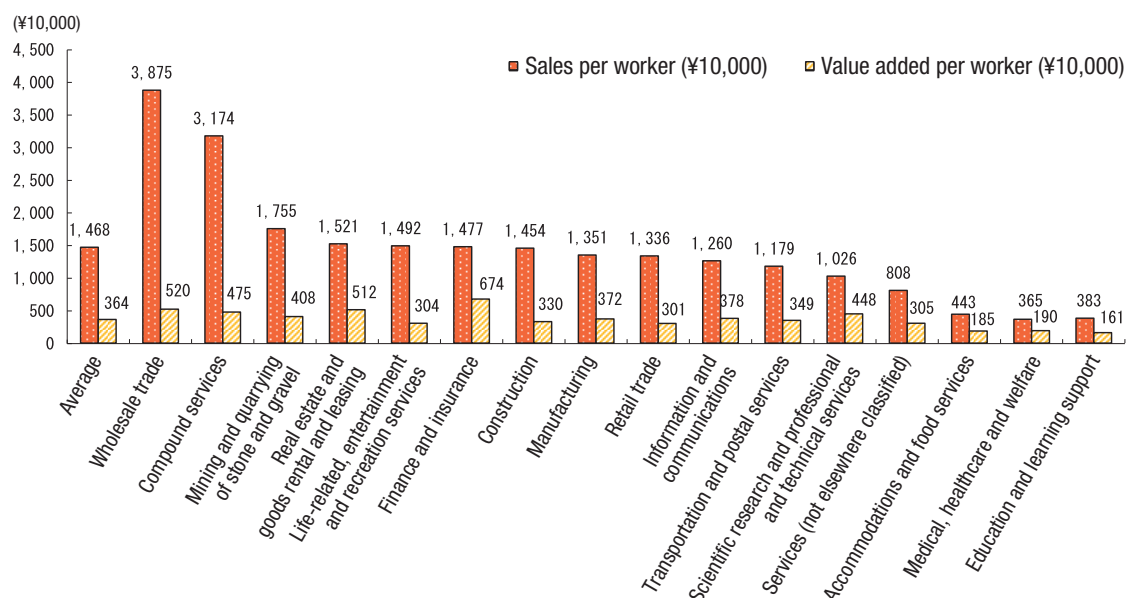
Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

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, it is calculated by the following formula:

value added = sales – total expenses (cost of sales + selling and general administrative expenses) + gross pay + taxes and public impositions

2. The electricity, gas, heat supply and water industry contains no sole proprietorships for statistical purposes and so is not included in the above.

Fig. 1-1-33 Micro business sales and value added per worker (corporations)



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, it is calculated by the following formula:

value added = sales – total expenses (cost of sales + selling and general administrative expenses) + gross pay + taxes and public impositions

2. Sales per worker exceed ¥100 million in the electricity, gas, heat supply and water industry due to the small number of enterprises and high level of sales in this industry. It is therefore not shown as it would be off the scale of the graph. (More specifically, sales per worker in this industry are ¥139.60 million and value added per worker is ¥22.36 million.)

Column

1-1-4

Differences between sole proprietorships and corporations

As observed in Section 2, approximately 60% of micro businesses are “sole proprietorships” and approximately 40% are “corporations.” Here, we review the differences between these two forms of business in terms of management, legal and tax systems, and business succession.

• **Management (business activity) and legal differences**

Column Fig. 1-1-4 (1) summarizes the management (business activity) and legal differences between sole proprietorships and corporations.

Managerially, while a sole proprietorship is owned and run by an individual (natural person) who is responsible for the conduct of business, a corporation does business as a separate legal person with its own legal rights and obligations, and any liabilities arising from its business activities are borne by the corporation separately from the individual.

Legally, the owner of a sole proprietorship is personally responsible for the proprietorship’s business activities, and so bears unlimited liability for business transactions. A corporation, on the other hand, is a recognized legal person with its own legal rights and obligations, and as such its business liabilities are borne by the corporation and isolated from the owner. The owner thus bears what is called “limited liability,” which is limited to the amount that the owner has personally invested in the corporation.

Column Fig. 1-1-4 (1) Management (business activity) and legal differences between sole proprietorships and corporations

Management (business activity) differences		
Item	Sole proprietorship	Corporation (joint-stock company)
Startup procedure and costs	<ul style="list-style-type: none"> As a rule, can be freely started up at any time. No registration required and comparatively quick. No particular costs incurred. 	<ul style="list-style-type: none"> Various procedures required, including preparation of articles of incorporation and registration of incorporation Time and expenses of incorporation required.
Line of business	As a rule, can engage in any business and may change it at any time.	Line of business must be stated in the articles of incorporation and any change in these articles must be formally registered.
Public credibility	Typically somewhat less creditworthy than corporations.	<ul style="list-style-type: none"> Typically more creditworthy than sole proprietorships. Advantageous when it comes to major transactions, getting bank loans, attracting employees, etc.
Loans from financial institutions	<ul style="list-style-type: none"> Attention needs to be paid to state of business activities and keeping of accounts. Sole proprietor has unlimited liability. 	<ul style="list-style-type: none"> Typically find it easier to obtain loans than sole proprietorships. When seeking a loan, the proprietor is often required to provide a personal guarantee of some kind.
Accounting	Relatively simple to prepare accounting books and financial statements.	Complicated to prepare accounting books and financial statements.
Legal differences		
Item	Sole proprietorship	Corporation (joint-stock company)
Business liability	Proprietor bears “unlimited liability” for financial obligations. Thus while business results devolve entirely upon the proprietor, so too does liability to discharge all debts.	<ul style="list-style-type: none"> As a rule, liability for financial obligations is limited. Thus the company’s and individual’s assets are kept separate, and the owner is only liable for as much as he/she invested in a company if it has to be wound up. However, individuals such as representatives often have to provide joint and several guarantees for transactions, in which case they will remain liable to the extent of the guarantees provided. Liability is unlimited in the case of some general partnerships and limited partnerships (general partners).
Exit from business	Financial obligations survive even after exiting from business.	If a corporation is dissolved and liquidation completed, its financial obligations are extinguished. However, individuals such as representatives often have to provide joint and several guarantees, in which case their obligations under these guarantees survive.

• Tax differences

Below we compare the different tax systems for sole proprietorships and corporations. Column Fig. 1-1-4 (2) shows the differences in the tax system for sole proprietorships and corporations (with capital of up to ¥100 million). Straightforward calculation of the amounts owed in national taxes indicates that if taxable income is ¥9.05 million, the income tax of a sole proprietorship will be the same as the corporate tax of a corporation with up to ¥100 million in capital. If taxable income is less than this, the sole proprietorship's income tax will be lower than the corporate tax of a corporation with capital of up to ¥100 million. If taxable income is greater than this, the sole proprietorship's income tax will be higher than the corporate tax of a corporation with capital of up to ¥100 million.

In actual practice there are other differences as well, including the handling of expenses (e.g., deductible expenses at a corporation and necessary expenses at a sole proprietorship). One should be aware, therefore, that it is impossible to make sweeping comparisons between sole proprietorships and corporations. It is also necessary to remember that the above compares only the income tax (ignoring special income tax for reconstruction) paid by individuals and corporate tax (ignoring special local corporate tax and local corporate tax) paid by corporations at the national tax level, and does not include a comparison of local taxes.

Column Fig. 1-1-4 (2) Tax differences between sole proprietorships and corporations (with capital of up to ¥100 million)

	Sole proprietorships				Corporations			
					Taxable income	Up to ¥4 million	Over ¥4 million to ¥8 million	Over ¥8 million
National taxes	Income tax (per taxable income bracket)	Tax rate per taxable income bracket		Deductions	Corporate taxes	15.00% (19.00%)	15.00% (19.00%)	23.90%
		Up to ¥1.95 million	5%	¥0				
		¥1.95 million to ¥3.30 million	10%	¥97,500				
¥3.3 million to ¥6.95 million		20%	¥427,500					
¥6.95 million to ¥9.00 million		23%	¥636,000					
¥9.00 million to ¥18.00 million		33%	¥1,536,000					
¥18.00 million to ¥40.00 million		40%	¥2,796,000					
Over ¥40.00 million	45%	¥4,796,000						
Special income tax for reconstruction	2.1% added to tax calculated above for 25-year period from January 1, 2013							
Local taxes (including some national taxes)	Sole proprietorship tax	(Business income – ¥2.9 million) × 3~5% • 3%~5% tax rate depending on industry			Corporate enterprise tax	5.00% [2.70%] (3.40%)	7.30% [4.00%] (5.10%)	9.60% [5.30%] (6.70%)
					Special local corporate tax (National tax)	[2.187%] (1.4688%)	[3.24%] (2.2032%)	[4.293%] (2.8944%)
	Individual inhabitant tax (Prefectural inhabitant tax)	Per capita Per income levy	¥1,000+¥500 uniform 4%	Corporate inhabitant tax (Prefectural inhabitant tax)	Formerly 5.0% 3.2% applied to fiscal year beginning on or after October 1, 2014			
	Individual inhabitant tax (Municipal inhabitant tax)	Per capita Per income levy	¥3,000+¥500 uniform 6%	Corporate inhabitant tax (Municipal inhabitant tax)	Formerly 12.3% 7.9% applied to fiscal year beginning on or after October 1, 2014			
					Local corporate tax (National tax)	4.4% of amount of base corporate tax in each fiscal year		
					Corporate inhabitant tax per capita	More than ¥10 million capital, more than 50 workers ¥200,000		
						More than ¥10 million capital, up to 50 workers ¥180,000		
					Up to ¥10 million capital, more than 50 workers ¥140,000			
					Up to ¥10 million capital, up to 50 workers ¥70,000			

Sources: Prepared by SME Agency from MIC, MOF, and JETRO data and other sources.

- Notes:
1. Income tax rate is the rate applied from January 1, 2015.
 2. Corporate tax rate is the rate applied from the fiscal year from April 2015 to the end of fiscal 2016 (rates shown in parentheses are original tax rates).
 3. The “+¥500” added to individual inhabitant tax is the amount imposed for 10 years from fiscal 2014 to fund reconstruction measures implemented in keeping with the basic principles for reconstruction laid down by the government.
 4. Regarding corporate enterprise tax and special corporate tax:
Tax rates in square brackets [...] are the rates that apply to the fiscal years beginning between October 1, 2008, and September 30, 2014. Of this, the special local corporate tax rate is 81% of the amount of corporate enterprise tax.
Tax rates in parentheses (...) are the rates that apply to the fiscal year beginning on or after October 1, 2014. Of this, the special local corporate tax rate is 43.2% of the amount of corporate enterprise tax.
 5. Special local corporate tax is a new national tax created in conjunction with a lowering of the rate of corporate enterprise tax by revisions to the tax system in fiscal 2008, and its purpose is to rectify regional imbalances in tax revenue sources. Amounts corresponding to revenue from this tax are transferred to the prefectures as special local corporate transfer tax.
 6. The tax rate for corporate inhabitant tax is the standard tax rate stipulated by the Local Tax Act. The rates that apply in individual prefectures and municipalities differ according to the local government concerned.
 7. Local corporate tax was introduced in conjunction with a reduction in the corporate inhabitant tax rate to rectify regional imbalances in tax revenue sources and narrow the gap in financial strength by providing a tax revenue source to fund national tax revenue allocated to local governments. It went into effect on October 1, 2014.

Column Fig. 1-1-4 (3) summarizes the different tax arrangements for sole proprietorships and corporations.

Column Fig. 1-1-4 (3) Tax differences between sole proprietorships and corporations

Item	Sole proprietorships	Corporations (joint-stock companies)
Fiscal year	<ul style="list-style-type: none"> • Calendar year from January 1 to December 31. • Tax returns filed between February 16 and March 15 of following year. 	<ul style="list-style-type: none"> • Can specify any period of its choosing (typically 1 year). • As a rule, tax returns are filed within 2 months of the end of the fiscal year.
Proprietor's pay	—	<ul style="list-style-type: none"> • Proprietor's pay is deductible as expenses if an appropriate amount. • Must be formally approved by ordinary shareholders' meetings and the board of directors.
Relatives' pay	<ul style="list-style-type: none"> • Pay of relatives that share the same livelihood is not as a rule recognized. • Pay of "family employees" may exceptionally be deducted as expenses if the following conditions are met: <ol style="list-style-type: none"> 1) Must be a spouse or other relative sharing the same livelihood as the taxpayer. 2) Must be at least 15 years old as of December 31 in the year concerned (or at the time of death if he/she or the taxpayer dies during the year). 3) As a rule, must have worked solely for the business run by the taxpayer for more than 6 months over the course of the year concerned. * In the real estate rental business, business size requirements must also be met. 	<ul style="list-style-type: none"> • Pay of proprietor's family members may be deducted as expenses if an appropriate amount. • If a director or other officer, pay must be formally approved by ordinary shareholders' meetings and the board of directors.
Life insurance premiums	<ul style="list-style-type: none"> • Proprietor's life insurance premiums are not deductible as expenses. *Certain life insurance premiums can qualify as life insurance deductions. 	<ul style="list-style-type: none"> • Directors' and other officers' life insurance premiums are in principle partially or wholly deductible as expenses.
Entertainment expenses	<ul style="list-style-type: none"> • All entertainments expenses incurred for business deductible as expenses. 	<ul style="list-style-type: none"> • Corporations with capital of up to ¥100 million can deduct up to ¥8 million in expenses.

• Business succession differences

Column Fig. 1-1-4 (4) summarizes the different business succession arrangements for sole proprietorships and corporations. Whereas a corporation's corporate status survives unchanged when a business succession occurs, a "notification of discontinuation of business" must be filed when the proprietor of a sole proprietorship dies, and the successor to the business must file a "notification of opening of business." Formally, the inherited business is treated as a new business.

In the case of both sole proprietorships and corporations, business assets are as a rule acquired by inheritance or purchase. In the case of corporations, the company itself is succeeded to by the inheritance or purchase of the company's own stock.

Other major differences include the blurred division between business and other assets in the case of sole proprietorships, which makes it hard to distinguish between the two objectively, and the fact that retirement allowances paid to family employees of sole proprietorships cannot be deducted as expenses.

Column Fig. 1-1-4 (4) Business succession differences between sole proprietorships and corporations

Item	Sole proprietorships	Corporations (joint-stock companies)
Notification of tax office, etc.	<ul style="list-style-type: none"> • A "notification of discontinuation of business" must be filed when the sole proprietor dies. • The successor to the business must then file a "notification of opening of business." Formally, the proprietorship is treated as a new business. 	<ul style="list-style-type: none"> • The corporate status of a corporation survives unchanged. • If there is a change of representative, a "notification of change" must be filed with the tax office and registry office.
Business assets, etc.	The individual assets required to succeed to a business are acquired by inheritance, gifting, purchase, etc.	Business assets are handled the same way as with sole proprietorships. However, the company itself is succeeded to through inheritance, gifting, purchase, etc. of the company's own stock.
Tax breaks for business successions	Regarding land for business use, special arrangements are provided for assessing the value of small housing lots and similar property for inheritance tax purposes.	Regarding own stock, special arrangements are provided to allow exemption or a grace period for payment of inheritance and gift tax on unlisted stock.
Retirement allowance for proprietor	—	<ul style="list-style-type: none"> • May be deducted as expenses provided that the proper procedures are followed and the amount is appropriate.
Retirement allowances for family members	Retirement allowances paid to family members cannot be deducted as expenses.	<ul style="list-style-type: none"> • May be deducted as expenses provided that the proper procedures are followed and the amount is appropriate.

Column

1-1-5

Utility of the basic procedures for SME accounting to micro businesses

As observed in Section 2, approximately 40% of micro businesses are corporations. Below, we survey the new “basic procedures for SME accounting” (hereafter referred to as “SME accounting procedures”) that have been developed with the needs of SMEs and micro businesses in mind, and are designed to be easier for proprietors to follow.

• **Overview of SME accounting procedures**

The SME accounting procedures were published on February 1, 2012, to provide a new set of accounting rules tailored to the actual circumstances faced by SMEs and their proprietors. They were developed by the Investigative Commission on Accounting at SMEs formed by the various actors involved with SMEs (SME associations, licensed tax accountants, certified public accountants, finance-related groups, and academics) and assisted by the Small and Medium Enterprises Agency and Financial Services Agency serving as its secretariat.

These new rules were developed with the accounting needs and practices at SMEs and micro businesses in mind because, while accounting rules for listed enterprises do not apply to unlisted SMEs, there have not hitherto existed any accounting rules that SMEs and micro businesses could easily utilize (Column Fig. 1-1-5 (1)).

Column Fig. 1-1-5 (1) Accounting situation at SMEs and micro businesses

- 1) Few accounting personnel and insufficient ability and accounting structures to follow advanced accounting procedures.
- 2) Only required to disclose accounting information to business partners, financial institutions, family shareholders, tax authorities, etc.
- 3) Often practice accounting aware mainly of procedures laid down by the Corporation Tax Act.

The SME accounting procedures are designed specifically with the actual circumstances of SMEs and micro businesses in mind. They provide simple procedures focused on those areas that in practice are most essential to conforming to the tax system, while lightening the administrative burden (Column Fig. 1-1-5 (2)). Detailed information can be found on the Small and Medium Enterprise Agency’s website (<http://www.chusho.meti.go.jp/zaimu/youryou/about/>).

Column Fig. 1-1-5 (2) Areas covered by the SME accounting procedures (excerpt)

Item	Summary
[Reserve for credit losses]	The rules clarify that this can also be calculated at the legal reserve rate permitted for small and medium corporations by the Corporation Tax Act.
[Securities]	Securities are as a rule valued at acquisition cost as under the Corporation Tax Act. (Securities purchased for trading purposes are recorded at market value.)
[Inventories]	The rules clarify that the “last cost method” commonly used by SMEs can be used as well as other valuation methods.
[Provisions for retirement benefits]	Provision for retirement benefits must be rationally calculated in accordance with the conditions at an enterprise (including employees’ length of service), and must be recorded based on the amount payable for voluntary retirement (e.g., as a certain percentage of that amount).

• Utility of the SME accounting procedures

The SME accounting procedures are applicable to all joint-stock companies, including micro businesses, and were designed bearing in mind the needs of businesses with few accounting personnel and insufficient structures to follow advanced accounting procedures.

Using the SME accounting procedures to accurately monitor a company's financial data and business conditions is like keeping track of one's health by going for a regular full medical checkup. Just as regularly tracking one's health makes it possible to catch and treat diseases at an early stage or to prevent them entirely, keeping track of financial data and business conditions allows an enterprise to identify business challenges, take appropriate action in response, and improve its management and business. If a proprietor can discuss his or her own company's strengths, moreover, this enhances its credibility in the eyes of financial institutions and business partners and can lead to more opportunities to do business and raise finance.

Column Fig. 1-1-5 (3) shows the various effects of using the SME accounting procedures. These include cost-cutting and revenue-enhancing effects such as "cost reductions made possible by more precise ascertainment of cost input," "avoidance of unclear payments and payment processing," and "identification of unprofitable divisions," as well as financing-enhancing effects such as "ability to provide financial institutions with monthly financial statements, making it easier to obtain loans" and "improvement of reputation with financial institutions and gaining the confidence of tax authorities."

Using the SME accounting procedures not only improves the credibility of financial statements and enables better investment decision-making and management improvements, but it also leads to smoother financing and so should contribute to more sustainable business development.

**Column Fig. 1-1-5 (3) Actions and effects at micro businesses
(as reported by micro businesses)**

Type of action	Effects (reported by micro businesses)
[Cost reduction and earnings growth]	<ul style="list-style-type: none"> • More precise ascertainment of cost inputs made it easier to negotiate prices with suppliers and outside contractors and map out ways of cutting costs (15 workers: manufacturing). • We used to do a lot of vague accounting using suspense accounts, etc. However, settling travel and entertainment expenses at the point that definite amounts are finalized has made it possible for us to avoid vague payments and payment processing (8 workers: wholesale/retail trade). • Accounting for revenues and expenses in a manner that linked them to individual business divisions revealed unprofitable departments. Publishing monthly statements and figures on the profitability of each division has also transformed employees' mindset and made possible action to cut costs and strengthen sales backed by a greater awareness of the figures for them (18 workers: wholesale/retail trade).
[Enhancement of fund raising ability]	<ul style="list-style-type: none"> • When requested to provide financial institutions with monthly financial statements, we were able to do so on the spot. We were also able to easily obtain financing when purchasing a new building, and to do so at a low interest rate (20 workers: manufacturing). • More precise accounting enhanced our reputation with financial institutions and also allowed us to gain the trust of the tax authorities (3 workers: services).

Section 3 The business foundations of micro businesses

Sections 1 and 2 examined the definitions and diversity of micro businesses. In this section, the focus is on an analysis of the business foundations underpinning micro businesses' business activities based on the questionnaire findings of the *Survey on the*

Conditions of Business Activities of Micro-Businesses.²⁾

We consider the business foundations of micro businesses from four perspectives: the three elements of management—i.e., human resources, business assets, and funding—and support arrangements.

1 The human resources behind micro businesses

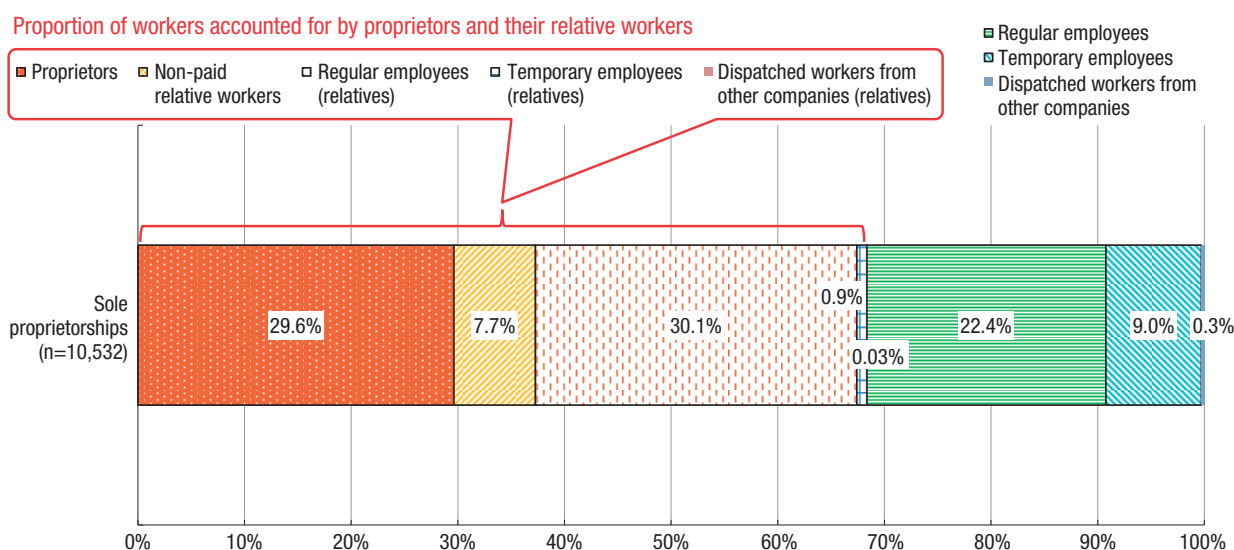
(1) Employment mix at micro businesses

The first aspect of micro businesses' business foundations to consider is human resources.

The employment mix at the sole proprietorships that account for approximately 60% of all micro businesses in Japan (Fig. 1-1-25) is shown in Fig. 1-1-

34. From this it is evident that proprietors themselves and their relative employees constitute approximately 70% of the mix. Broken down in greater detail, sole proprietors themselves account for 29.6%, non-paid relative workers 7.7%, and regular employees who are relatives 30.1%.

Fig. 1-1-34 Employment mix at sole proprietorships



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

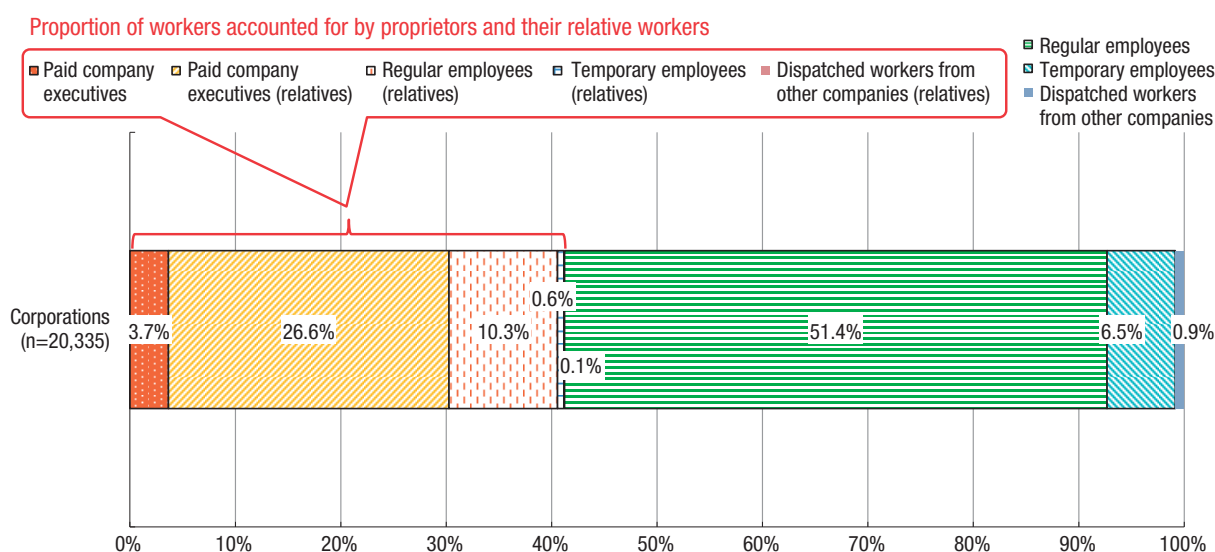
2) An online survey of micro businesses belonging to the Central Federation of Societies of Commerce and Industry and the Japan Chamber of Commerce and Industry. It was commissioned by the Small and Medium Enterprise Agency (SME Agency) and conducted by the Applied Research Institute, Inc. in January 2015. It received 5,874 valid responses.

The employment mix at the corporations that make up around 40% of micro businesses (Fig. 1-1-25) is shown in Fig. 1-1-35. From this it can be seen that proprietors themselves and their relative employees account for approximately 40% of the total. Although the proportion of relatives is lower than at sole proprietorships, paid company executives (including

the proprietors themselves) and regular employees who are relatives still account for 30.3% and 10.3% of the total respectively.

These figures show that, notwithstanding some variation between corporations and sole proprietorships, proprietors and their relatives play an important role in keeping micro businesses in operation.

Fig. 1-1-35 Employment mix at corporations

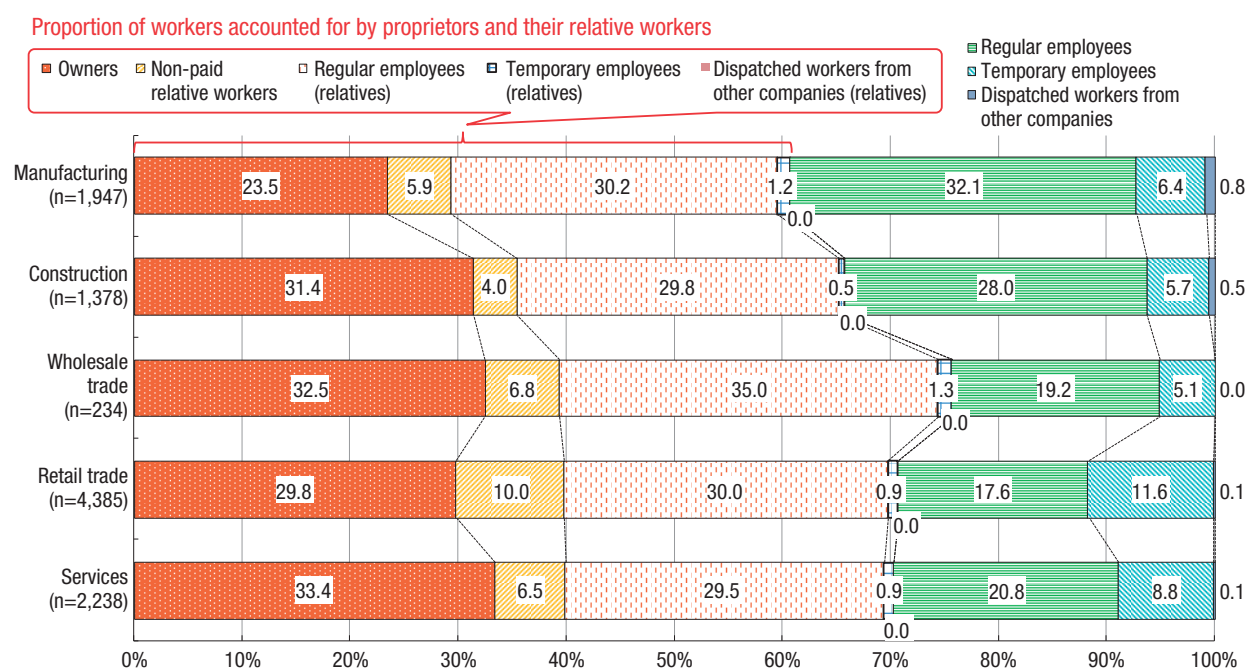


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

The situation at sole proprietorships is examined in greater depth below in terms of the proportions of workers accounted for by proprietors themselves and their relative employees in individual industries (Fig. 1-1-36).

The proportions are comparatively higher in the wholesale and retail trades and services, reaching around 70% in these three industries. They are also high in manufacturing, although somewhat lower by comparison at around 60%.

Fig. 1-1-36 Employment mix at sole proprietorships by industry



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

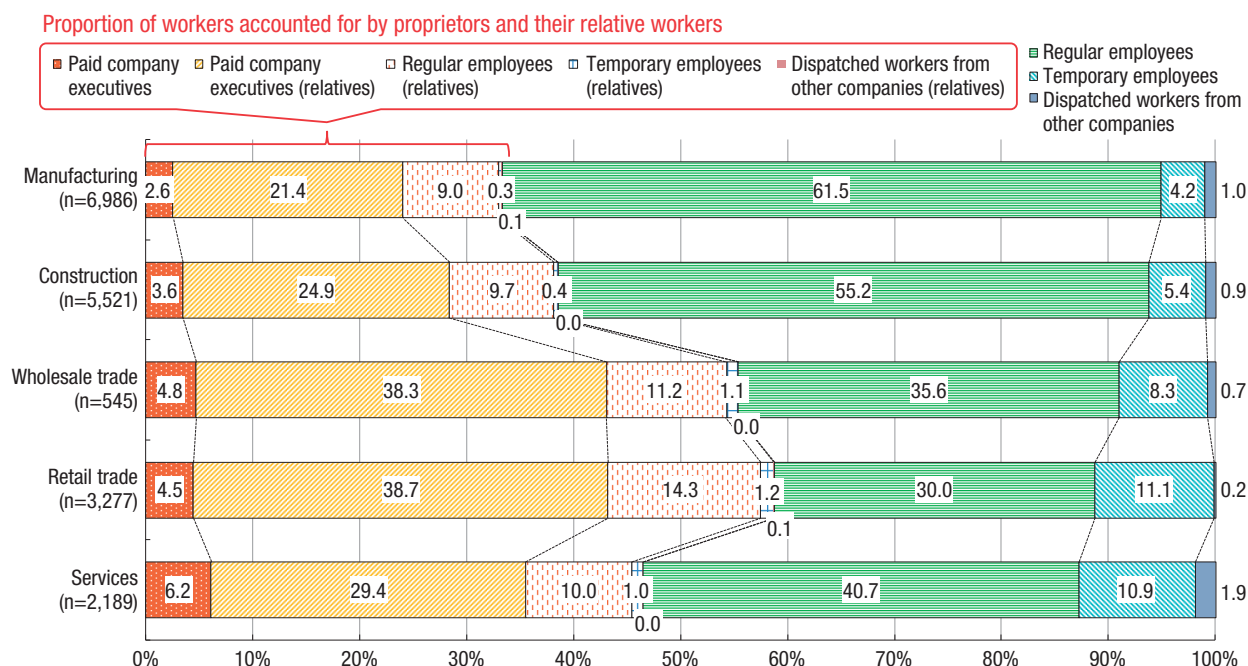
Notes: 1. "Retail trade" includes eating and drinking services.

2. "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

A similar breakdown by industry of the situation at corporations (Fig. 1-1-37) finds that proportions tend to be comparatively high (almost 60%) in two industries, namely the wholesale and retail trades. In services, however, the proportion is below 50%, and in manufacturing it is only around 30%.

These figures indicate that proprietors and their relatives play a more pronounced role in running the business at sole proprietorships than at corporations. It may also be noted that the difference in the proportion of related workers by industry is greater for corporations than for sole proprietorships.

Fig. 1-1-37 Employment mix at corporations by industry



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Notes: 1. "Retail trade" includes eating and drinking services.

2. "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

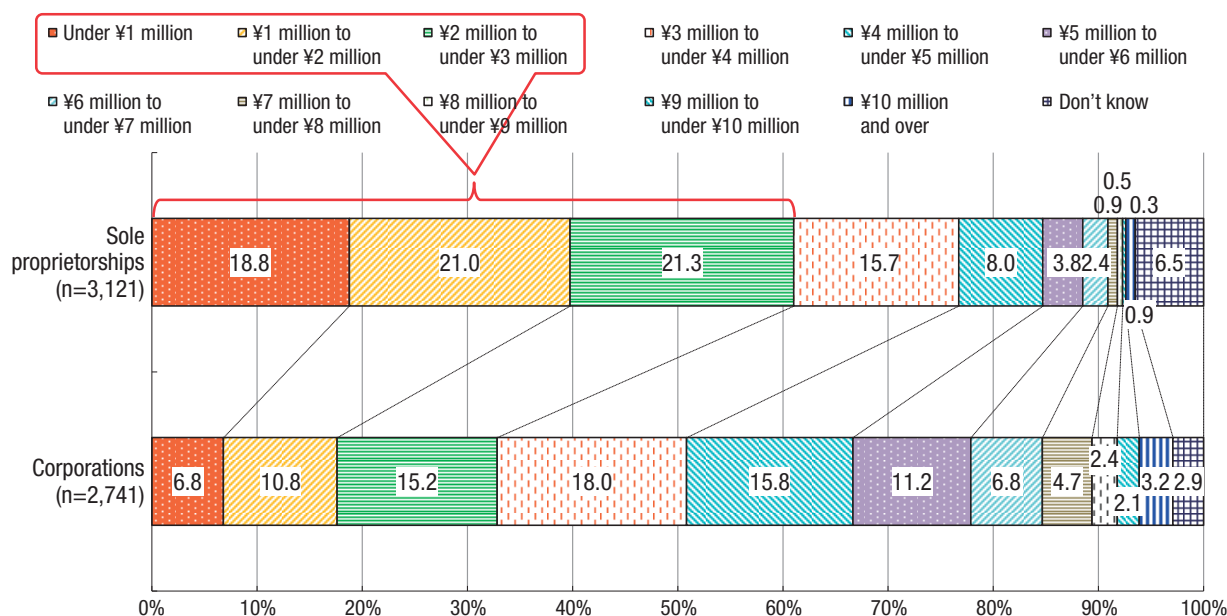
One factor that has a close bearing on the high proportion of relative workers at micro businesses is the annual income of their proprietors. Examining the net annual income of proprietors (Fig. 1-1-38), approximately 60% earn less than ¥3 million at sole proprietorships. Net annual income is slightly higher, at corporations, although 50% still earn less than ¥4 million.

This reflects the fact that while the proprietors themselves may not earn enough to support a

household, their incomes combined with the incomes of the family members and other relatives whom they employ are sufficient to support a household.

It should be further noted here that the micro business proprietors granted special treatment under the Income Tax Act (such as an exemption allowing income to be calculated on a cash basis) are defined as those individuals whose combined business income and real estate income does not exceed ¥3 million.

Fig. 1-1-38 Net annual income of proprietors at sole proprietorships and corporations



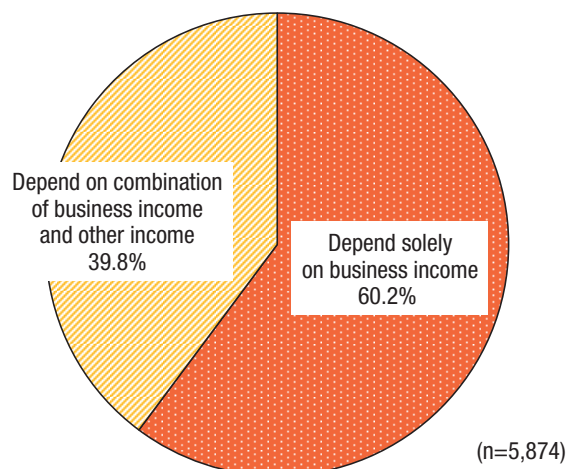
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

As regards how the proprietors of micro businesses support themselves, approximately 60% live solely on their business income, but the remainder supplement this with income from other sources (Fig. 1-1-39).

The commonest source of income other than

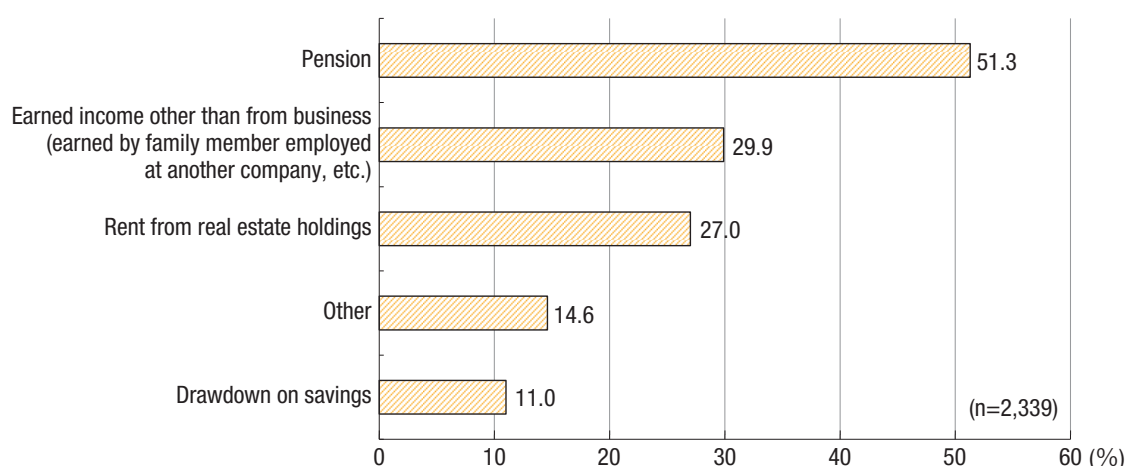
business income is “pension,” followed by “earned income such as pay received by family member working at another company” and “real estate rental income” (Fig. 1-1-40).

Fig. 1-1-39 Sources of livelihood of proprietors



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Fig. 1-1-40 Sources of livelihood of proprietors (income sources other than business income (multiple responses))



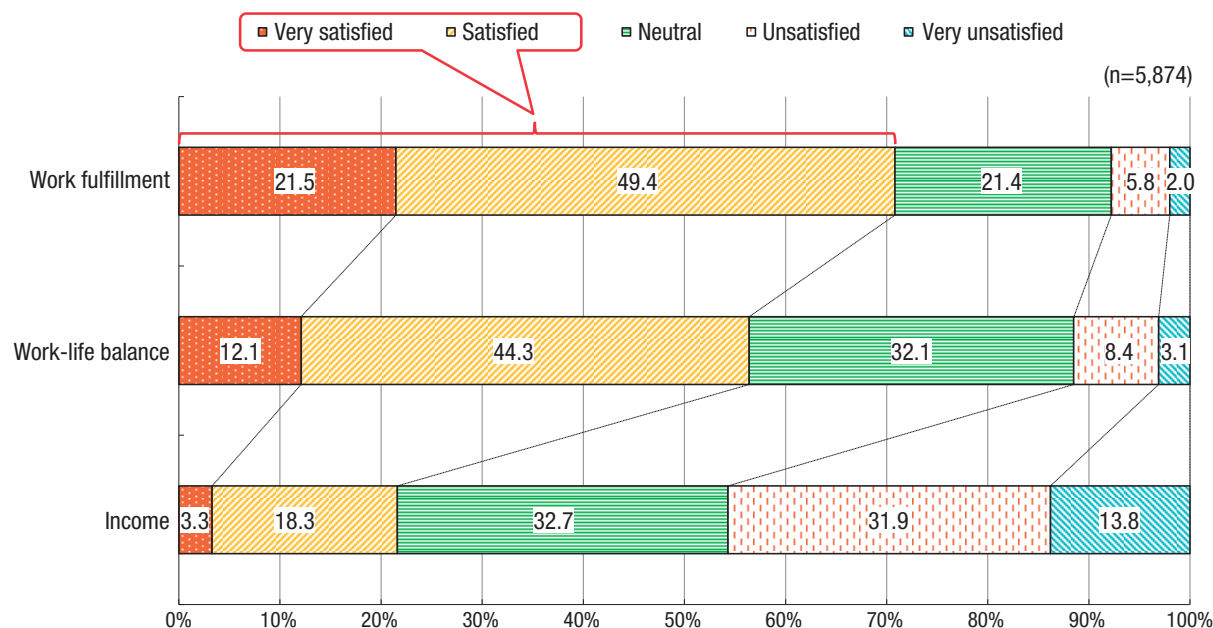
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Having summarized the circumstances of proprietors' income and livelihood, the next question to consider is: How much satisfaction do they derive from running a business?

Fig. 1-1-41 depicts proprietors' satisfaction levels. Regarding "work fulfillment" and "work-life balance,"

a very significant majority reported that they felt "very satisfied" or "satisfied."

Despite a marked proportion of the respondents being less happy in terms of "income," the results indicate that, on the whole, proprietors approach their work with pride.

Fig. 1-1-41 Satisfaction levels of proprietors

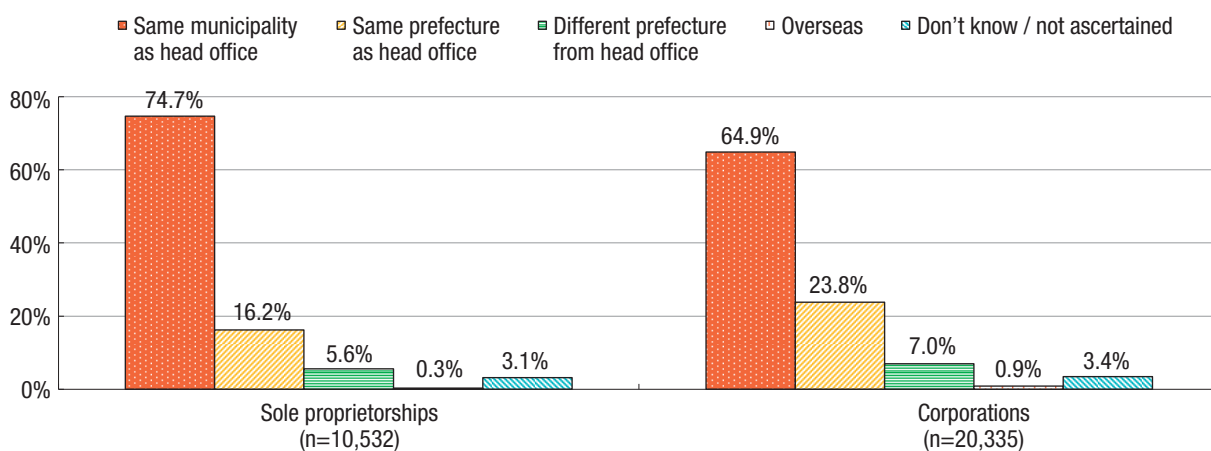
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

(2) Characteristics of workers at micro businesses

This sub-section identifies some of the main characteristics of workers at micro businesses.

Fig. 1-1-42 breaks down workers (including proprietors) at micro businesses by place of origin.

A conspicuous proportion come from the same municipality as that in which their employer is based, and this figure is 10% points higher for sole proprietorships (75%) than for corporations (65%). This suggests that corporations are slightly more likely than sole proprietorships to hire from further afield.

Fig. 1-1-42 Employment mixes at sole proprietorships and corporations by place of origin

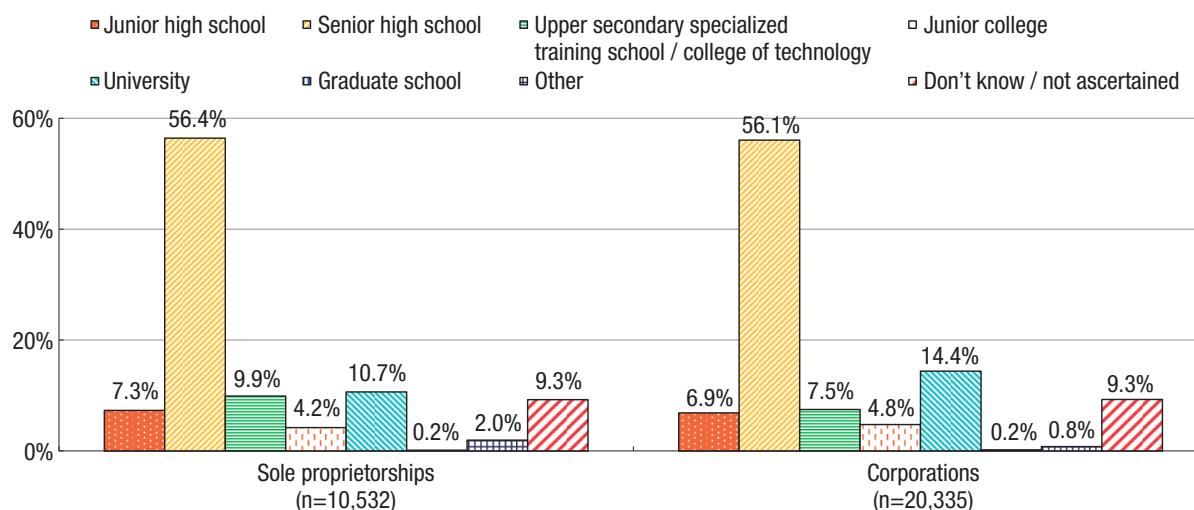
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: "Workers" includes proprietors.

Considering next the educational background of workers at micro businesses, as shown in Fig. 1-1-43 a very high proportion (almost 60% at both sole

proprietorships and corporations) are high school graduates.

Fig. 1-1-43 Employment mixes at sole proprietorships and corporations by educational background



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

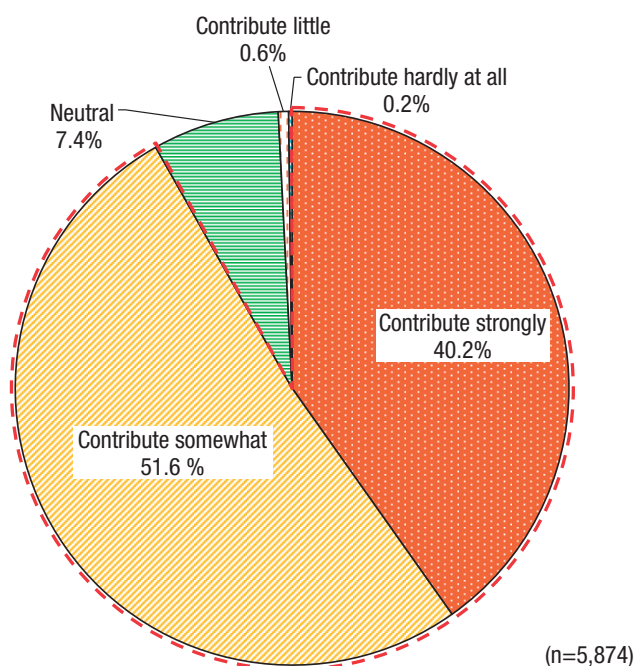
Note: "Workers" includes proprietors.

How then are these employees of micro businesses viewed by proprietors? Fig. 1-1-44 shows proprietors' responses to this question. More than 90% said that their employees "contribute somewhat" or "contribute strongly" to the company or business, and less than 1% replied that they "contribute little" or "contribute

hardly at all."

This indicates that local high school graduates are regarded as a highly attractive source of human resources by micro businesses. Put another way, micro businesses serve as an important source of employment for people who grew up locally.

Fig. 1-1-44 Proprietors' views of employees' contributions to company and business

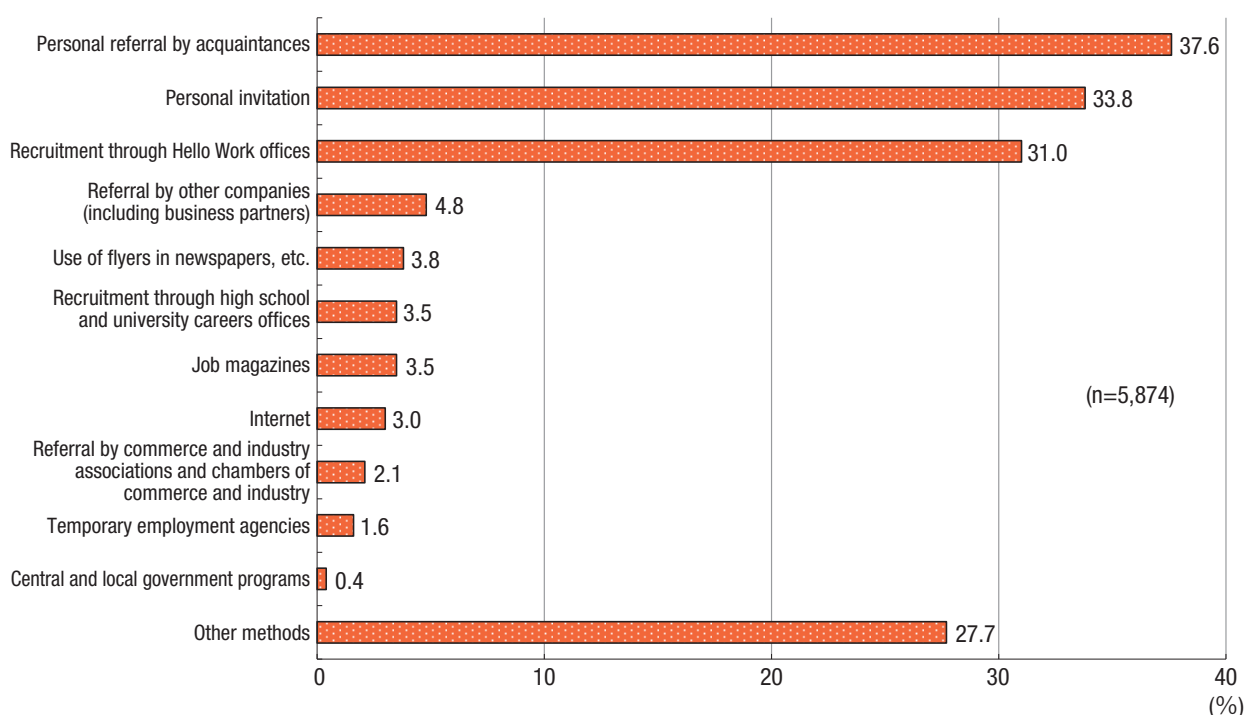


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

These results lead to the question of how micro businesses hire these human resources. Fig. 1-1-45 shows the results of asking proprietors about their hiring practices. From this it can be seen that a significant proportion do so through personal networks such as “personal referral by acquaintances” and “personal invitation,” followed by “recruitment through Hello

Work” (public employment security offices). While the high proportion of related workers at micro businesses may also be a factor here, these results suggest that because proprietors and workers are in close contact with one another at micro businesses, proprietors choose to use hiring methods that emphasize human relations post hiring.

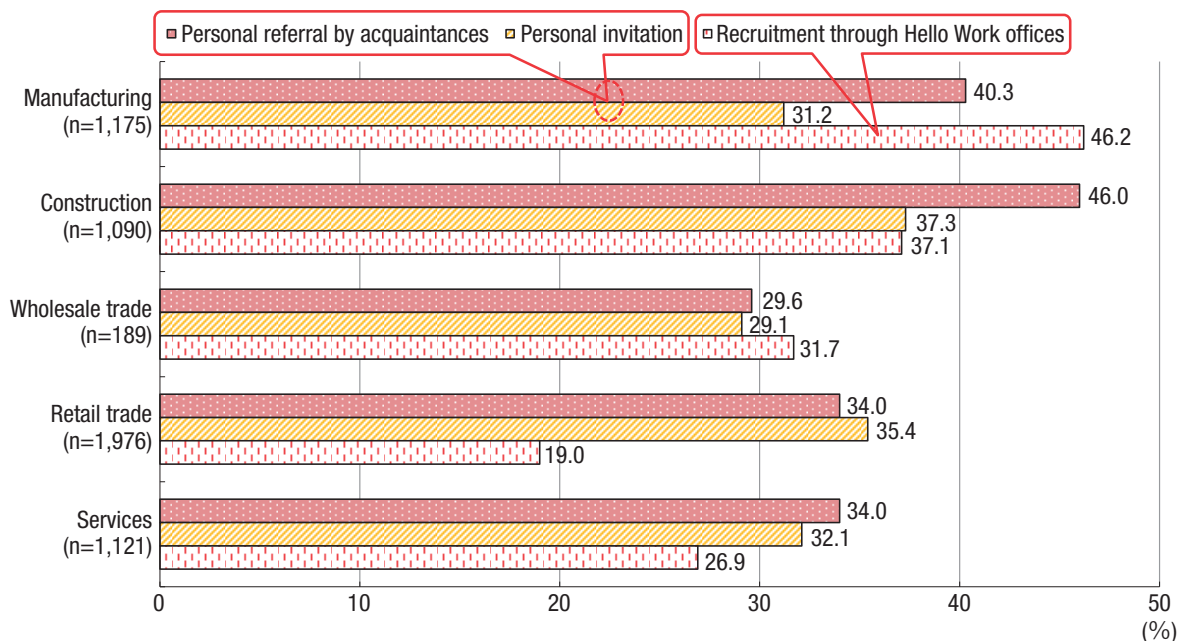
Fig. 1-1-45 Hiring methods (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

As was observed in Fig. 1-1-45 (hiring methods), micro businesses exhibit a tendency to hire human resources through personal connections and Hello Work offices. This situation is depicted in greater detail at the individual industry level in Fig. 1-1-46. While there is a preference across all industries for hiring methods that utilize personal connections, hiring through Hello Work offices tends to be less common in the retail trade and more common in manufacturing and construction. This is because, in the section of

the Basic Act on Promoting Small Enterprises that defines micro businesses overall as businesses with a regular workforce not in excess of 20 employees, micro businesses in industries such as the retail trade are specifically defined as businesses with 5 or fewer such employees. Micro businesses in these industries consequently hire in comparatively smaller numbers, making it easier for them to adopt hiring methods that depend more heavily on personal connections.

Fig. 1-1-46 Hiring methods by industry (multiple responses)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Notes: 1. Three commonest responses regarding hiring methods in each industry.

2. "Retail trade" includes eating and drinking services.

3. "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

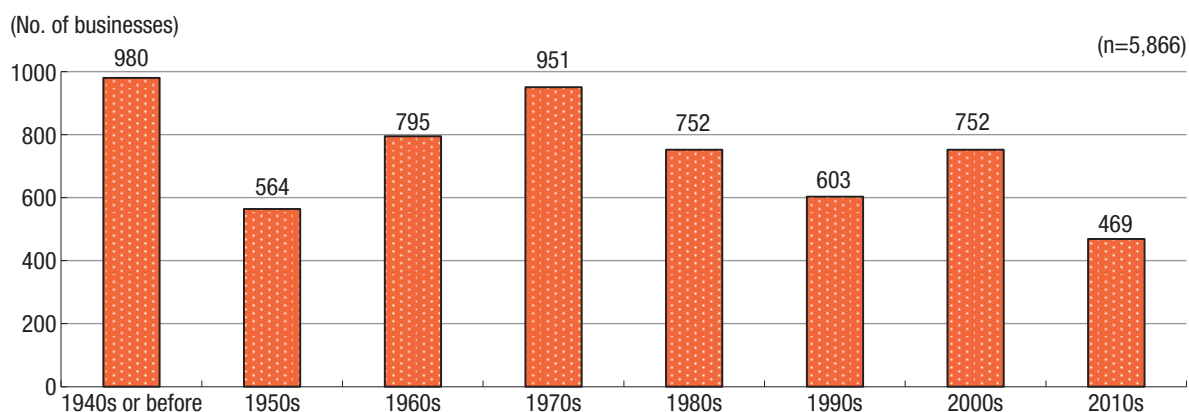
(3) Characteristics of proprietors of micro businesses

Having thus far examined the employment mix and the characteristics of workers employed at micro businesses, in this sub-section we review the characteristics of micro business proprietors.

Fig. 1-1-47 shows results obtained when proprietors were asked when they founded their businesses. From

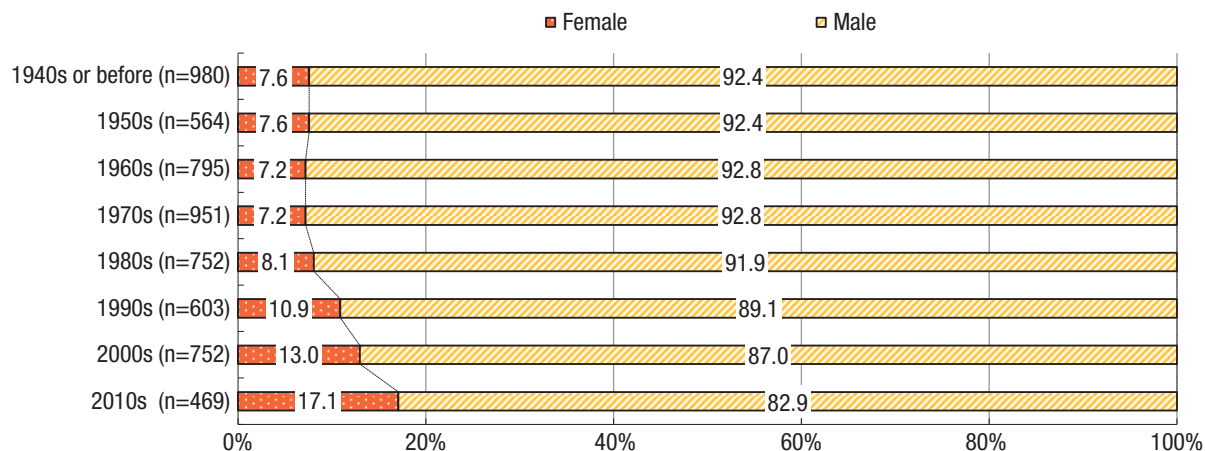
this it is evident that the most recent peak period for micro-business startups was the 1970s. However, there also exist many long-established micro businesses that were founded in the 1940s or earlier, and have been in business for over 60 years.

A feature of the micro businesses that started up in recent years is the high proportion of women among their current proprietors (Fig. 1-1-48).

Fig. 1-1-47 Time of startup

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Fig. 1-1-48 Time of startup (by gender of current proprietor)

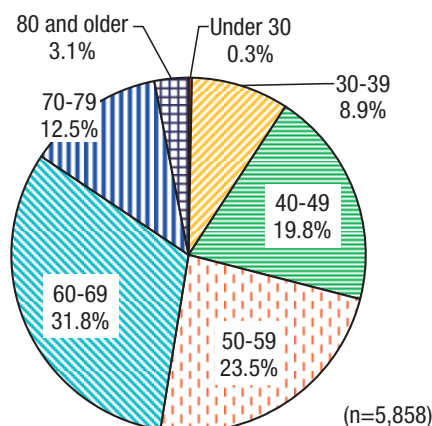


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

A breakdown of proprietors by age group is presented in Fig. 1-1-49. 60- to 69-year-olds account for the largest share, followed by 50- to 59-year-olds and 40- to 49-year-olds. Older proprietors aged 70 or

over, who would normally have reached mandatory retirement age if employed at an enterprise or other organization, make up a little under 20% of the total.

Fig. 1-1-49 Breakdown of proprietors by age group

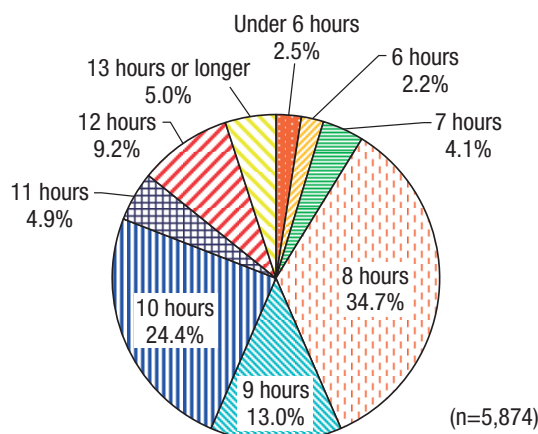


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Regarding actual working hours (Fig. 1-1-50), the largest proportion of proprietors work on average 8 hours per day, followed by 10 hours and 9 hours. This

is slightly longer than the average actual working hours of workers at comparatively small business establishments (7 hours and 42 minutes).³⁾

³⁾ This value was obtained by dividing the total actual working hours per month in 2013 (145.5 hours) by the number of days worked (18.9 days) at businesses establishments with between 5 and 29 regular employees according to Ministry of Health, Labour and Welfare, *Monthly Labour Survey*.

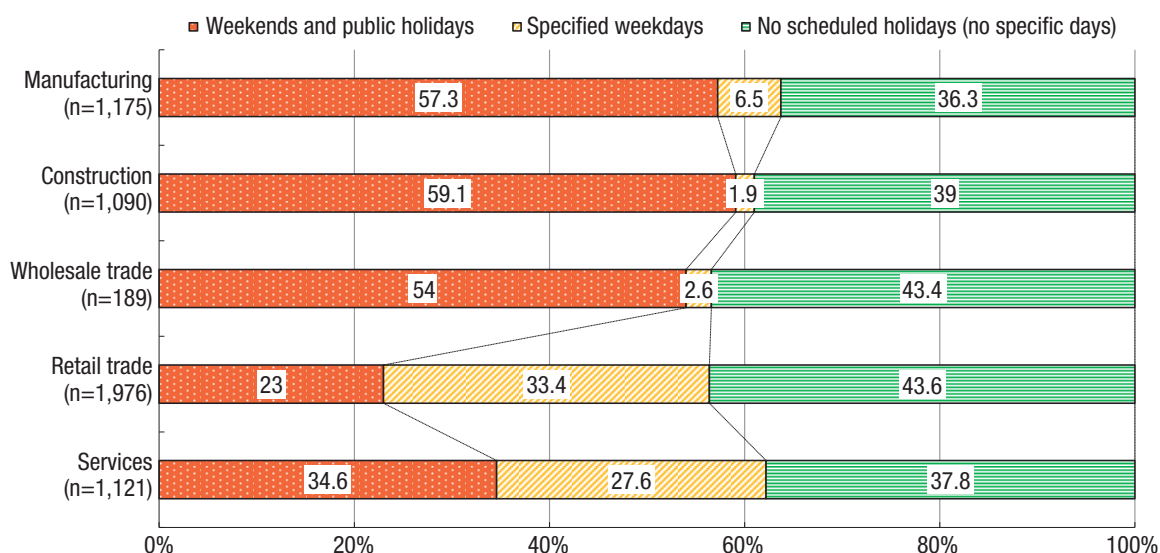
Fig. 1-1-50 Actual working hours per day of proprietors

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

We next consider the taking of regular holidays by proprietors by industry, as shown in Fig. 1-1-51. The industries in which proprietors are most likely to take Saturdays, Sundays, and public holidays off (i.e., as per the normal working calendar) are the “monozukuri” industries of manufacturing and construction. In both these industries, around 60% of proprietors take weekends and public holidays off. In contrast, around

70% of proprietors in the customer service-oriented retail trade and service industries take no scheduled holidays or only take holidays on a particular weekday.

(While it is likely that some of the proprietors responding that they take no scheduled holidays in fact take hardly any holidays at all, this possibility was not explored in the survey.)

Fig. 1-1-51 Regular holidays taken by proprietors (by industry)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Notes: 1. “Retail trade” includes eating and drinking services.

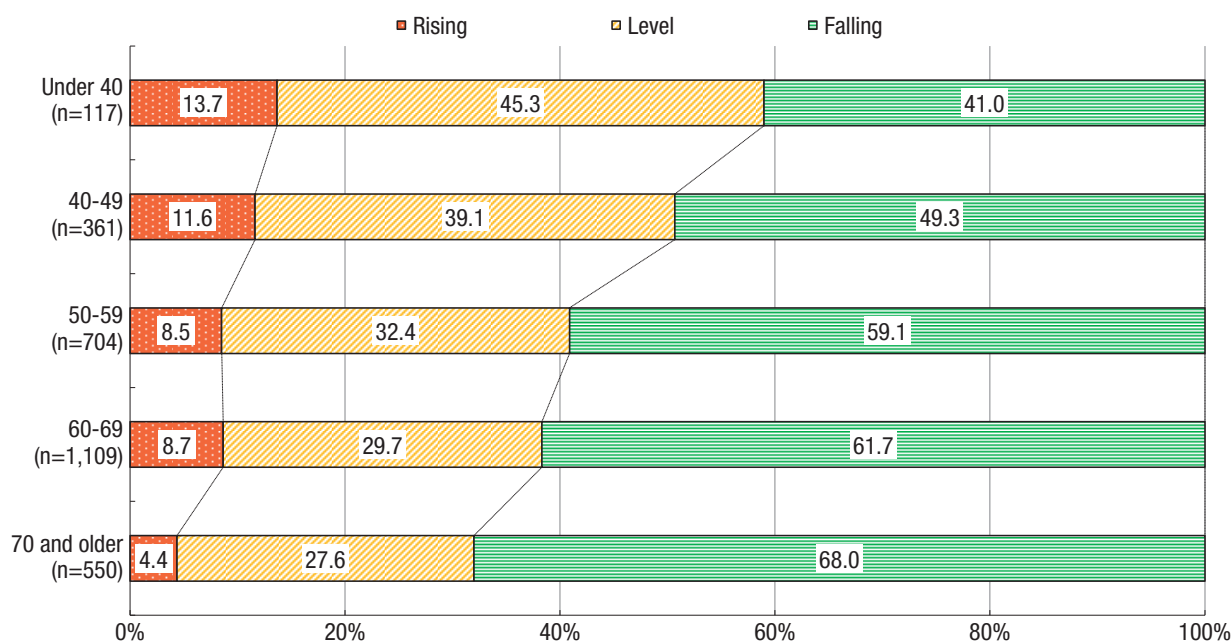
2. “Services” covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

(4) Business successions

Fig. 1-1-52 depicts recent trends in ordinary profit by proprietor age. The proportion of proprietors reporting

a decline in profits increases with proprietor age, with around 70% of those aged 70 or older responding that their profits are on the decline.

Fig. 1-1-52 Ordinary profit situation by proprietor age

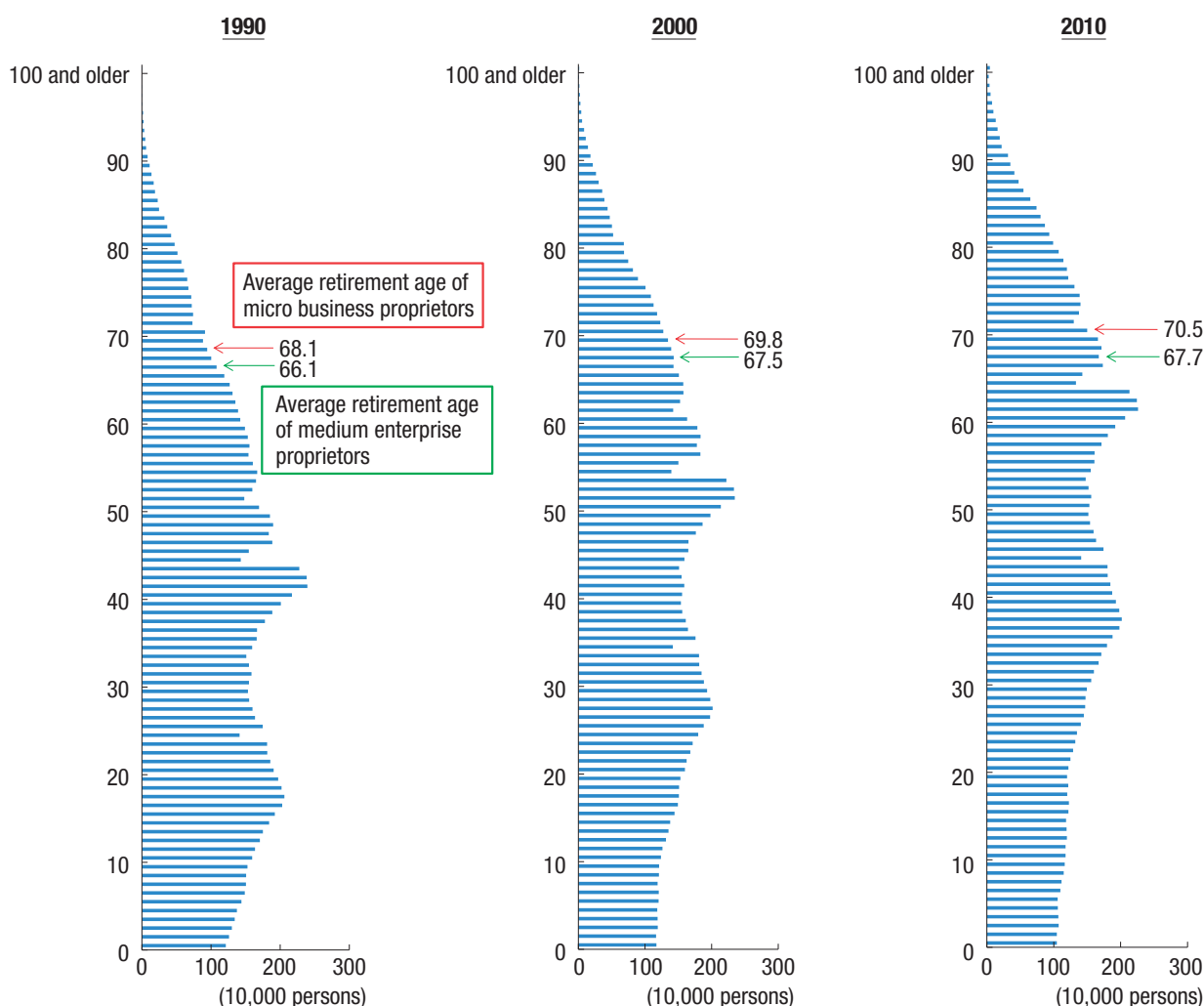


Source: Nomura Research Institute, Ltd., *Questionnaire Survey on SMEs' Business Succession* (November 2012), commissioned by SME Agency.

Note: Responses regarding the state of ordinary profits over the preceding five years (in the case of sole proprietorships, state of business income).

Fig. 1-1-53 shows the Japanese population by age group in 1990, 2000, and 2010, and the average retirement ages of proprietors. From this it can be seen that the average for proprietors of micro businesses was 68.1 in 1990, 69.8 in 2000, and 70.5 in 2010, indicating that the average retirement age of proprietors is rising

as the population ages. Taken in conjunction with the results in Fig. 1-1-52 (ordinary profit situation by proprietor age), it also reveals that proprietors are retiring at an age (70 or older) when their business' ordinary profits are on the decline.

Fig. 1-1-53 Population by age group and average retirement age of proprietors

Sources: MIC, *National Census* for population by age group; Nomura Research Institute, Ltd., *Questionnaire Survey on SMEs' Business Succession* (November 2012), commissioned by SME Agency for average retirement age of proprietors.

Note: "Average retirement age of proprietor" indicates the average retirement age of proprietors who handed over their business by means of a business succession 0-4 years before 2012 (2008-2012), 10-19 years before 2012 (1993-2002), and 20-29 years before 2012 (1983-1992). The average retirement ages for each of these periods are overlaid on the populations by age group in 2010, 2000, and 1990.

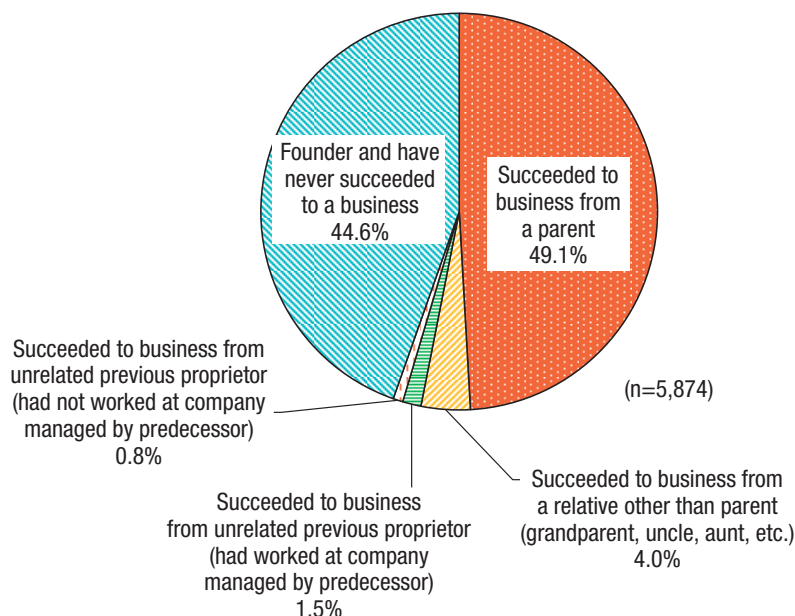
Fig. 1-1-54 shows the results obtained by asking proprietors whether they had ever succeeded to a business and, if so, from whom.

From this it can be seen that approximately one in two proprietors (49.1%) succeeded to business from a parent. Taken together with the 4.0% who said that they "succeeded to business from a relative other than parent," this means a majority (53.1%) succeeded to a business from a relative. Only 2.3% said that they

succeeded to their business from someone who was not a relative. Further, more than two in five (44.6%) responded that they were themselves the "founder and have never succeeded to a business."

These results indicate that, excluding proprietors who start their own businesses, an exceedingly high proportion of micro businesses proprietors (many of them sole proprietors) succeeded to their business from a parent.

Fig. 1-1-54 Experience of businesses successions among current proprietors

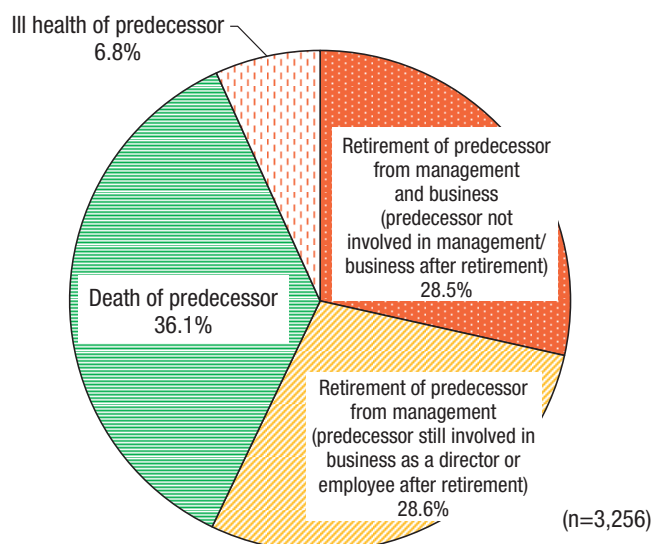


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Fig. 1-1-55 shows the results obtained when asking proprietors why they succeeded to a business. From this it can be seen that, setting aside the question of whether the previous proprietor remained involved in management or the business, the largest proportion (some 60% of the total) responded “retirement of predecessor from management and business.” Of

this 60%, around half said that their “predecessor is still involved in business as a director or employee after retirement from management.” In addition, approximately 40% of the total said they succeeded to the business due to the “death of predecessor” or “ill health of predecessor.”

Fig. 1-1-55 Reason for succession to business by current proprietor from previous proprietor



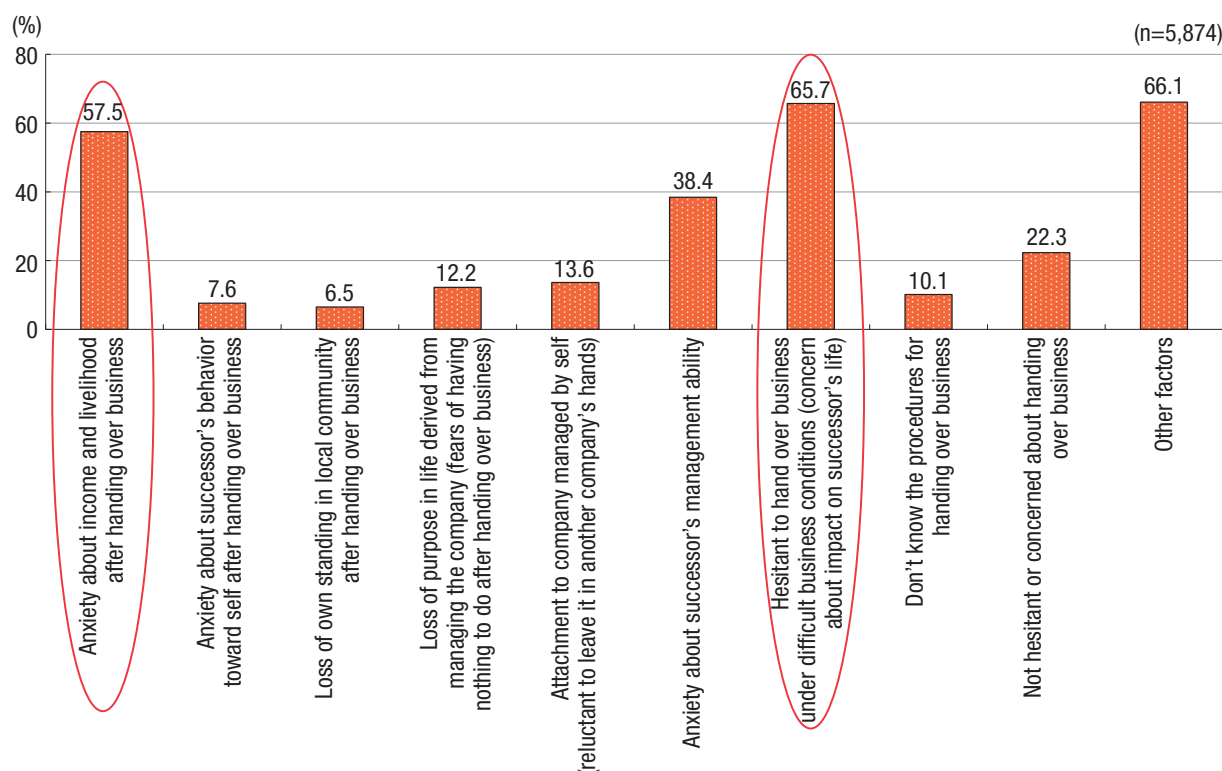
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Fig. 1-1-56 shows the results obtained when asking current proprietors about the personal factors that made them hesitant to transfer their business to a successor. Particularly large proportions responded “hesitant to transfer business under difficult business conditions (concern about impact on potential successor’s life)” and “anxiety about income and livelihood after handing over business.” The prominence of these responses evidences the concern proprietors feel about handing over their business to a successor while they are still

running it, and their worries about their own livelihood and financial stability following retirement.

From this it is apparent that business successions can be greatly facilitated by close communication between successor and predecessor, allowing the successor to assure the predecessor as clearly and as concretely as possible that he or she need have no concerns about management after the succession, and that the successor will ensure that the predecessor is supported in retirement.

Fig. 1-1-56 Personal factors that make current proprietors hesitant to hand over business (multiple responses)



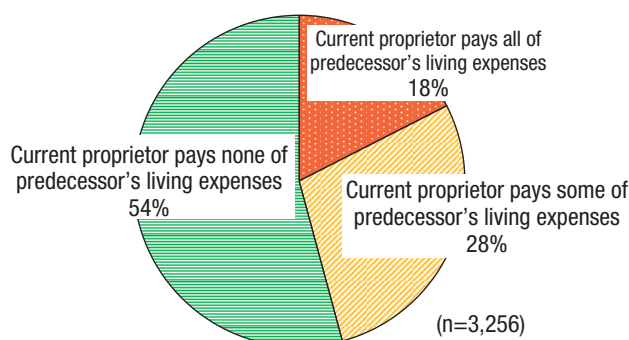
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: Results are for the three commonest responses.

With these concerns of predecessors in mind, Fig. 1-1-57 shows the extent of support provided by current proprietors to their predecessors following a business succession. From this it is apparent that a majority do

not maintain their predecessors in any way, with 54% responding that the “current proprietor pays none of predecessor’s living expenses.”

Fig. 1-1-57 Maintenance of predecessor by current proprietor after business succession



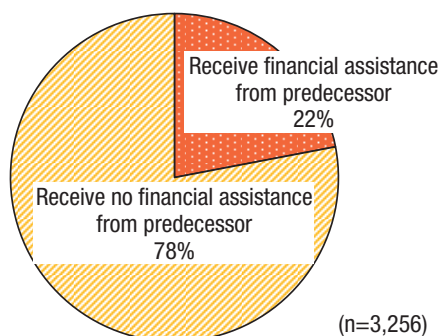
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

On the other hand, an examination of financial assistance received by current proprietors from their predecessors following a business succession (Fig. 1-1-58) indicates that approximately 20% receive financial support from predecessor.

Taken together, these results indicate that, as observed in Fig. 1-1-56 (personal factors that make

current proprietors hesitant to hand over business), not only do successors fail to dispel their predecessors’ “anxiety about income and livelihood after handing over business” when a succession occurs, they also still continue to be dependent on their predecessors following the succession.

Fig. 1-1-58 Financial assistance received by current proprietors from predecessors after business succession



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

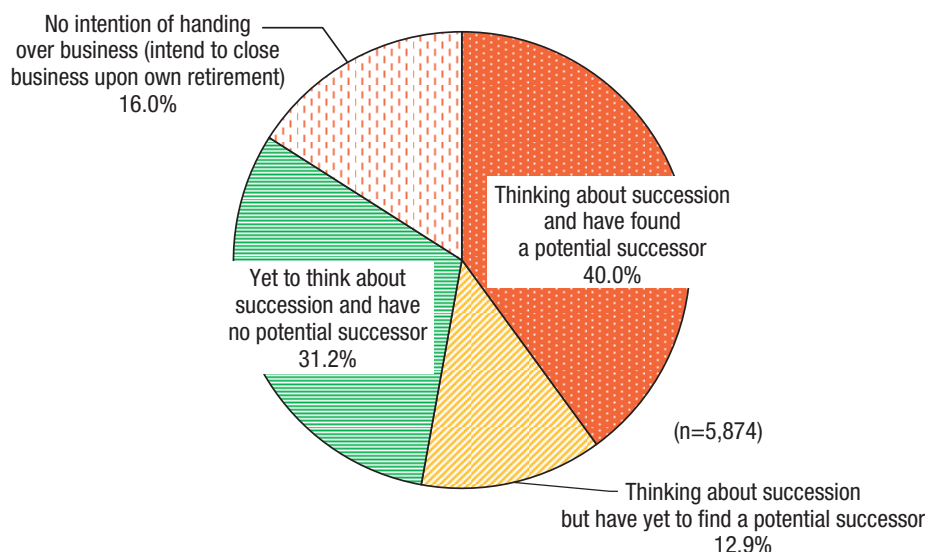
Fig. 1-1-59 shows the results obtained when asking current proprietors about their securing of a successor.

It is evident from this that, setting aside the question of whether or not they already have a potential successor lined up, approximately 50% of the proprietors surveyed are “thinking about succession.”

Further, of this 50%, nearly 80% say they have found a potential successor.

On the other hand, around 30% of proprietors surveyed said they have “yet to think about succession and have no potential successor,” while somewhat less than 20% intend to close business upon own retirement.

Fig. 1-1-59 Securing of a successor by current proprietors



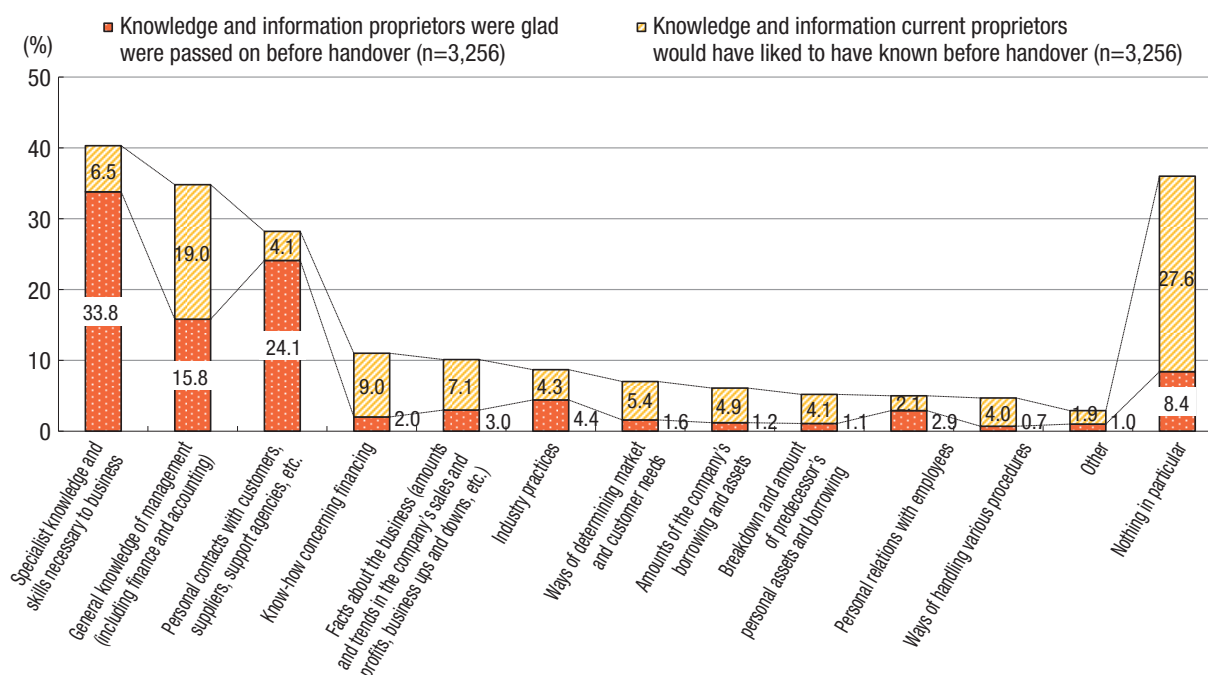
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Following on the above, Fig. 1-1-60 shows what kind of knowledge and information current proprietors consider important for a predecessor to pass on at the time of business succession. The commonest responses were “specialist knowledge and skills necessary to business,” “general knowledge of management (including finance and accounting),” and “personal connections with customers, suppliers, support agencies, etc.” There was a clear preponderance of responses concerning the knowledge and connections essential to running a business. (The commonest responses regarding knowledge and information that current proprietors were glad they actually received from their predecessors were “specialist knowledge

and skills necessary to business” and “personal contacts with customers, suppliers, support agencies, etc.”

In contrast, smaller proportions of respondents cited the importance of knowledge and information concerning financial matters, such as “know-how concerning financing,” “facts about the business (amounts and trends in the company’s sales and profits, business ups and downs, etc.),” “amount of the company’s borrowing and assets,” and “breakdown and amount of predecessor’s personal assets and borrowing.” At the opposite end of the scale, a significant percentage of respondents said there was “nothing in particular” that they wished they had known before taking over.

Fig. 1-1-60 Knowledge and information considered important by current proprietors for predecessors to pass on



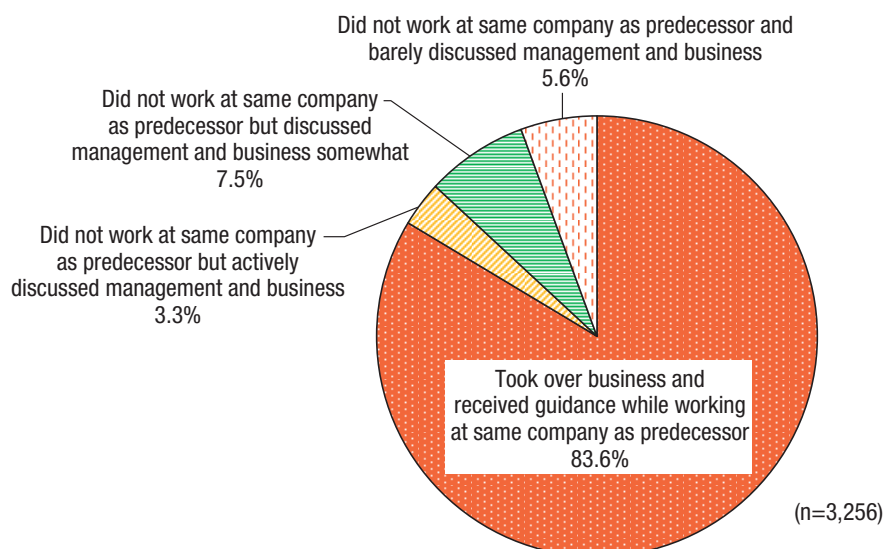
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: Respondents were allowed to choose more than one answer to the above question. However, the figure shows only the most frequent responses regarding knowledge and information that proprietors were "glad were passed on before handover" and "would have liked to have known before handover."

Next we consider the question of exactly how current proprietors take over from their successors when a business succession occurs (Fig. 1-1-61). Over 80% of respondents reported that they "took over business and received guidance while working at same

company as predecessor." From this it is evident that in most cases, handovers take place in the course of everyday work and business, with both predecessor and successor working together, face to face, in the same work environment.

Fig. 1-1-61 Current proprietors' experiences of taking over business from predecessor before business succession



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

What impact does the handover of duties before a business succession have on actual management? In answer to this question, Fig. 1-1-62 examines the relationship between the method of handover from predecessor to successor and its impact on management.

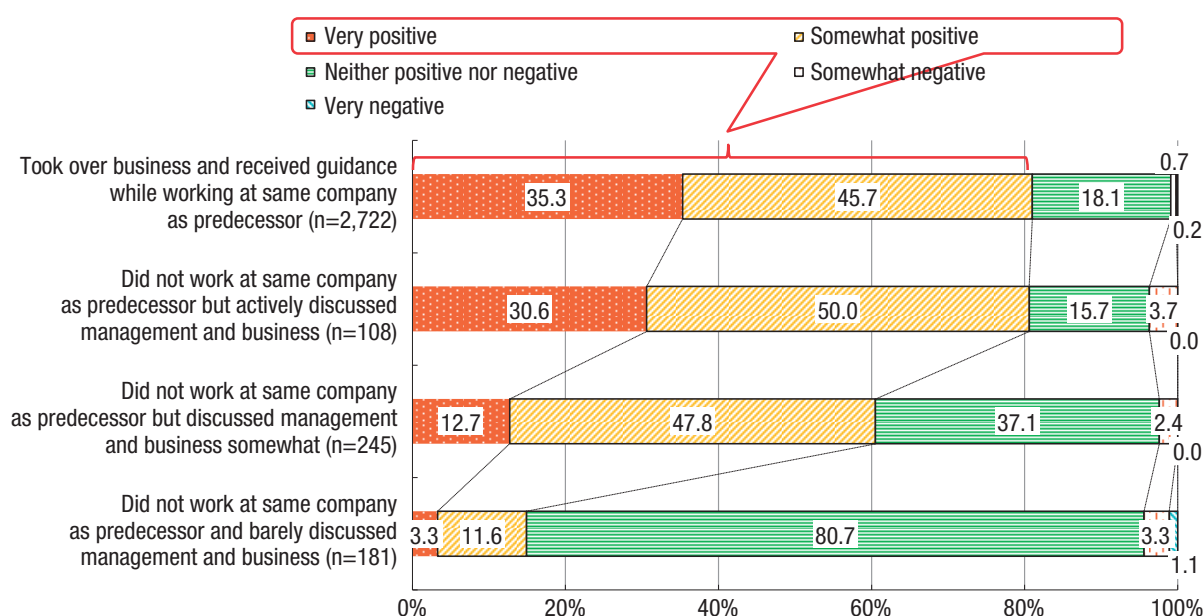
From this it can be seen that some 80% of respondents who took over business and received guidance while working at same company as predecessor reported that this had a “very positive effect” or “somewhat positive

effect” on management.

In contrast, this response falls to below 20% for proprietors who “did not work at same company as predecessor and barely discussed management and business.”

It may be concluded from this that regular and close communication between predecessor and successor when duties are handed over has a positive effect on management.

Fig. 1-1-62 Relationship between method of handover from predecessor to successor and impact on management

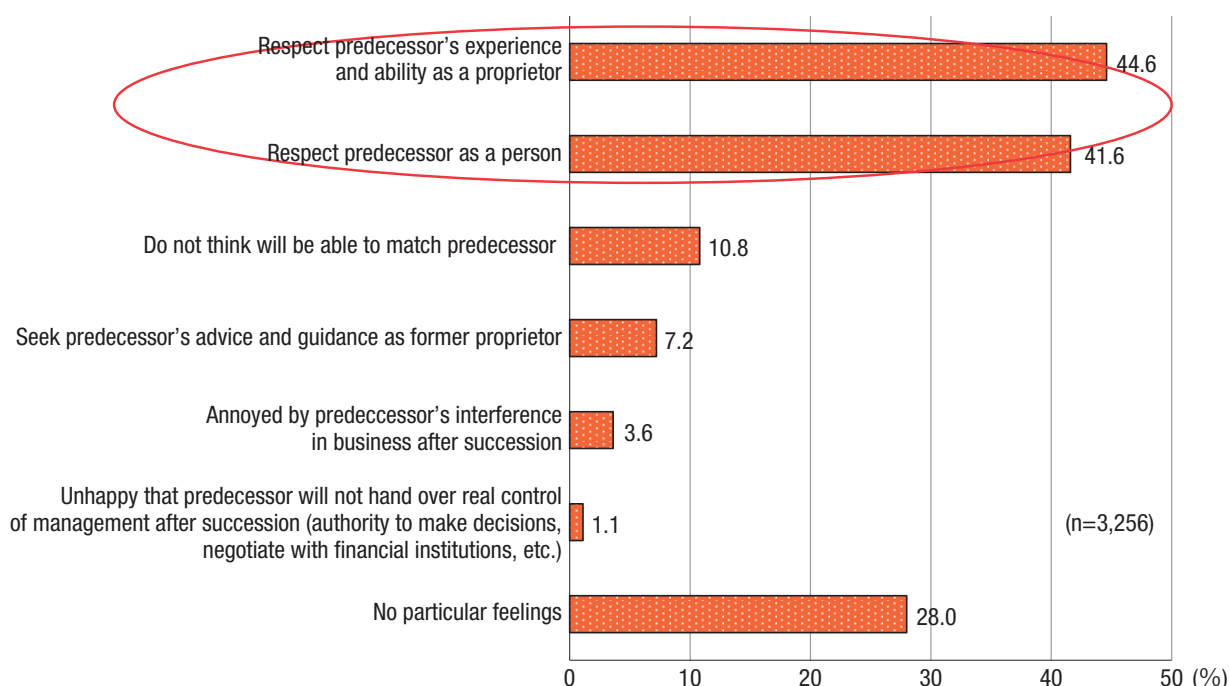


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Having shed light on several aspects of business succession by current proprietors from their predecessors, Fig. 1-1-63 shows the results obtained when current proprietors are asked about their feelings toward their predecessors. While slightly under 30%

report “no particular feelings,” considerably more (over 40%) report that they either “respect predecessor’s experience and ability as a proprietor” or “respect predecessor as a person.”

Fig. 1-1-63 Current proprietors' feelings toward their predecessors (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Column

1-1-6

Revision of the Small Enterprise Mutual Relief System

As shown in Fig. 1-1-56, livelihood and financial stability after retirement are major concerns for current proprietors.

It was to address these concerns that the Small Enterprise Mutual Relief System was launched in 1965.

The purpose of this scheme is to provide micro business proprietors with the funds needed to finance their retirement or rebuild their businesses in the event that they should close down, retire, or seek other employment, and it has served as a safety net for proprietors for half a century. As of the end of March 2014, 1,226,000 people (approximately 40% of all micro business proprietors) were enrolled.

In this 50th anniversary year, changes are planned that will facilitate business succession. This column summarizes the main recommendations made in the March 3, 2014, report of the Subcommittee on Mutual Aid Insurance of the Committee on SME Business Support, which works under the Council for Small and Medium Enterprise Policy. (These recommendations were submitted to the 189th ordinary session of the Diet in March 2015 as the Bill for the Partial Revision of the Act on Facilitation of Succession of Management of Small and Medium Sized Enterprises.)

• A retirement plan for proprietors of micro businesses

The Small Enterprise Mutual Relief System has been dubbed a “retirement plan for proprietors,” as it provides a vehicle for proprietors of micro businesses to accumulate monthly contributions in readiness for when they close down their business or retire.⁴⁾

- 4) The advantages of enrolling in the Small Enterprise Mutual Relief System are twofold: (1) tax breaks and (2) access to loans.
- (1) Tax breaks: Contributions are wholly income tax deductible. Mutual relief benefits are treated as retirement income (if received as a lump sum) or as miscellaneous income from public pensions, etc. (if received in installments).
 - (2) Access to loans: Members can obtain low-interest, unsecured, unguaranteed loans worth up to 70%–90% of their accumulated contributions (up to a maximum of ¥10 million).

The purpose of the scheme is to facilitate micro business proprietors' financial security after they cease doing business, and the highest benefit payments are made in the event a proprietor exits business, as in the case of the discontinuation of a sole proprietorship or dissolution of a company. Such situations are designated A-type benefit events. The next highest benefits are "old-age benefits," paid to members aged 65 or older who have paid in at least 180 months of contributions (B-type benefit events).

A "reduced benefit event" arises when a sole proprietor transfers his or her business to a relative (spouse or child), or when a director of a company retires from his or her position due to death, illness, or injury. In these cases, an amount equivalent to the cumulative value of contributions is paid out

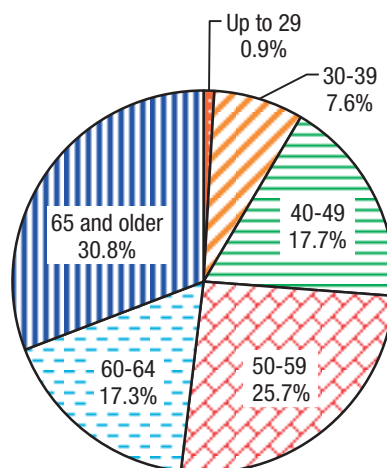
Column Fig. 1-1-6 (1) Grounds for payment of mutual relief benefits and main proposed changes to the Small Enterprise Mutual Relief System

Mutual relief event Category of member	A-type benefit event	B-type benefit event	Reduced benefit event	Termination event
	Higher ← Amount paid out → Lower			
Sole proprietors (including business partners)	<ul style="list-style-type: none"> ○ Discontinuation of sole proprietorship Note: Includes where business has been transferred other than to spouse or child. ○ Transfer of business to spouse or child ○ Death 	<ul style="list-style-type: none"> ○ Old-age benefit (aged 65 or older and at least 180 months of contributions) 	<ul style="list-style-type: none"> ○ Transfer of business to spouse or child ○ Business is incorporated and sole proprietor is not appointed a director of incorporated company 	<ul style="list-style-type: none"> ○ Non-payment of contributions for at least 12 months or improper receipt of benefit, etc. ○ Voluntary termination ○ Proprietor incorporates business and becomes a director of incorporated company
	<ul style="list-style-type: none"> ○ Dissolution of company, etc. 	<ul style="list-style-type: none"> ○ Old-age benefit (65 or older and at least 180 months of contributions) ○ Retirement from directorship aged 65 or older ○ Retirement from office due to death, illness, or injury 	<ul style="list-style-type: none"> ○ Retirement from directorship of company, etc. (except due to death, illness, injury, or dissolution) 	<ul style="list-style-type: none"> ○ Non-payment of contributions for at least 12 months or improper receipt of benefit, etc. ○ Voluntary termination

• **Revision of benefit events to facilitate business successions**

The scheme's membership is growing older, with almost 50% of all members now aged 60 or over, making business succession an important management issue.

Column Fig. 1-1-6 (2) Age mix of Small Enterprise Mutual Relief System members



Source: Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ), *Questionnaire Survey on the Small Enterprise Mutual Relief System*.

Changes to how the different benefit events are defined are therefore being considered in order to facilitate business successions by explicitly placing “succession of business” on the same plane as the discontinuation of a business.

The first revision is an upgrade of the event status of business successions that occur between relatives.

Under the current system, when a sole proprietor transfers his or her business to anyone other than a child or spouse, it is treated as an A-type benefit event. When a business is succeeded to by a child or spouse, however, it is treated as a reduced benefit event on the premise that the child or spouse who has become the new proprietor will support the former proprietor in his or her retirement. As a consequence a lower benefit is paid.

However, the questionnaire findings reveal that a majority of new proprietors do not in fact provide financial assistance to their predecessor after succeeding to a business, suggesting that former proprietors are not always supported by their child or spouse.

In view of this, the event status of business successions to a child or spouse will be elevated to further facilitate successions. When a sole proprietorship is transferred, it will be treated as an A-type benefit event, regardless of who the successor is, and the benefit paid will be equal to that payable in the case of a business exit.

The second revision is an elevation in the event status of retirement from a company directorship at age 65 or older. Under the present system, the retirement of a member aged 65 or older who has paid at least 180 months of contributions is treated as a B-type benefit event. Voluntary retirement from the directorship of a company or similar entity, on the other hand, is treated as a reduced benefit event even for a member aged 65 or older unless contributions have been paid in for at least 180 months, regardless of the fact that such retirees will likely have to meet various living expenses. The effect to encourage such members to remain on as directors until they satisfy the 180-month requirement.

Retiring from a directorship or similar office upon reaching a certain age to make way for the next generation is similar to a business succession in that it ensures continuity of business management and makes an enterprise more dynamic. In light of this, the plan is to elevate voluntary retirement from a directorship at age 65 or older to a B-type benefit event.

• Expansion of loan program to help facilitate exits

In addition to the above measures to facilitate business successions, a program to assist proprietors who have decided to exit business is also under consideration. This has been provisionally called the “exit preparation loan” program.

Under the existing lending arrangements provided by the Small Enterprise Mutual Relief System, members can obtain low-interest, unsecured, unguaranteed loans worth up to a certain proportion of their total contributions.

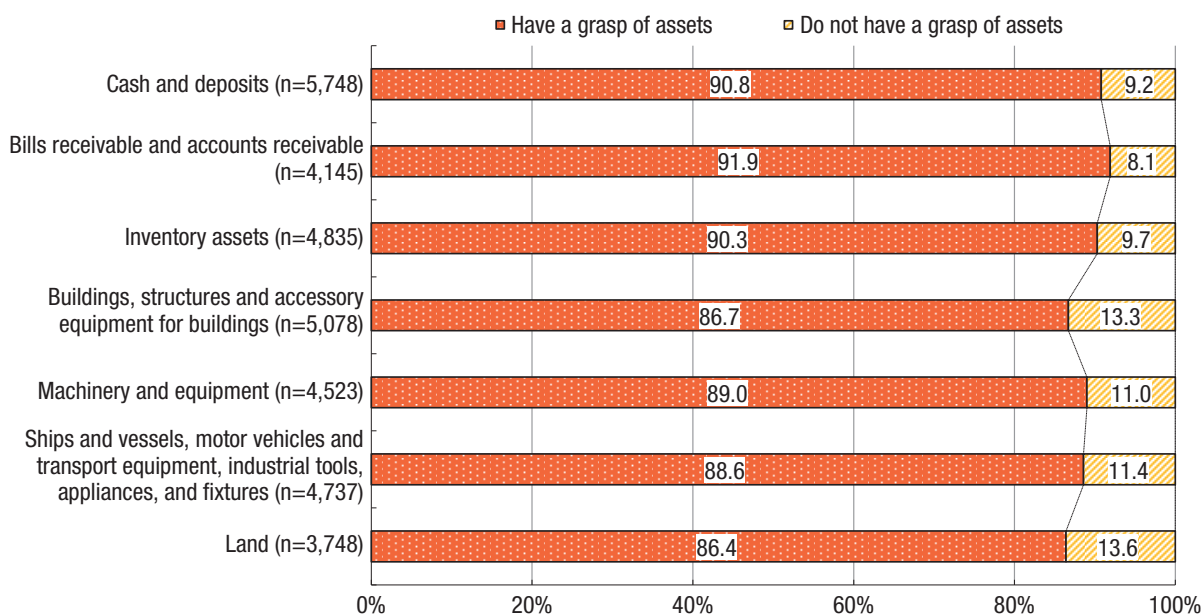
To assist smooth exits by proprietors who have decided to withdraw from business, consideration is now being given to expanding the mutual relief loan program and establishing a means of providing financial assistance at the preparatory stage when the Act on Facilitation of Succession of Management of Small and Medium Sized Enterprises is amended.

2 Business assets of micro businesses

The following sub-section examines the kinds of business assets used in running a micro business. Fig. 1-1-64 shows the results obtained by asking proprietors about their grasp of their business assets.

As can be seen, only a fraction of the respondents said that they had a grasp of their business assets. The picture is actually somewhat more complex than these responses suggest, as the likelihood is that micro

business proprietors do keep track of their business assets to varying extents. However, the figure does not go into this level of detail. Together with the use of human responses, having an accurate grasp of and making effective use of business assets on hand is considered one of the most key factors in good management.

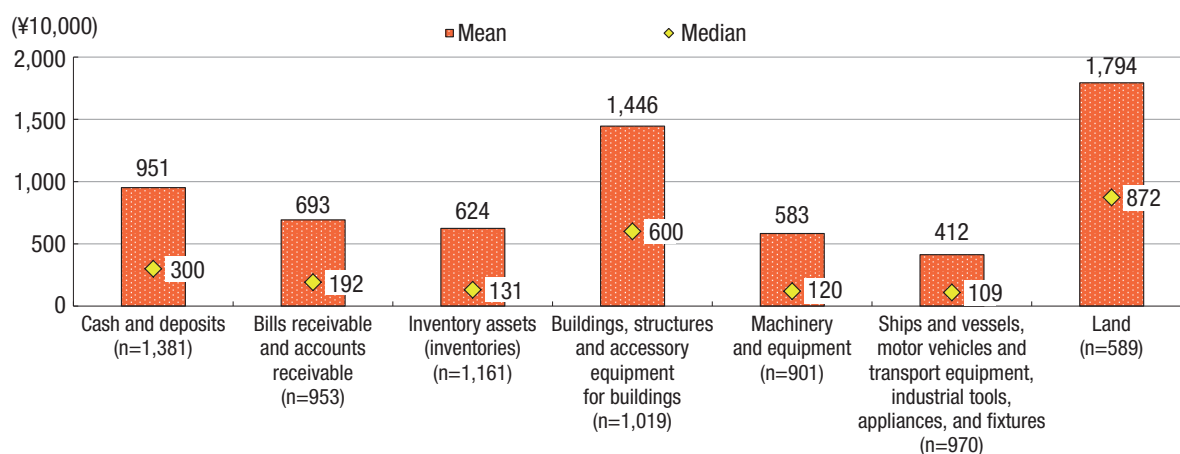
Fig. 1-1-64 Grasp of business assets

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Examining next the value of business assets held by micro businesses (Fig. 1-1-65), the most valuable are, in descending order, “land,” “structures and accessory equipment for buildings,” and “cash and deposits.”

The mean and median values of the responses were found to differ in terms of monetary value. The

median value is the middle value when the business assets held by respondents are arranged in descending order of value. The difference suggests that there exists a certain degree of variation in the value of business assets held by micro businesses.

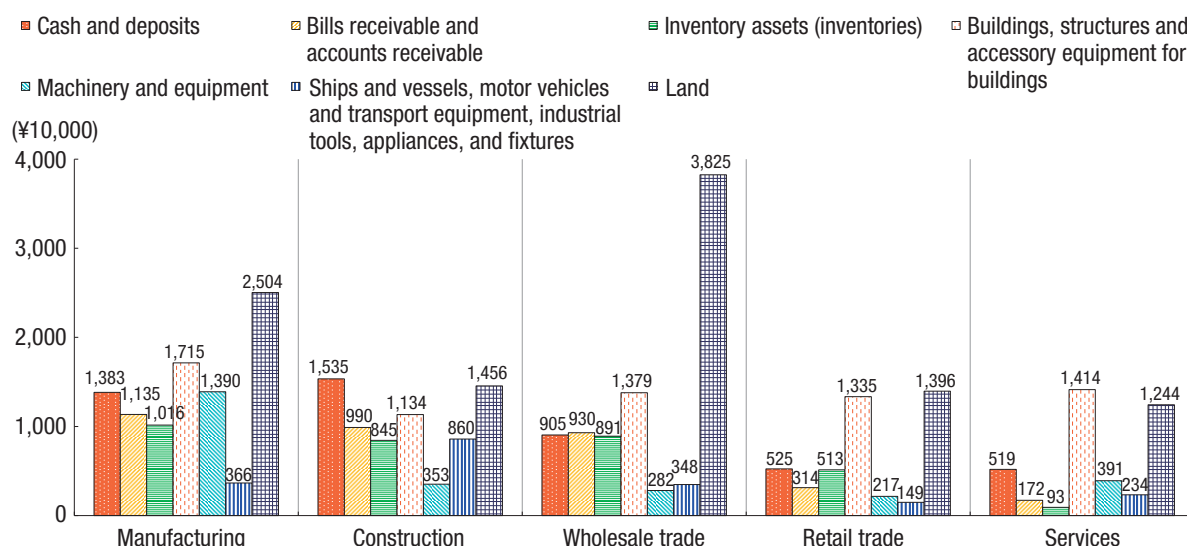
Fig. 1-1-65 Value of business assets held

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

The values of business assets held by micro businesses in different industries are compared in Fig. 1-1-66. Taking “bills and accounts receivable” as an example, holdings of such assets are comparatively lower in the retail trade, in which payments for products

such as fresh food and daily necessities are likely to be made in cash. Holdings of “land,” on the other hand, are comparatively higher in the wholesale trade and in construction, which require sites for facilities such as factories and warehouses to store their products.

Fig. 1-1-66 Value of business assets held (means by industry)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Notes: 1. “Retail trade” includes eating and drinking services.

2. “Services” covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

3 Funds of micro businesses

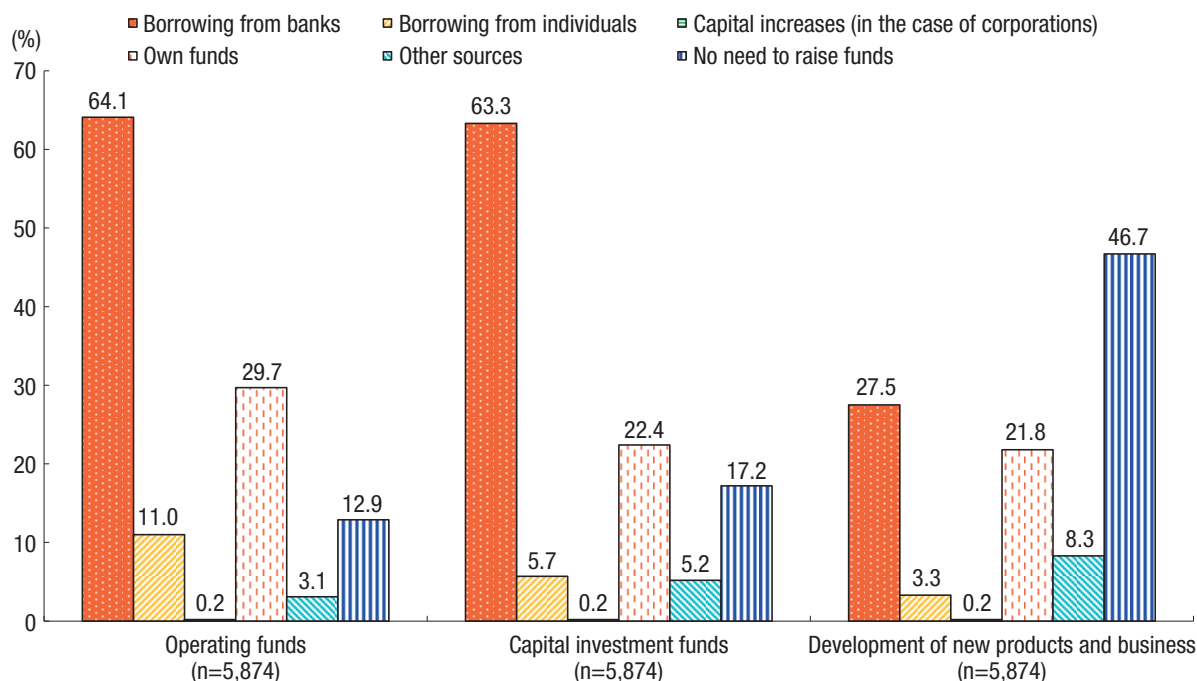
This sub-section examines funding aspects of micro businesses from the point of view of “operating funds,” “capital investment funds,” and “funds for development of new products and business.”

Fig. 1-1-67 shows financing methods.

It can be seen from this that while “bank borrowing” is the most common source of both “operating funds” and “capital investment funds,” approximately 50% of

respondents said that they had “no need to raise funds” for “development of new products and business.”

While the reasons for this response rate are unclear, one possibility is that while businesses always take their main lines of business very seriously, they may actually be placing excessive emphasis on that business, and are consequently failing to engage in “development of new products and business.”

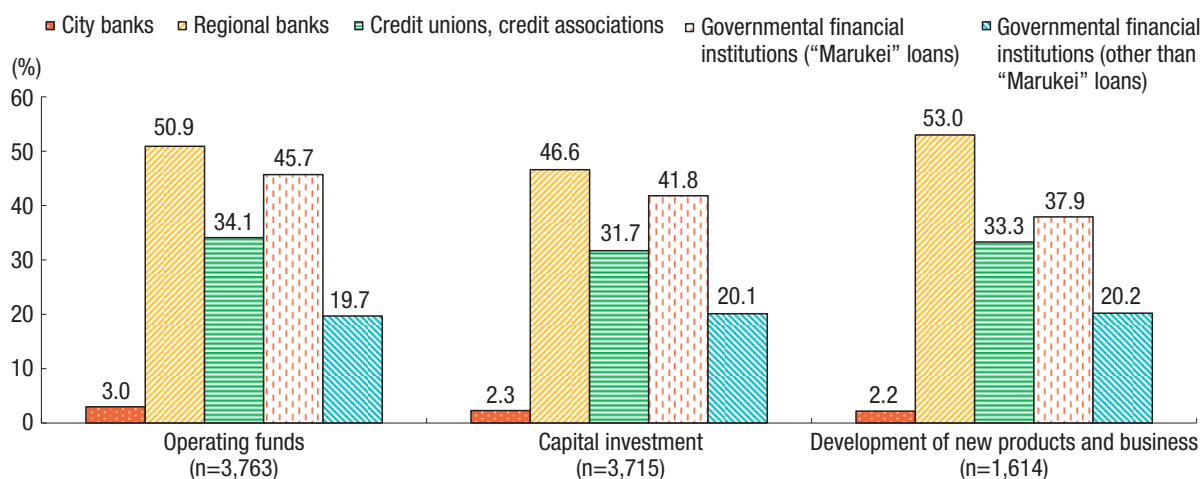
Fig. 1-1-67 Methods of financing (multiple responses)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Regarding the financial institutions used as lenders (Fig. 1-1-68), the most common sources of operating funds, capital investment funds, and funding for development of new products and business alike are regional banks, credit unions and credit associations, and governmental financial institutions (“Marukei” loans). Taken together, these institutions constitute the main sources of finance.

Adding “Marukei” loans (managerial improvement

loans for small enterprises, etc.) and other loans together, it is evident that the majority of respondents utilize governmental financial institutions. Even allowing for the fact that the survey was of members of commerce and industry associations and chambers of commerce and industry, these results show that government loan programs play a relatively important function in meeting micro businesses’ financing needs.

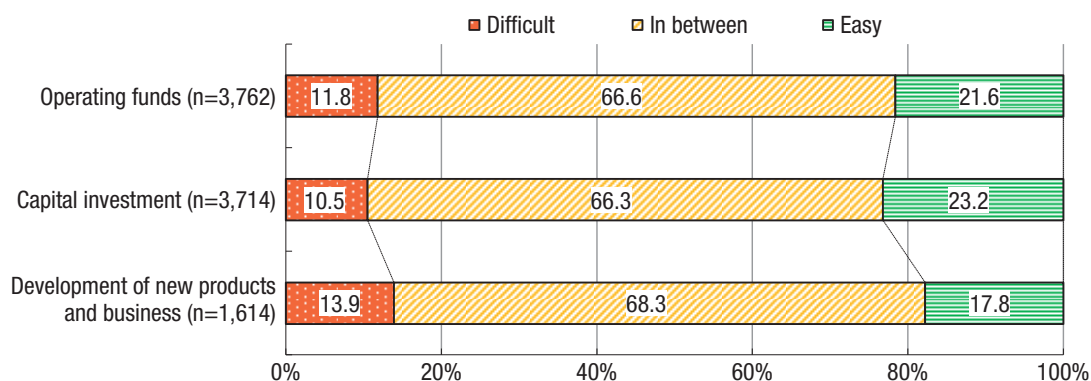
Fig. 1-1-68 Financial institutions used as sources of borrowing

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Fig. 1-1-69 shows the relative difficulty of raising funds depending on purpose. Although none of the different types of funds were found to be significantly more difficult to procure, a slightly higher proportion

of respondents reported more difficulty raising “funds for development of new products and business” than for “operating funds” and “capital investment funds.”

Fig. 1-1-69 Difficulty of procurement of funds



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

From the above, it is apparent that micro businesses meet the bulk of their financing needs by borrowing from financial institutions. However, another method that has recently attracted media attention is

“crowdfunding,” which is a means of raising business funds by attracting investment from the general public. An example of one micro business that has successfully raised funds in this way is presented below.

Case

1-1-1: Takeda Shokuhin Reito K.K.

(Sumoto City, Hyogo Prefecture)

(Processing and sale of marine products)

<Employees: 8; capital: ¥10 million>

“We’re using crowdfunding not just to raise funds, but also to raise our profile and create ‘fans.’”



Kohei Takeda, President

◆ Background of the business

When an individual or organization has an idea but lacks the wherewithal to put it into practice, one means of financing they can turn to is crowdfunding, a method of raising funds from the general public, or “crowd.” Now gaining ground in Japan, crowdfunding originally drew attention as a platform for turning new and unique ideas into reality. Now, however, it is increasingly being used in more traditional fields of industry.

One company that took the plunge and turned to crowdfunding is Takeda Shokuhin Reito K.K., a seafood processor based at the fishing port of Yura on the east

coast of Awaji, an island in the Seto Inland Sea that is one of Japan’s foremost fishing grounds. Four years ago in 2011, shortly after the Great East Japan Earthquake had struck Japan, company president, Kohei Takeda received a phone call. It was from an old customer who wanted to know whether his company could supply natural wakame seaweed, an important part of the traditional Japanese diet. Wakame cultivation in the Sanriku region, one of Japan’s leading centers of wakame production, had been devastated by the earthquake and following tsunami, and supplies had plummeted. The customer was desperate to find an alternative source.

◆ The turning point and development of the business

“It was certainly true that natural wakame grew abundantly in the wild in the waters off Yura,” explains Mr. Takeda. “But no one was harvesting it then, and we were hesitant about starting to do so at that point in time in case we hindered Sanriku’s recovery.” After giving the matter careful thought, however, he decided to embark on wakame harvesting and processing. Domestic wakame was in short supply, and everything would be lost if wakame were to disappear from the nation’s dinner tables. He therefore decided that they would do what they could to help until wakame cultivation in Sanriku recovered. “But once we started,” says Mr. Takeda, “we discovered that our product was very positively received, both because Yura wakame is ‘natural’ wakame, which makes up only 1% of the supplies on the market, and also because it was carefully harvested by freedivers.”

As the company’s wakame occupied a very different market niche from cultivated niche, Mr. Takeda felt able to pursue the new business in earnest without harming demand for Sanriku wakame. Last year, the harvest reached 100 tons, and the number of participating divers rose to 20.



Wakame is harvested by freedivers to ensure quality.



Freshly harvested natural wakame being parboiled.

◆ Use of crowdfunding and prospects

With the number of people involved increasing and his harvest steadily growing, more funds were needed. Although companies normally turn to banks for loans, Mr. Takeda decided to try crowdfunding. His company was selected as a “Kirari Hyogo Project” by the Hyogo Economic Development Center, which helps promising projects with the cost of crowdfunding fees, and is presently on its way toward its target of raising ¥14.70 million.

But why choose crowdfunding?

“Because we had an ambitious dream,” says Mr. Takeda. “That dream is not only to produce ‘Awaji Natural Wakame’ for Yura’s benefit, but also to turn it into a major brand that will benefit the fisheries industry of the whole of Awaji. Because people don’t have that many opportunities to eat wakame, we came up with the idea of sending wakame to our backers as a reward for their support in order to first create wakame ‘fans.’ That way, they will remember the ‘Awaji Natural Wakame’ brand, and more people will ask for it by name when buying wakame. And that is what we hope to achieve through crowdfunding.”

By turning its backers into “fans,” a company can gradually get its brand name out and raise its business profile across the country. As well as of course raising funds, crowdfunding thus also has significant potential as a means of generating publicity. For proprietors who cannot afford to spend heavily on advertising, crowdfunding is an effective financing method that allows the user to kill two birds with one stone.



Salt-cured wakame that does not lose its firmness even when heated.

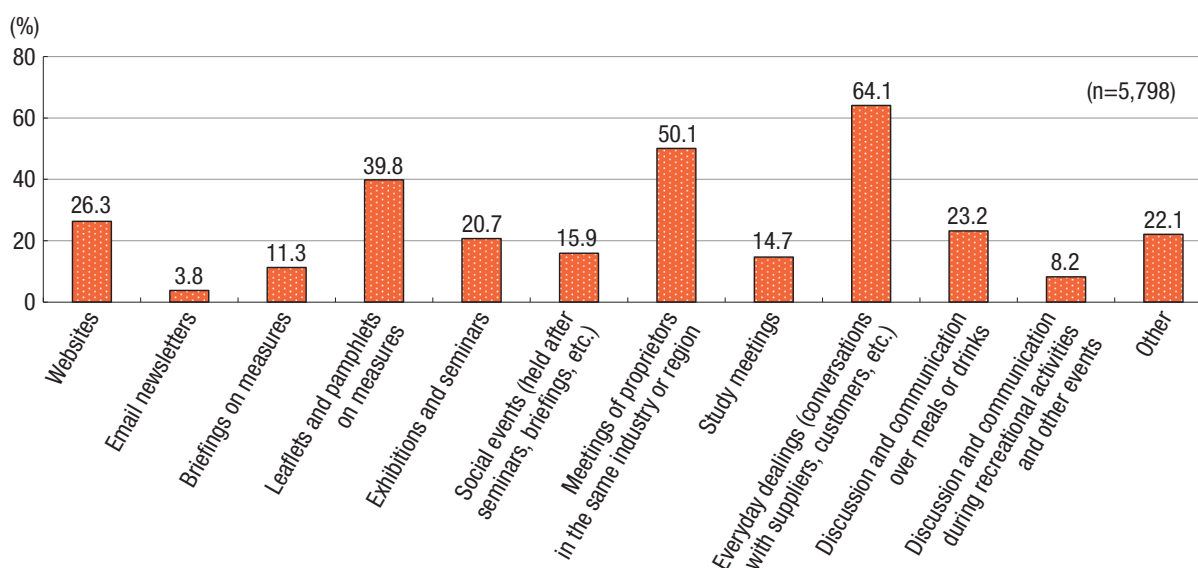
4 Supporting arrangements for micro businesses

Fig. 1-1-70 presents the results obtained when asking micro businesses about their specific sources of information on management and SME measures.

The most common source is “everyday dealings with suppliers, customers, etc.,” followed by “meetings of proprietors in the same industry or region,” “leaflets and pamphlets on measures,” and “websites.” “Briefings on measures by government agencies” and “email newsletters,” on the other hand, were cited by only a small proportion of respondents.

These results indicate that micro businesses obtain useful information on support measures in the course of their various forms of everyday communication. It is therefore crucial that the central and local governments, societies and chambers of commerce and industry, and other entities delivering support measures for SMEs and micro businesses develop means to publicize and explain those measures that can penetrate the everyday modes of communication in which micro businesses engage.

Fig. 1-1-70 Sources of information on management and SME measures (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: Based on top three sources in terms of percentages of responses.

Chapter 2 Developments among micro businesses

This chapter provides an overview of long-term trends among micro businesses, confirms changes in their numbers, and examines the factors underlying these changes.¹⁾

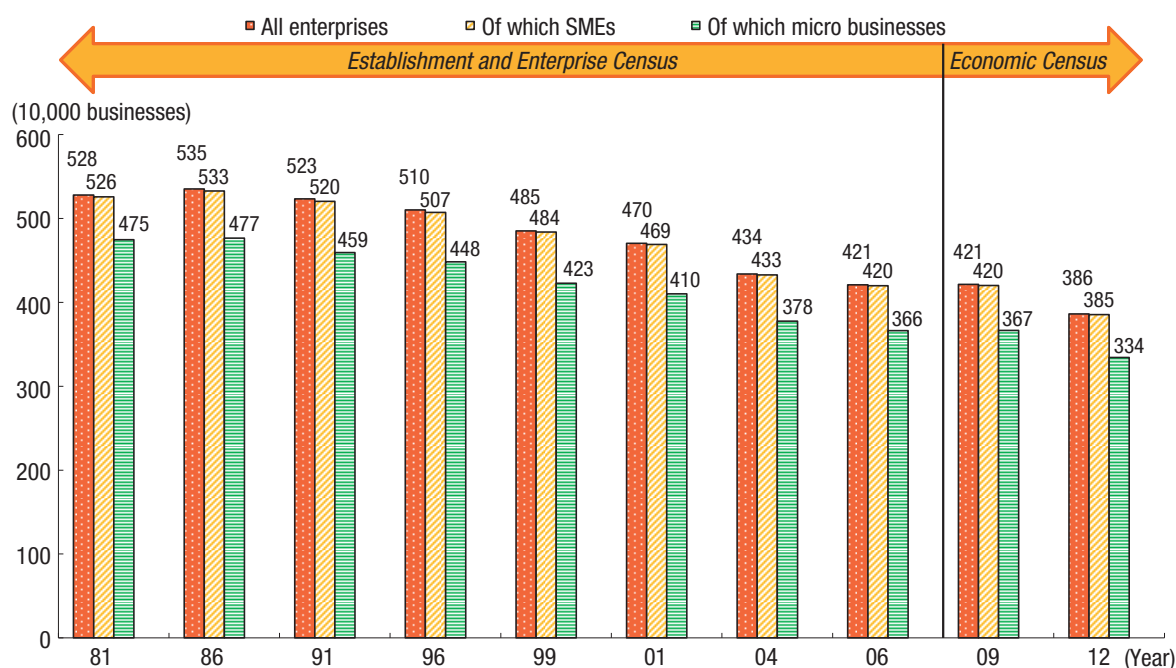
Section 1 Trends in numbers of micro businesses and establishments

According to the latest figures (for 2012), there are approximately 3.34 million micro businesses in Japan. This section examines how this number has changed over time up to the present.

Fig. 1-2-1 shows long-term trends in the number of enterprises in Japan broken down by size of enterprise. The number of micro enterprises (corporations plus sole proprietorships) peaked at approximately 4.77

million in 1986 before going into decline. By 2012, the number had fallen to approximately 3.34 million, a decline of 1.43 million (-30%) in 26 years. The number thus declined by an average of 55,000 per year. More recently, during the three-year period between 2009 and 2012, the number declined by approximately 330,000 (-9%), which represents an average annual decline of 110,000.

Fig. 1-2-1 Changes in number of businesses 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*.

- 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) Statistics on the number of enterprises have been produced by MIC since 1986. The number in 1981 was recompiled 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.

¹⁾ For a detailed examination of trends in business conditions (short and long term) and the financial position of micro businesses, see Chapter 2 of Part I in *2015 White Paper on Small and Medium Enterprises in Japan*.

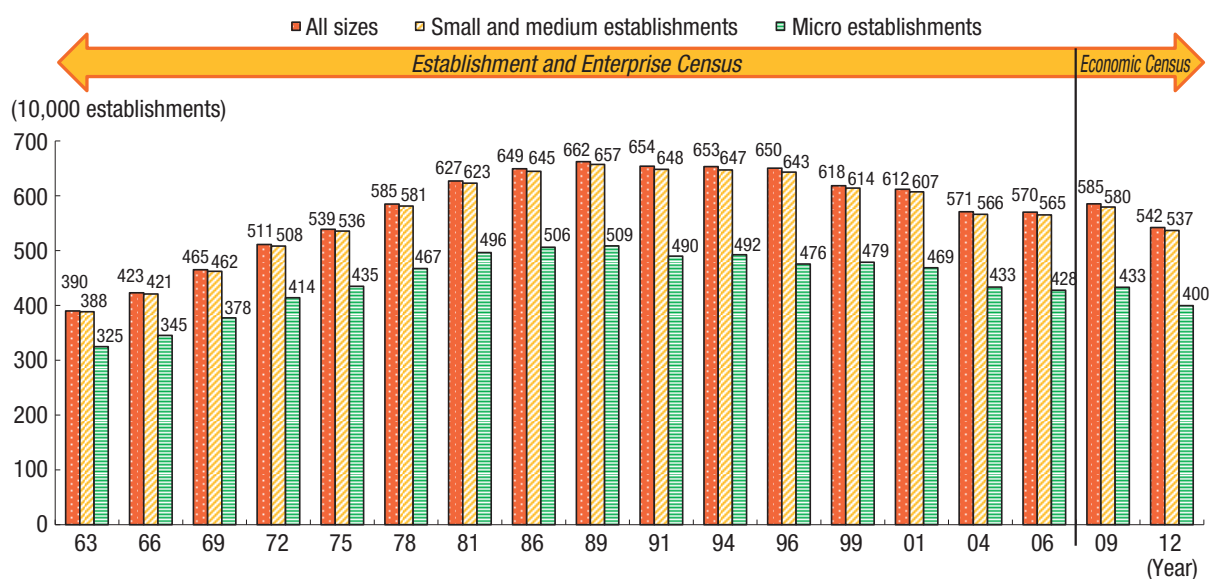
We next consider changes in the number of establishments.

Fig. 1-2-2 shows changes over time in the number of establishments in Japan, broken down by size.

From this it can be seen that the number of micro establishments increased up to 1989, when it reached a peak of approximately 5.09 million. It then went into

decline, falling to 4 million in 2012. This represents a decline of approximately 1.09 million (-21%) over a 23-year period, for an average decline of 47,000 per year. More recently, over the three-year period from 2009 to 2012, the number of establishments declined by 330,000 (-8%), which represents an average decline of 110,000 per year.²⁾

Fig. 1-2-2 Changes in number of 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*.

- 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).

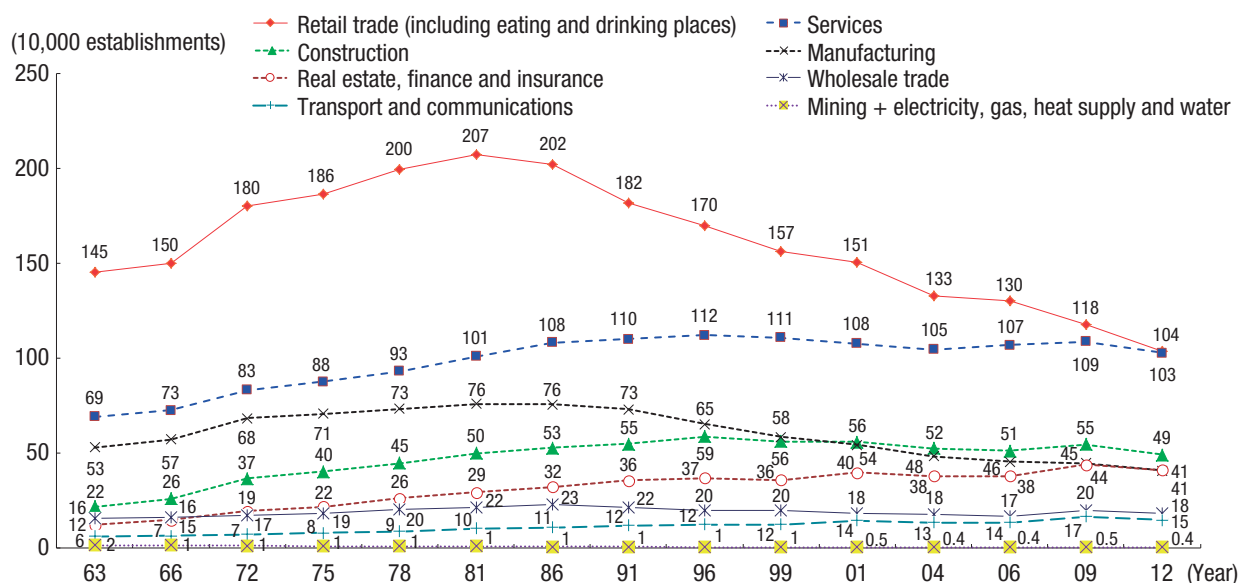
Fig. 1-2-3 shows long-term trends in the number of establishments of micro businesses.

From this it can be seen that in the retail trade, the number declined by 50% over 31 years from a peak in 1981 to 2012, while in manufacturing, the number almost halved over the same 31-year period from its peak in 1981. The service and real estate industries have exhibited slight increases, while the number in

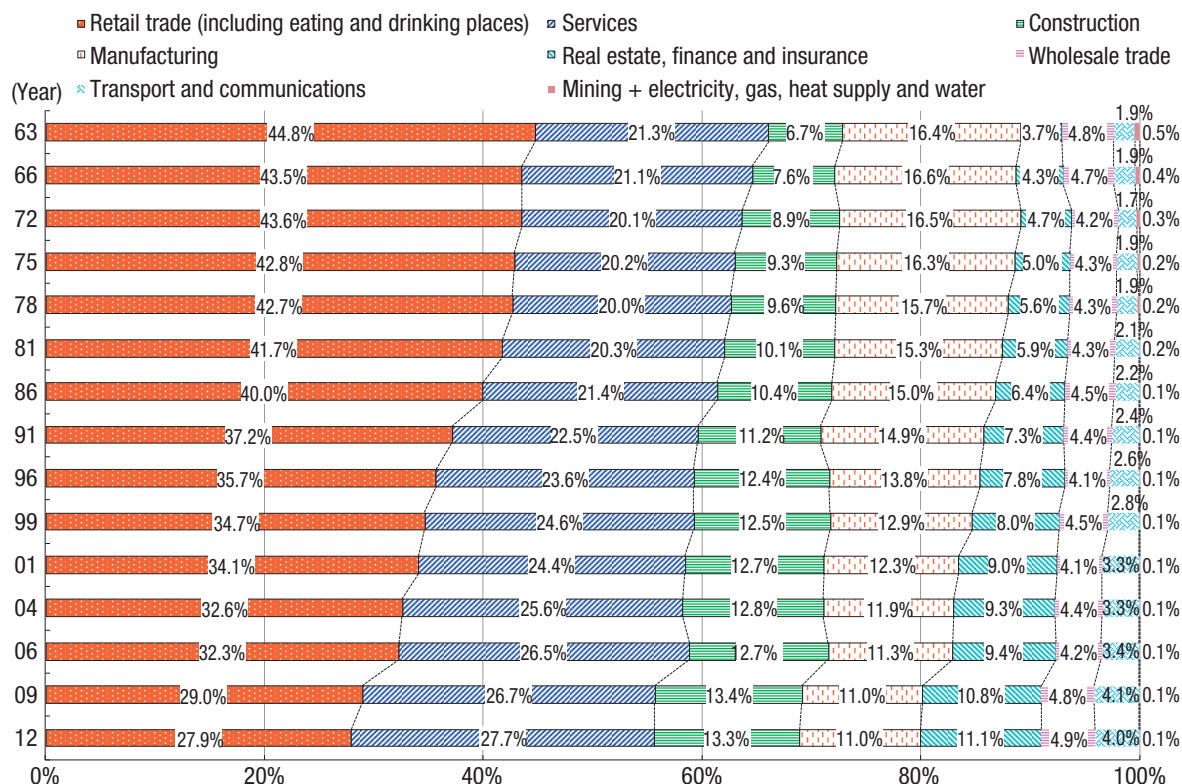
other industries has held steady.

A percentage breakdown by industry of the changes in the number of establishments of micro businesses in each of these years is shown in Fig. 1-2-4. From this it can be seen that the retail trade and manufacturing account for shrinking shares, while services, construction, and real estate, finance, and insurance make up growing shares.

²⁾ In some years, the decline in the number of businesses shown in Fig. 1-2-1 is greater than the decline in the number of establishments. This is because some businesses opened additional establishments.

Fig. 1-2-3 Changes in number of establishments of micro businesses (by industry sector)

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).
 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.

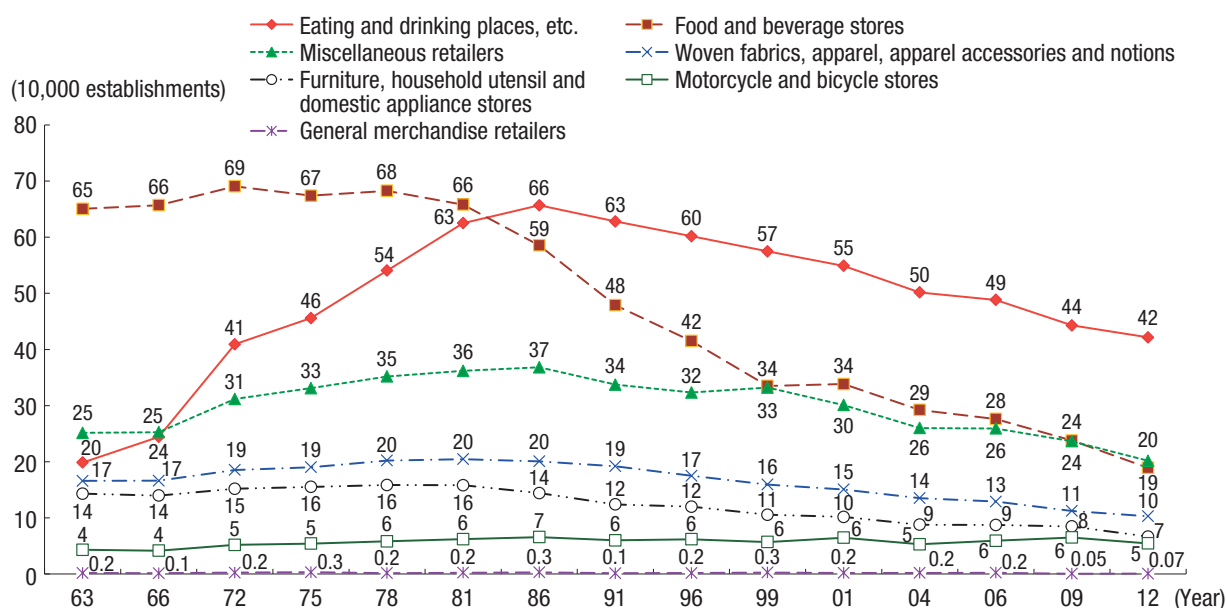
Fig. 1-2-4 Changes in number of establishments of micro businesses (percentage breakdown by industry sector)

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).
 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, the "eating and drinking places" included in "services" were counted under "retail trade" for the years 2004–2012.

Fig. 1-2-5 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. 1-2-3 demonstrated, is the industry with the largest number of establishments.

From this it can be seen that the number of establishments has declined across the board in this industry group, including in such categories as food and beverage stores as well as eating and drinking places.

Fig. 1-2-5 Changes in number of establishments of micro businesses in the retail trade (including eating and drinking places, etc.)



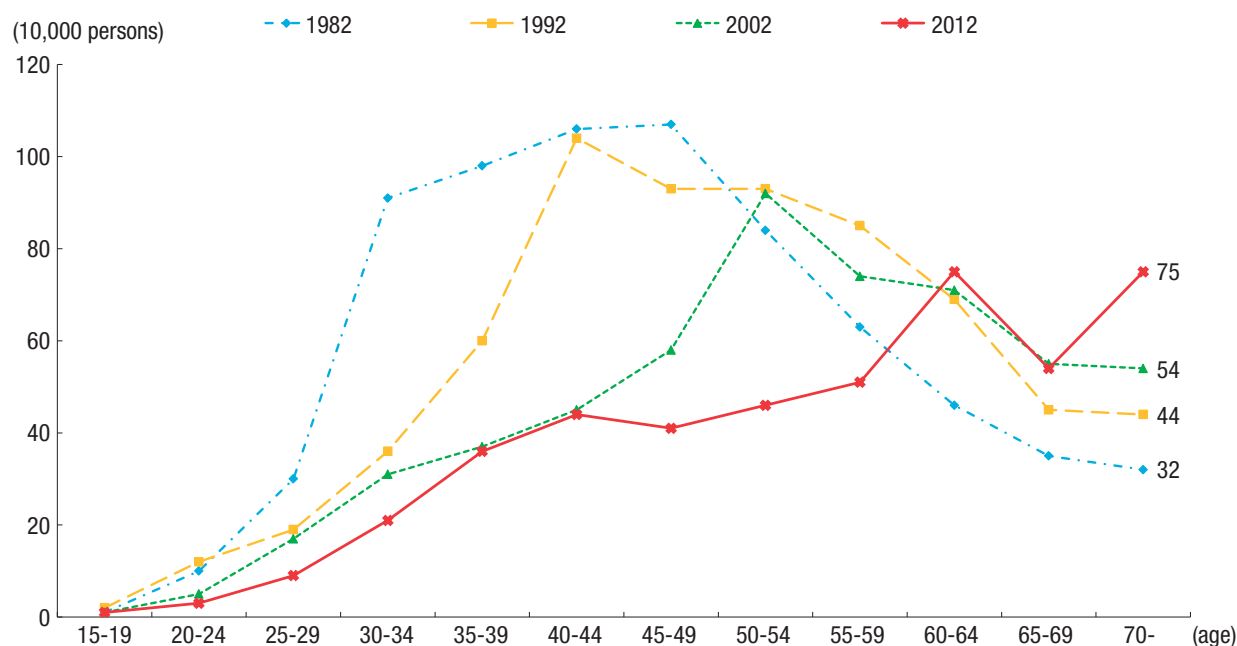
Sources: Recompiled from MIC, *Establishment and Enterprise Census* (1963–2006), *2009 Economic Census for Business Frame* (2009); MIC and METI, *2012 Economic Census for Business Activity* (2012).

- 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, the “eating and drinking places” included in “services” were counted under “retail trade” for the years 2004–2012.

Fig. 1-2-6 shows changes in the number of self-employed by age, which is a subject considered in *2014 White Paper on Small and Medium Enterprises in Japan*.

From this it can be seen that numbers were heavily concentrated in the 30- to 49-year-old age groups in 1982. With the passage of time, however, from 1992

to 2002 and then 2012, the largest segment has grown older. In contrast, the numbers are lower in the 20- to 49-year-old age groups, which are the age groups from which the next generation of self-employed will come. Unless this trend is reversed, the numbers of the self-employed will decline still further.

Fig. 1-2-6 Changes in number of self-employed by age group

Source: MIC, Labour Force Survey.

Note: Total of non-agriculture and forestry.

Fig. 1-2-7 shows the years of establishment of micro businesses currently in business broken down into decades. From this it can be seen that almost half were established no later than 1984, indicating that many proprietors have long business experience.

From Fig. 1-2-6 (Changes in number of self-employed by age group), the bulk of the proprietors who founded these businesses may be presumed to have been between 30 and 49 in age in 1984. Moving forward three decades, the proprietors of micro businesses established in or before 1984 are now likely to be in their sixties or seventies.

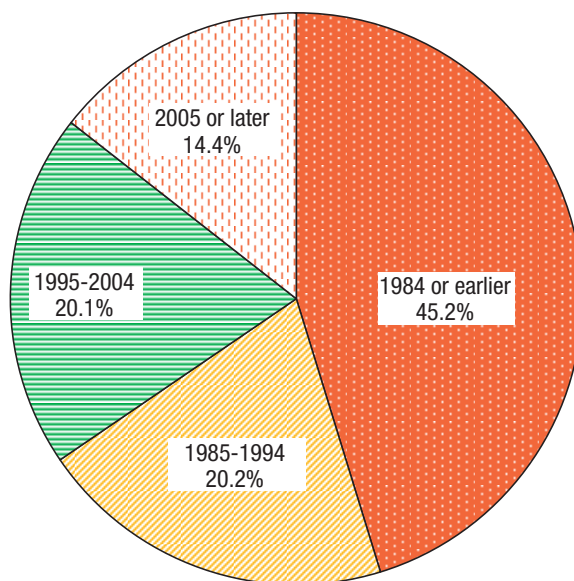
There is therefore a strong likelihood that these micro businesses established in or before 1984, comprising almost half of all micro businesses, are

now approaching their first generational handover, while those started up shortly after World War II are likely approaching their second such handover.

Regarding micro businesses established between 1985 and 1994, the data on changes in the age mix of entrepreneurs (Fig. 1-2-8), which was also presented in *2014 White Paper on Small and Medium Enterprises in Japan*, suggest that around half were young entrepreneurs in their thirties or younger when they entered business. Two to three decades later, they may be assumed to make up the mainstay of proprietors aged between 40 and 69.

The micro businesses established between 1985 and 1994 are therefore approaching their first generational handover from proprietors now aged 50-69.

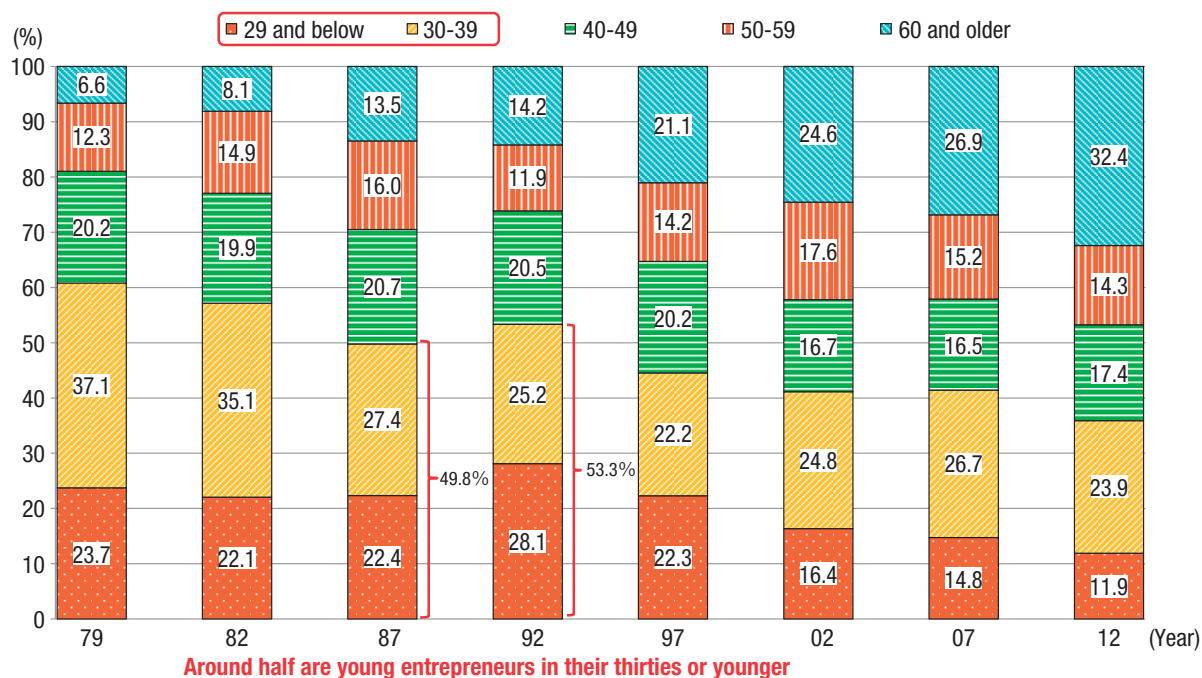
Fig. 1-2-7 Distribution of micro businesses by year of establishment



Source: Recompiled from MIC and METI, 2012 *Economic Census for Business Activity*.

Notes: 1. The figures on business establishments were compiled from data on the year in which business was commenced in a given location.
2. Distribution of the approximately 3.26 million micro businesses (out of 3.34 million in total) on which data are available.

Fig. 1-2-8 Changes in age mix of entrepreneurs



Source: Recompiled from MIC, *Employment Status Survey*.

Note: "Entrepreneurs" here refers to those who have changed jobs or found a new job within the last year and who are presently self-employed (excluding home workers).

Section 2 Background to changes in number of micro businesses

Section 1 examined the situation of micro businesses up to the present, including trends in individual industries, in the context of the major social and economic changes that have occurred since

Japan's high growth period. The purpose of this section is to analyze the background and factors behind these changes.

1 Good and bad periods for business

Fig. 1-2-9 shows the results obtained by asking micro business proprietors when, in their opinion, business has been the best and worst. (Due to the likely divergence in responses regarding the best and worst periods for business depending on respondents' length of business experience, the analysis divides the respondents into two main groups: one consisting of micro businesses started up in the 1980s or earlier, and the other consisting of micro businesses started up in the 1990s or later.)

Taking the 1980s-and-earlier group first, markedly higher proportions of the respondents said that business was best in the 1980s and 1990s. These decades correspond roughly to the years of the asset-inflated bubble economy. On the other hand, by far the most commonly cited worst periods for business were the 2000s and the period since 2010. There is thus a clear division between the times considered to have been good for business and the times considered to have been bad for business, with a particularly strong tendency for proprietors to regard the past few years since the global financial crisis triggered by the bankruptcy of Lehman Brothers (i.e., since 2010) to have been a bad time for business.

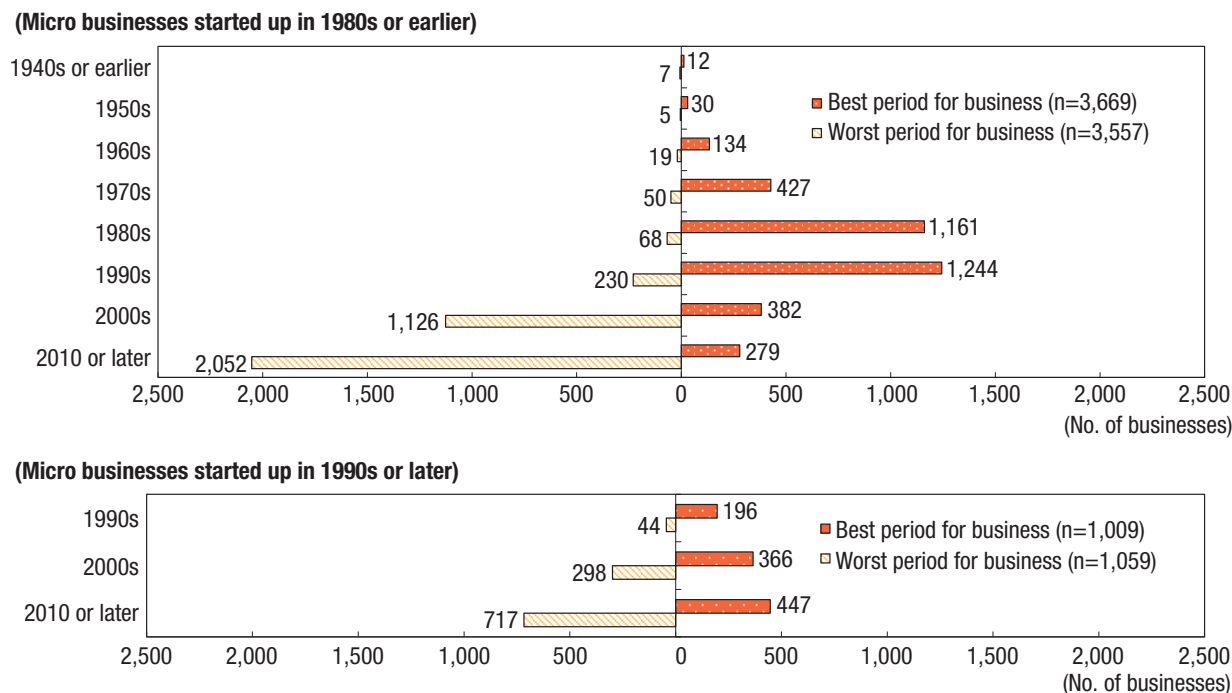
Considering next the 1990s-and-earlier group, the

proportions of proprietors who consider business to have been good or bad progressively increase in more recent periods. In this group, too, there is an extremely strong tendency to view the years since the 2010 "Lehman Shock" as having been a particularly bad time for business.

From the above, we can draw the following conclusions: (1) overall, the largest number of proprietors regard business as having been best during the bubble period, while many say business was worst from the 2000s; (2) while there is an upward trend in the number of micro business proprietors who started up in the 1990s or later who say business was worst from the 2000s, a correspondingly increasing number regard business as having been best during this same period, reflecting a divergence of opinion among proprietors; and (3) given that a rising number of micro business proprietors who started up in the 1990s or later regard business as having been best since the 2000s, and excluding the exceptional time that the bubble period proved to be for micro businesses that started up in the 1980s or earlier, a relatively large number of businesses appear to regard business as having been good in recent years.³⁾

³⁾ Respondents were asked to choose one answer only regarding, respectively, the best period for business and the worst period for business.

Fig. 1-2-9 Best and worst periods for business



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

2 Reasons for good and bad business periods

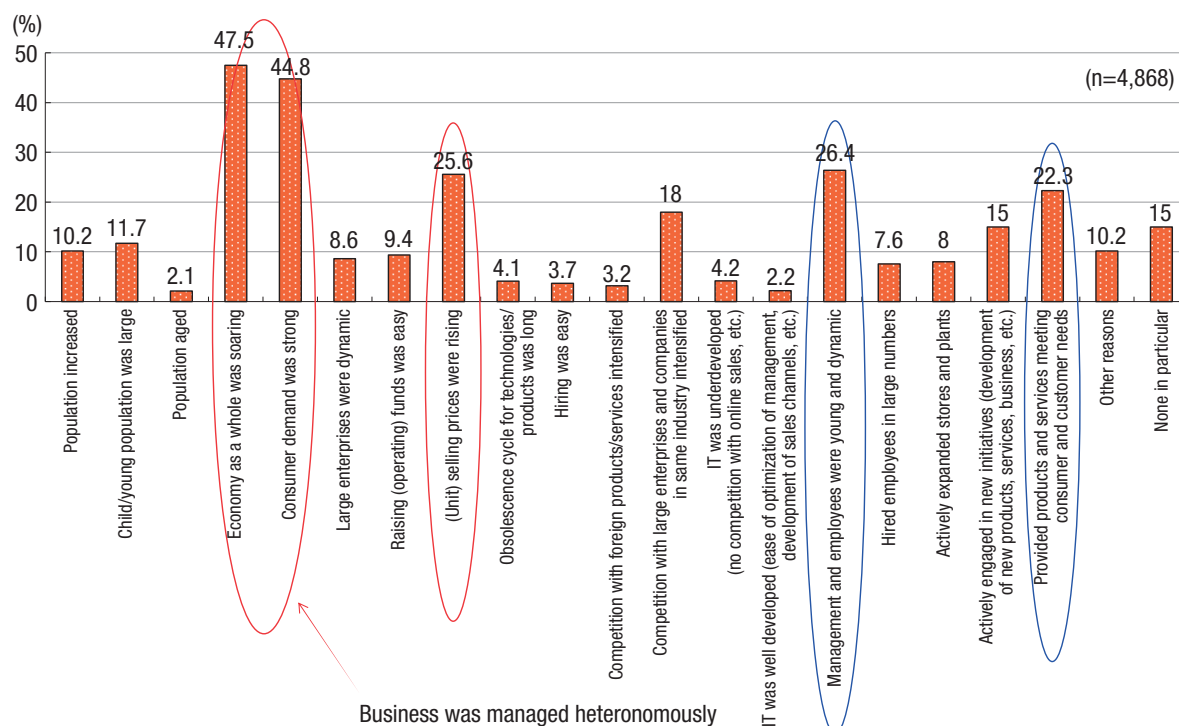
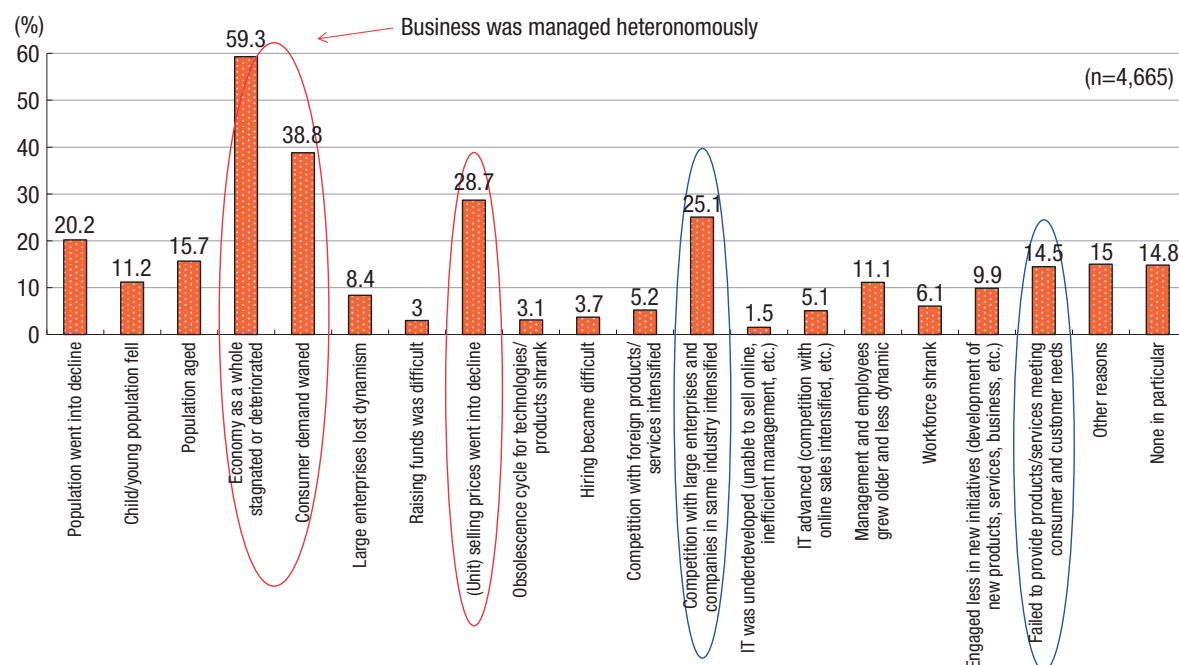
Having examined the periods that proprietors regard as having been best and worst for business, the following sub-section explores why proprietors consider business to have been good or bad during these periods. Fig. 1-2-10 and Fig. 1-2-11 show the results obtained by querying proprietors about the reasons for periods of good business and bad business respectively.

The commonest reasons given for business having been good are, in descending order, “economy as a whole soared” (47.5%) and “consumer demand was strong” (44.8%). Conversely, the main reasons given for business having been poor are, in descending order, “economy as a whole stagnated or deteriorated” (59.3%) and “consumer demand waned” (38.8%).

There thus appears to be a strong tendency for management to become “heteronomous,” in that business is affected by the exogenous macro-level ups and downs of the economy as a whole. Among the macro-level changes that have a major impact on business are changes in (unit) selling prices. 25.6% of

proprietors regard “(unit) selling prices were rising” as one reason for business being good, and 28.7% of proprietors consider “(unit) selling prices went into decline” to be a reason for business being bad. This implies that the escape of the economy as a whole from deflation should also have a positive impact on micro businesses’ management.

Actions at the individual business level may also be expected to affect business performance. For example, 22.3% of the respondents cited “provided products and services meeting consumer and customer needs” as a reason for business being good, and 14.5% cited “failed to provide products and services meeting consumer and customer needs” as a reason for business being poor. These are factors that can be addressed by businesses through their own efforts and innovation, making it vital that businesses review whether or not they are meeting consumer and customer needs so that they can escape the heteronomous style of management that leaves them vulnerable to external factors.

Fig. 1-2-10 Reasons for business being good (multiple responses)**Fig. 1-2-11** Reasons for business being bad (multiple responses)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

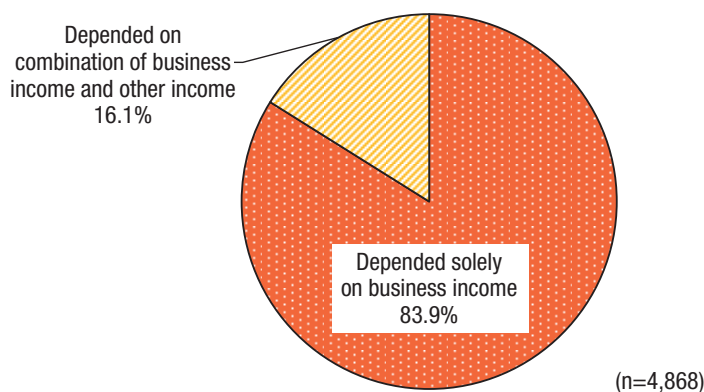
Note: Results are for the three commonest responses.

3 Livelihood during good and bad periods of business

Fig. 1-2-12 and Fig. 1-2-13 show the results obtained by asking proprietors about their livelihoods when business was good and when business was bad. The proportion of respondents who depended solely on business income was 83.9% when business was good,

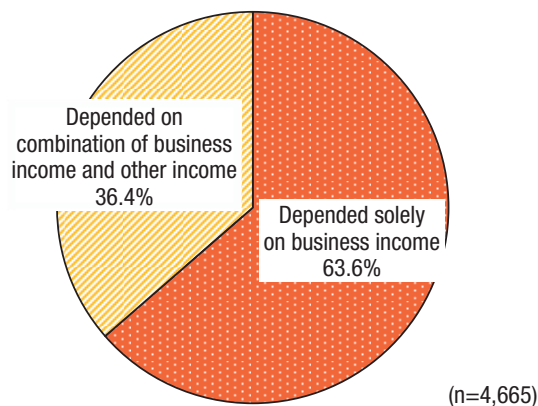
but 63.6% (around 20% points less) when business was bad. This evidences the importance of keeping other sources of livelihood in mind in order to be able to stay in business even when conditions are poor.

Fig. 1-2-12 Sources of livelihood of proprietors when business was best



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Fig. 1-2-13 Sources of livelihood of proprietors when business was worst



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

The next question to consider is what sources of income were used by those proprietors who “depended on combination of business income and other income” as shown in Fig. 1-2-12 and Fig. 1-2-13. The specific sources used are shown in Fig. 1-2-14.

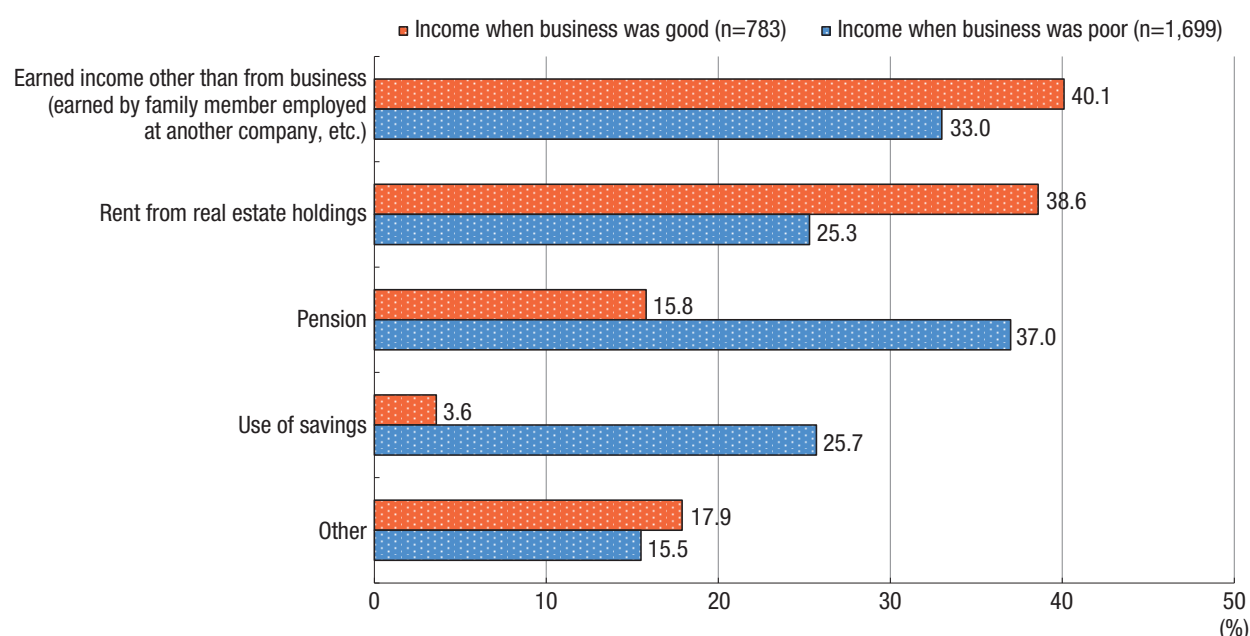
Regarding firstly the sources used when business was good, significant proportions answered “earned income other than from business (earned by family member employed at another company, etc.)” and “rent from real estate holdings.”

When business was poor, on the other hand, the

proportions using these sources fell slightly and their place was taken by “pension” and “use of savings.”

The above suggests that whereas income earned by family members and rent from real estate holdings provide alternative sources of livelihood when business is good, the fact that economic conditions in general are worse when business is bad means that income from these other sources also declines at such times and pensions and savings assume a more important role as means of living.

Fig. 1-2-14 Sources of income other than business income when business was best and worst (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Chapter 3 The future of micro businesses

In Chapters 1 and 2 we focused on the diversity of the business foundations of micro businesses and related long-term trends. In this chapter, we turn to examining effective forward-looking improvements to micro businesses' management capabilities and new ways of working, such as "freelancing" (where the individual markets his or her skills without belonging to an organization) in light of the changes in the business environment facing micro businesses and their business foundations examined in the preceding chapters.

Section 1 Effectively building management capability

This section analyzes the ways in which micro businesses can effectively develop their management

capabilities.

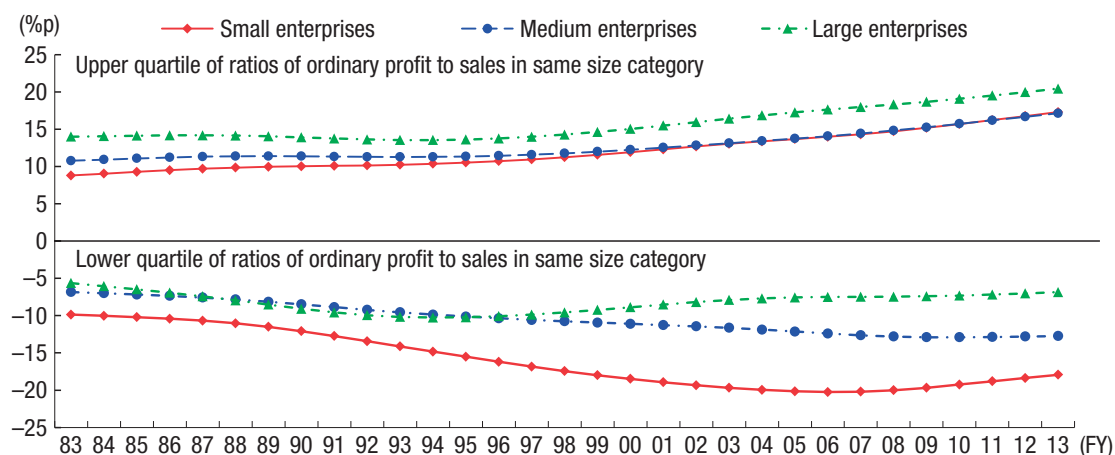
1 Structure of the economy facing micro businesses

Fig. 1-3-1 presents a breakdown by enterprise size of changes over a 30-year period (1983-2013) in the ratio of ordinary profit to sales of enterprises whose ratios placed them in the upper and lower quartiles.

Comparing the ratios of ordinary profit to sales of same-sized enterprises in the upper quartile ("high-profit enterprises") and lower quartile ("low-profit enterprises"), it can be seen that the difference in the ratio tends to widen across all industries, regardless of size.

Further, a comparison of large, medium, and small

low-profit enterprises reveals that, whereas the ratios for large enterprises have held firm, those for medium and small enterprises have deteriorated, and especially so in the case of small enterprises. In the case of high-profit enterprises, on the other hand, large enterprises, medium enterprises, and small enterprises have all maintained similarly high ratios. The widening gap between large enterprises and medium and small enterprises observed in the overall averages thus appears to be due in part to the worsening profitability of the low-profit medium and small enterprises.

Fig. 1-3-1 Comparison of ratios of ordinary profit to sales by enterprise size

All industries Average ratios of ordinary profit to sales of upper and lower profit ratio quartiles by decade

	Small enterprises			Medium enterprises			Large enterprises		
	Upper quartile	Lower quartile	Difference (upper – lower)	Upper quartile	Lower quartile	Difference (upper – lower)	Upper quartile	Lower quartile	Difference (upper – lower)
1980s	9.4	-10.5	20.0	11.1	-7.4	18.6	14.1	-7.0	21.1
1990s	10.6	-15.1	25.7	11.5	-9.9	21.3	13.9	-9.8	23.7
2000s	13.5	-19.7	33.2	13.6	-12.0	25.7	17.0	-7.9	24.8
2010 onward	16.5	-18.6	35.1	16.4	-12.8	29.2	19.7	-7.1	26.8

Source: Recompiled from MOF, *Financial Statements Statistics of Corporations by Industry, Annually*.

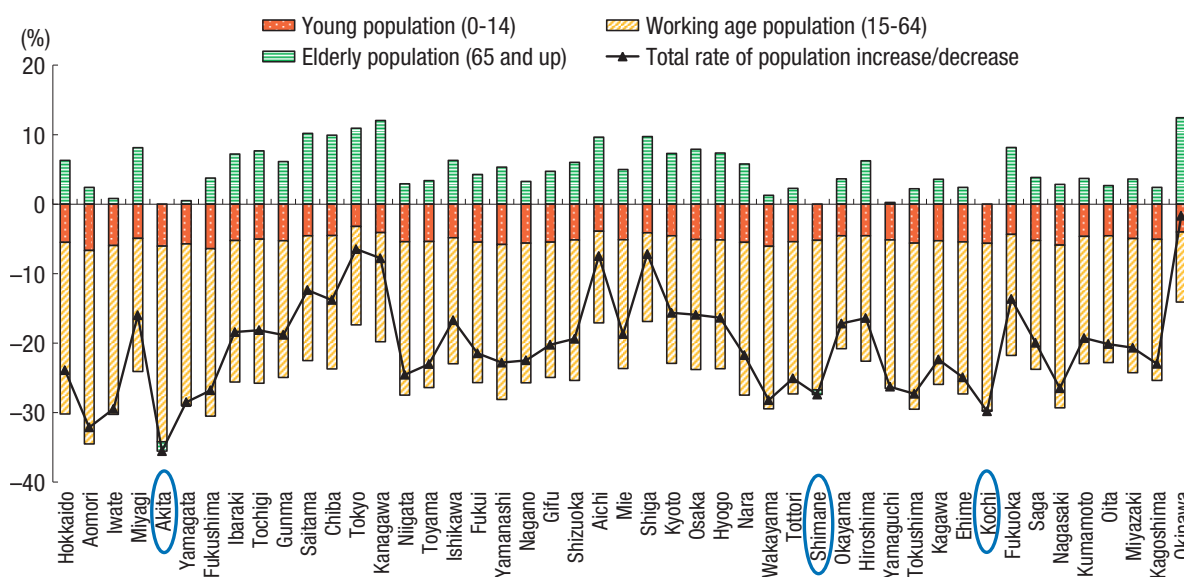
- Notes: 1. Large enterprises are enterprises with capital of ¥100 million or more, medium enterprises are enterprises with capital of ¥10 million or more and less than ¥100 million, and small enterprises are enterprises with capital of less than ¥10 million.
 2. Each series was smoothed using a Hodrick-Prescott filter.
 3. Enterprises with a ratio of operating profit to sales of more than 100% or less than -100% were regarded as outliers and excluded.

2 Management issues at micro businesses

Demand in Japan looks certain to contract due to a shrinking population, declining birthrate, and the aging of society. What kind of population changes will occur in the individual prefectures? Fig. 1-3-2 shows projected rates of population increase/decrease by prefecture in 2040, which is a subject considered in *2014 White Paper on Small and Medium Enterprises in*

Japan. From this it can be seen that the total populations of all prefectures are projected to be smaller in 2040. Viewed by age group, in three of the demographically most aged prefectures, namely Akita, Shimane, and Kochi prefectures, even their elderly populations will have begun to contract by 2040.

Fig. 1-3-2 Rate of increase/decrease in population from 2010 to 2040 and contribution of each age group by prefecture



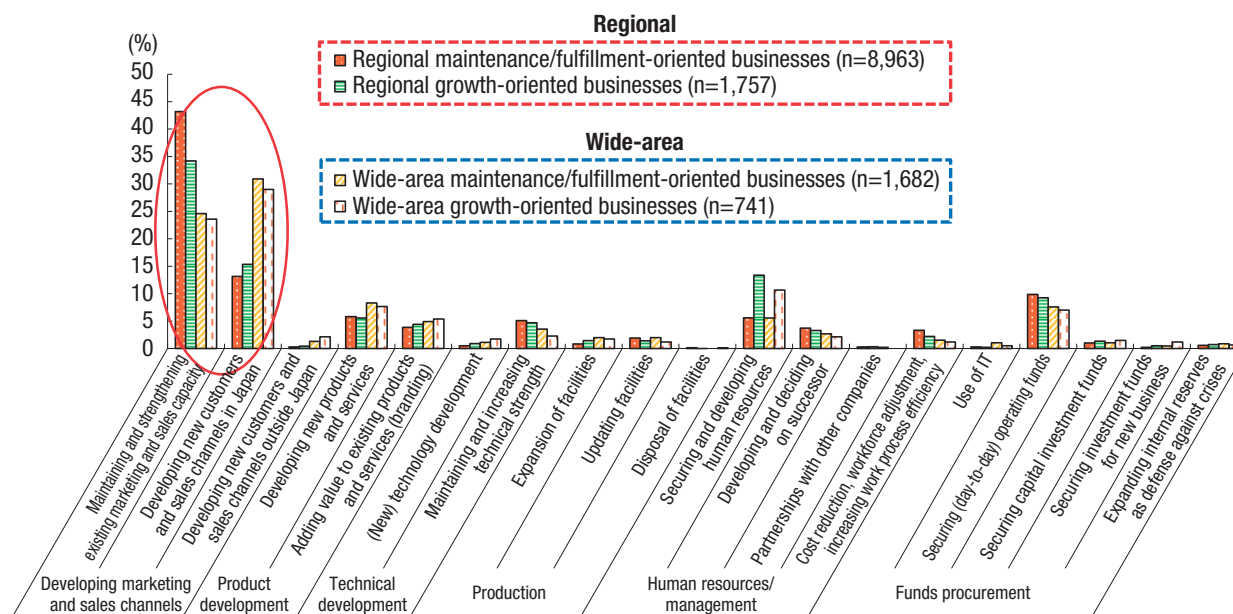
Source: National Institute of Population and Social Security Research, *Regional Population Projections for Japan (Medium Fertility and Medium Mortality)*.

The population outflows will be especially large in the regions outside the major urban areas, as shown in Fig. 1-3-2, and there will be correspondingly serious declines in demand in these areas. *2014 White Paper on Small and Medium Enterprises in Japan* demonstrated the high proportion of “regional demand-oriented enterprises”¹⁾ that target regional demand among micro businesses, and these demographic changes are expected to make conditions even more difficult for such businesses. This being so, the greatest management issue confronting micro businesses is, as also noted in the white paper, that of developing sales channels. It is important both for the Japanese economy as a whole and especially for regional economies that more micro businesses successfully tackle the challenge of developing sales channels in order to achieve the “sustainable development of business.”

Fig. 1-3-3 shows the management issues faced by

micro businesses in each category that were analyzed in *2014 White Paper on Small and Medium Enterprises in Japan*. Among regional micro businesses, the most common answer was “maintaining and strengthening existing marketing and sales capacity,” followed by “developing new customers and sales channels in Japan.” In other words, strengthening relationships with current customers and building up marketing capacity are bigger issues than developing new customers and sales channels. Among wide-area micro businesses, the most common answer was “developing new customers and sales channels in Japan,” followed by “maintaining and strengthening existing marketing and sales capacity.” New customers and sales channels are clearly bigger issues than strengthening relationships with current customers and building up marketing capacity.

¹⁾ A “regional demand-oriented enterprise” is one that sees its future market as being in the same municipality, in neighboring municipalities, or in the same prefecture.

Fig. 1-3-3 Management issues faced by micro businesses in each category

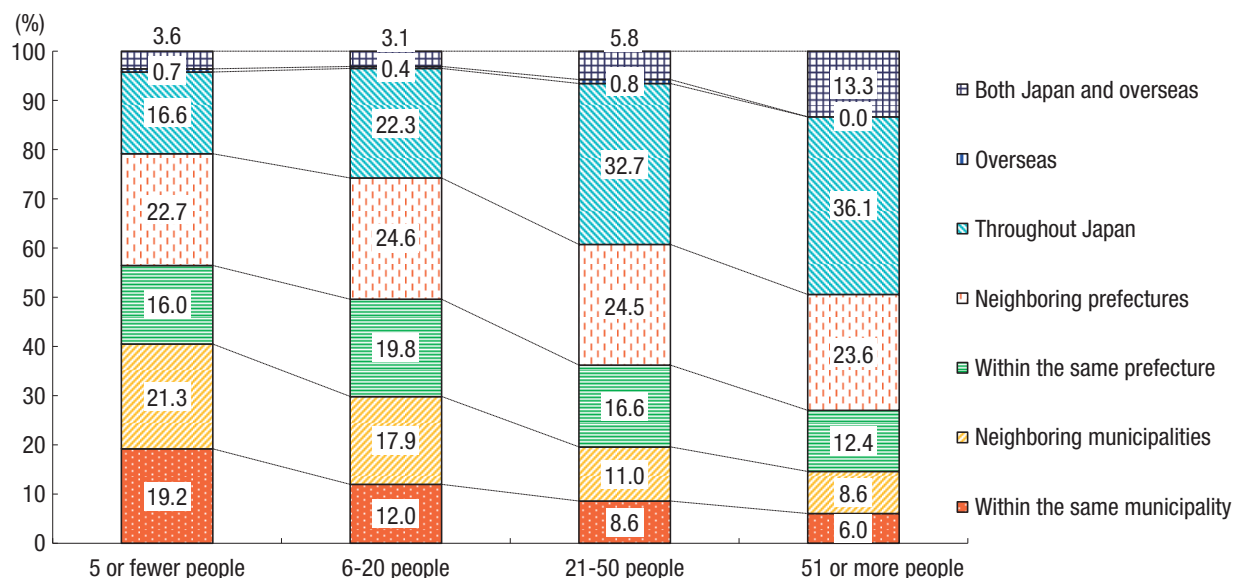
Source: Prepared by SME Agency based on Central Federation of Societies of Commerce and Industry, *Survey on the Conditions of Business Activities of Micro Businesses*.

Note: Respondents were asked to list their top five management issues, listing them from No. 1 to No. 5. Totals above are of the answers that were given as the No. 1 issue.

Fig. 1-3-4 shows the areas where enterprises' products are sold by the size of enterprise (number of employees), as analyzed in *2014 White Paper on Small and Medium Enterprises in Japan*. It indicates that the smaller the enterprise, the more likely it is to sell within the same municipality, in neighboring municipalities,

and within the same prefecture, thus contributing to the flow of funds within its own region. Put conversely, because micro businesses have limited sales areas, they are susceptible to shrinkage of demand within those areas when the population declines, as well as to other factors such as market penetration by large retail shops.

Fig. 1-3-4 Areas where enterprises' products are sold, by size of enterprise (number of employees)



Source: SME Agency, 2012 Basic Survey of Small and Medium Enterprises.

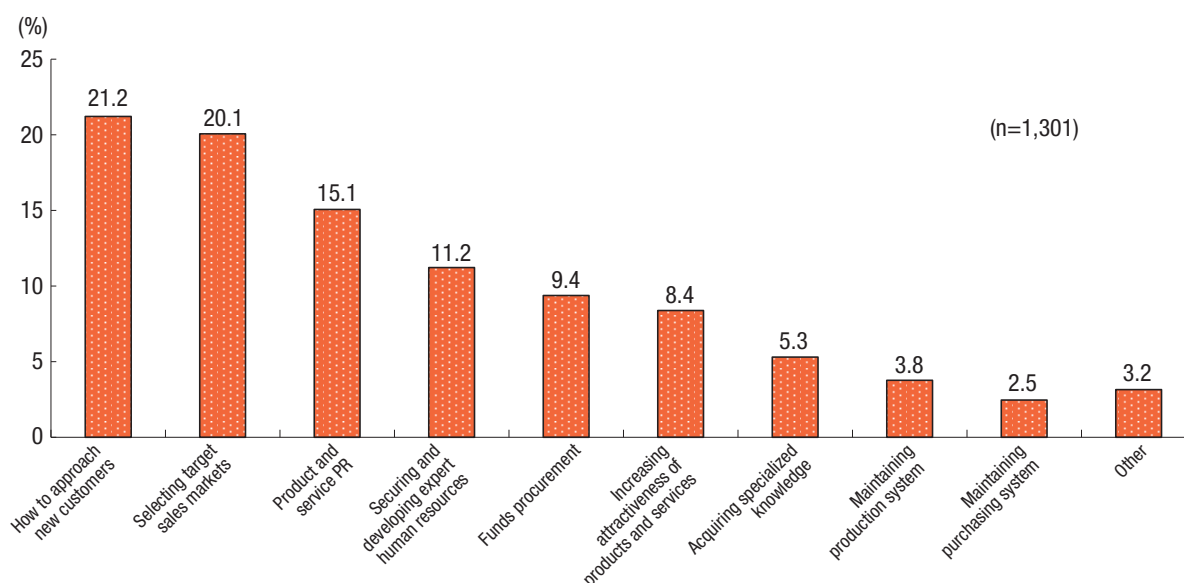
Notes: 1. The size of enterprise (number of employees) is determined by the number of regular employees.

2. "Regular employees" refers to regular employees/staff members plus part-timers/temporary workers, persons employed for an unspecified period of time or a period of greater than one month, and persons employed for at least 18 days in February or March 2009.

Fig. 1-3-5 shows the management issues faced by micro businesses when developing sales channels, as described in *2014 White Paper on Small and Medium Enterprises in Japan*. It shows that many micro

businesses said these issues include "how to approach new customers," "selecting target sales markets," and "product and service PR."

Fig. 1-3-5 Management issues faced when developing sales channels



Source: Teikoku Databank, *Small and Medium Enterprise and Micro Business Management Conditions and Business Succession Questionnaire Survey* (December 2013), commissioned by SME Agency.

Note: Respondents were asked to list their top three challenges when developing sales channels, listing them from No. 1 to No. 3. Totals above are of the answers that were given as the No. 1 challenge.

3 Actions to develop sales channels

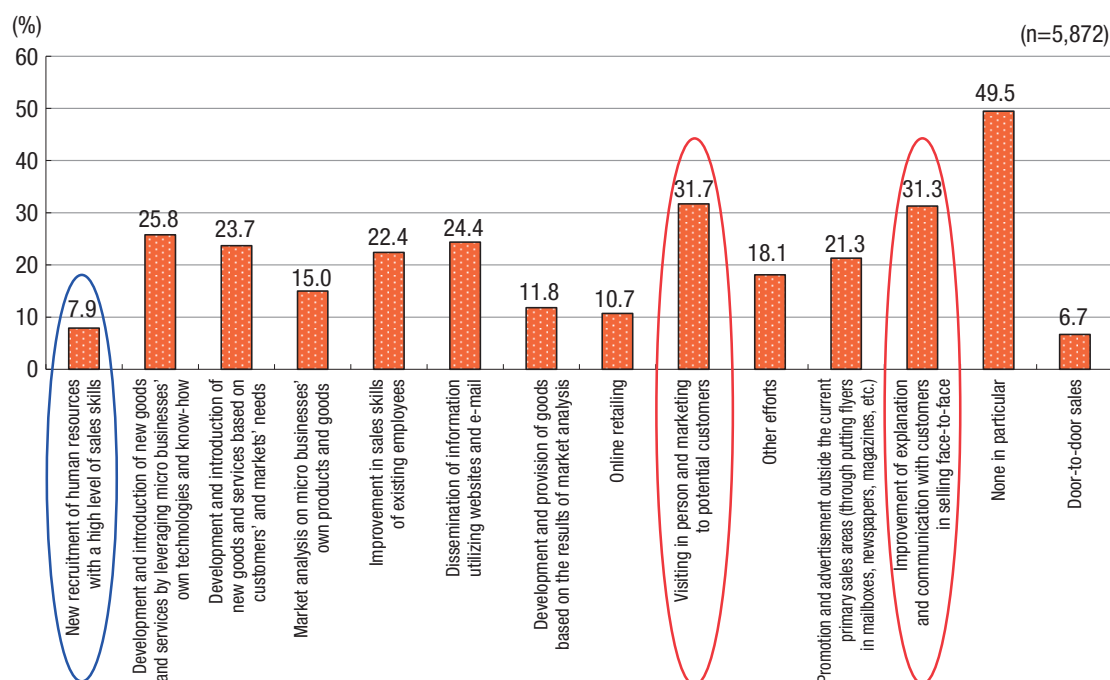
This sub-section considers the actions being taken by micro businesses to develop sales channels. As in Chapters 1 and 2, the analysis is based on the results of the recent *Survey on the Conditions of Business Activities of Micro Businesses*.

(1) Ways of developing sales channels

Fig. 1-3-6 shows the results obtained by asking micro businesses what actions they were actually taking to develop sales channels. The commonest actions were found to be “visiting in person and marketing to potential customers” and “improvement of explanations and communications with customers in selling face-to-face.” These results indicate that micro businesses are engaging most actively in face-to-face sales and marketing as a means of developing sales channels.

Considering next how these actions to develop sales channels relate to sales growth, Fig. 1-3-7 shows the relationship between the actions actually being taken to develop sales channels and sales trends in recent years.²⁾ The commonest action cited by proprietors who responded that “sales have been on the increase” was “new recruitment of human resources with a high level of sales skills.” As Fig. 1-3-6 indicated, however, few businesses actually engage in such activity. This is probably because hiring by micro businesses also depends on connections and chance factors. On the other hand, while the action most engaged in by micro businesses is face-to-face sales and marketing, only a low proportion of businesses engaging in such action reported that “sales have been on the increase.” This suggests that such action needs to be more targeted to ensure that it translates into sales growth.

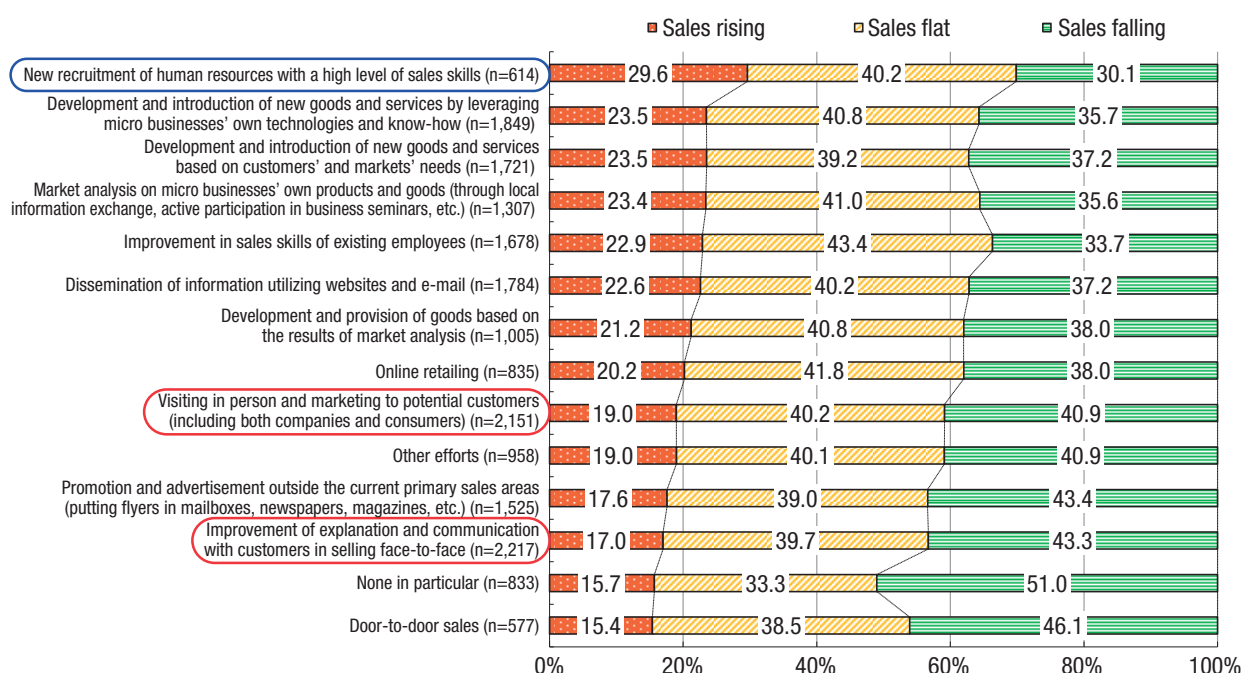
Fig. 1-3-6 Actions being taken to develop sales channels (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: Results are for the three commonest responses.

²⁾ “Sales trends in recent years” means the direction (upward or downward) of sales over the last three years (2012-2014).

Fig. 1-3-7 Relation between actions to develop sales channels (multiple responses) and sales trends in recent years

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: "Sales trends in recent years" means direction (upward or downward) of sales over the last three years (2012-2014).

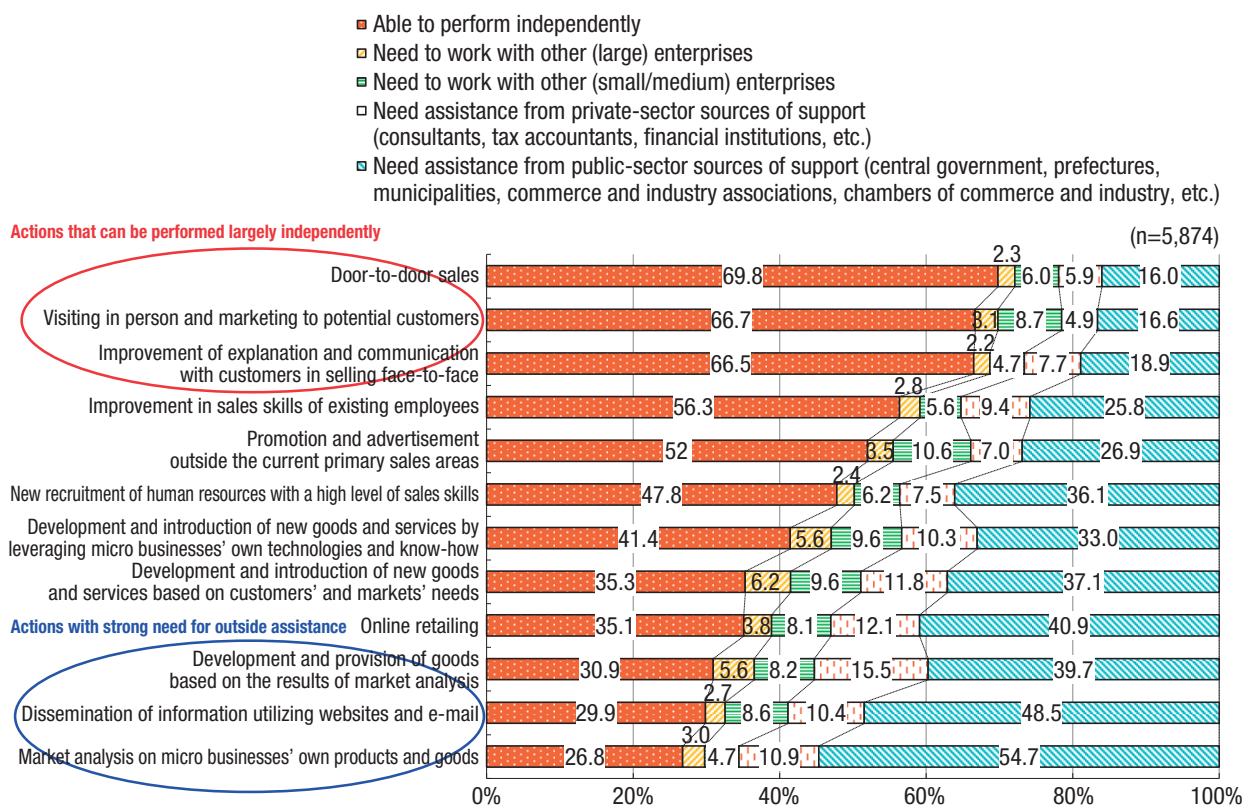
(2) Need for partners when developing sales channels

Fig. 1-3-8 shows whether businesses are able to engage in each type of action to develop sales channels on their own, or whether they need to work with an outside organization.

The actions that businesses were found most likely to be able to undertake on their own were "door-to-door sales," "visiting in person and marketing to potential customers," and "improvement of explanation and communication with customers in selling face-to-face." These findings largely coincide with the face-to-face style of sales and marketing that micro businesses were shown to be good at in Fig. 1-3-6 (actions being taken to develop sales channels). But despite "door-to-

door sales" being the action that the highest proportion of businesses reported being able to undertake independently, the proportion that actually do so is low according to Fig. 1-3-6.

On the other hand, actions found to require the support of public and private-sector support agencies and similar entities include "market analysis on micro businesses' own products and good," "dissemination of information utilizing websites and e-mail," and "development and provision of goods based on the results of market analysis." The results thus show that many businesses seek the cooperation of outside bodies in fields such as marketing and IT that require special expertise.

Fig. 1-3-8 Sources of assistance with action to develop sales channels

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

(3) Change in proprietors' thinking resulting from business planning

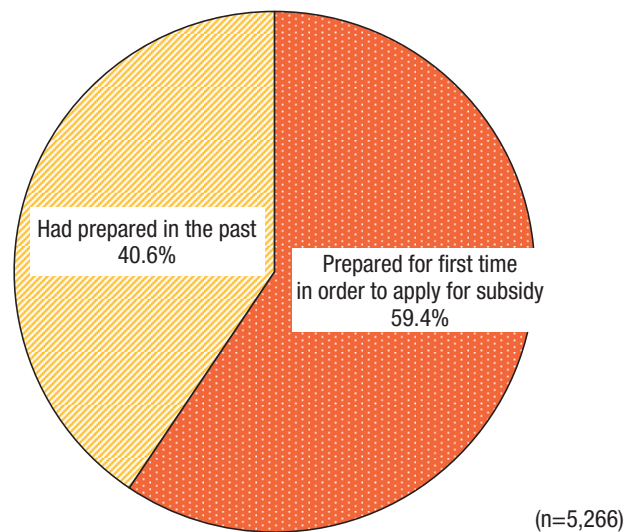
The Basic Act for Promoting Small Enterprises enacted on June 20, 2014, takes as a basic principle the promotion of the “sustainable development of business” in order to promote the development of micro businesses. As one specific means of achieving this, funding was allocated for “subsidies for sustainable micro businesses” in the fiscal 2013 supplementary budget. Subsidies have consequently been made available to micro businesses that work with commerce and industry associations and chambers of commerce and industry to collectively produce and implement business plans for developing sales channels.

To qualify for these subsidies, businesses are required to produce a business plan. Around 60% of the micro businesses whose business plans were approved for subsidization report that it was their use of the program that first prompted them to produce

such a plan (Fig. 1-3-9). Asked how their thinking had changed after developing a business plan, over 50% of the respondents answered “own strengths and weaknesses clarified” and “able to create plans for new business.” Considering that 40% also cited “provided good opportunity to review business,” these figures indicate that business planning generates a more positive approach to management (Fig. 1-3-10).

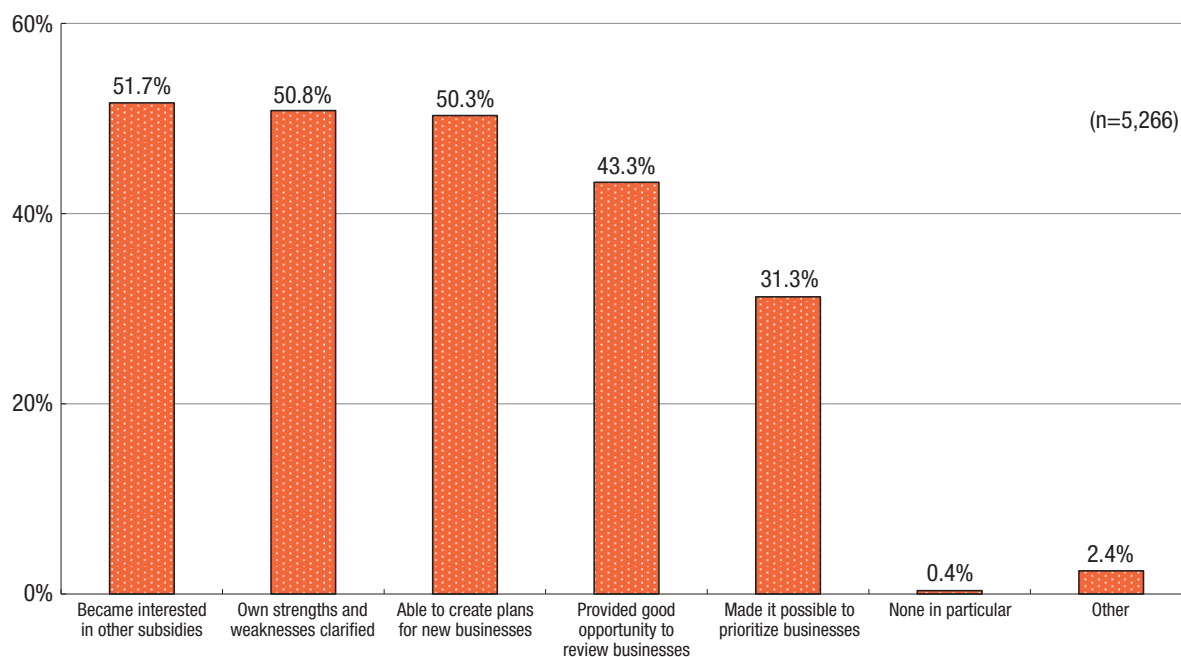
With population decline having made it crucially important for businesses to develop sales channels to acquire new customers, it has also become necessary for them to rethink their operations from the ground up and develop business plans that map out what direction management should take in order to develop sales channels in a more targeted manner. (To qualify for a subsidy for sustainable micro businesses, a business must produce a page-long business plan, but even a brief plan of this length can prove quite effective.)

Fig. 1-3-9 Experience with preparation of business plans



Source: SME Agency, *Impacts of the Previous Measures for SMEs and Micro Businesses* (November 2014).

Fig. 1-3-10 Changes in thinking of micro businesses after preparation of business plans (multiple responses)



Source: SME Agency, *Impacts of the Previous Measures for SMEs and Micro Businesses* (November 2014).

Column

1-3-1

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”). Even before the act was enacted, however, funding had been allocated in the fiscal 2013 supplementary budget for “subsidies for sustainable micro businesses,” the purpose which is to assist the micro businesses’ sustainable business development through the development of sales channels. This column surveys this subsidy program.

• **Program outline (fiscal 2014 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 preparing flyers, travel expenses for attending business fairs, and so on, and the funding allocated to these subsidies was considerably expanded in the fiscal 2014 supplementary budget.

Support has been newly added for joint projects by multiple businesses, and the ceiling on subsidies for businesses undertaking initiatives to serve the needs of disadvantaged consumers living in hilly and mountainous areas by operating mobile outlets has been raised to provide more targeted support.

To encourage micro businesses to do business in accordance with a business plan, micro businesses applying for subsidies are required to submit a business plan prepared with the assistance of a commerce and industry association or chamber of commerce and industry, together with a “business support plan” prepared by such an organization.

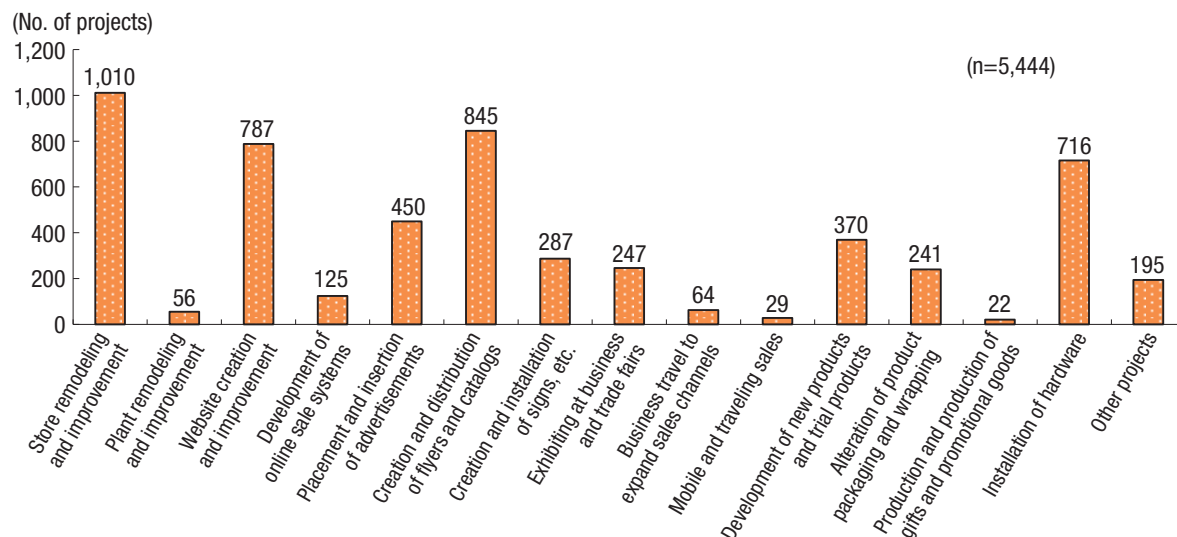
Column Fig. 1-3-1 (1) Summary of subsidies for sustainable micro businesses

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 commerce and industry association or chamber of commerce and industry (describing 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 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

• Program results (under the fiscal 2013 supplementary budget)

A questionnaire conducted by the Small and Medium Enterprises Agency finds that the creation and distribution of flyers and catalogs (845 projects/15.5%), website launch and improvement (787 projects/14.5%), and installation of hardware (716 projects/13.2%) account for a large proportion of the projects subsidized (Column Fig. 1-3-1 (2)).

Column Fig. 1-3-1 (2) Subsidized projects undertaken by recipients



Source: Based on the results of a questionnaire conducted by SME Agency.

Column Fig. 1-3-1 (3) Example of a subsidized project

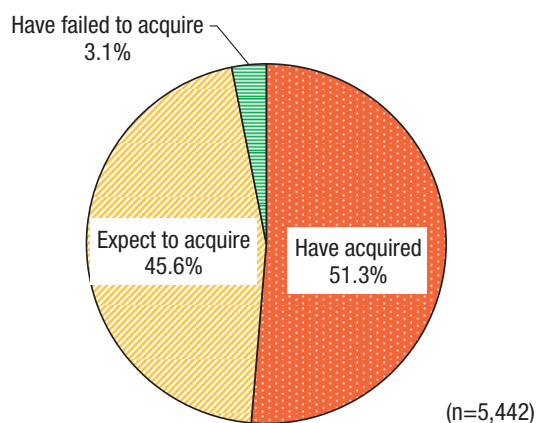
	Project overview
Subsidy recipient	Gourmet-kongers Co., Ltd. (Utsunomiya City, Tochigi Prefecture)
Line of business	Gourmet-kongers processes and bottles Nissato negi (green onions), a local specialty. Using the subsidy, it produced boxes for selling sets and gift packs. It also launched a website to provide information about itself and its products.
Project effects	<ul style="list-style-type: none"> Producing boxes for selling sets and gift packs made the products easier to market than when sold individually in bottles, and also enabled the company to enter the gift box market. Sales grew as a result. The company also exhibited at Tokyo Big Sight, which generated inquiries from trading companies in and around the capital and business negotiations opening up the possibility of doing business with other companies in Tochigi Prefecture. Setting up a website made it less likely that people would take the company for a dummy corporation, and made it easier to gain trust. The site was also accessed by customers and recipients of the company's gift sets, resulting in purchase inquiries.



51% of the subsidy recipients that are already implementing projects report that they have acquired new customers, and this figure rises to 97% when likely new customers are included. In addition, 35% say that their sales have increased, with this figure, too, rising to around 90% when expected sales growth is included.

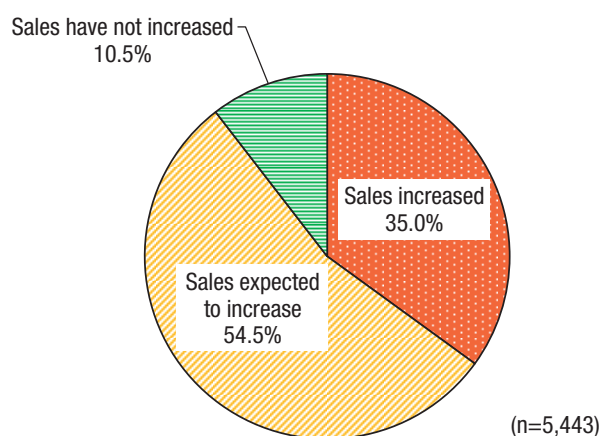
As Fig. 1-3-9 showed, a further benefit of the program is that around 60% of subsidy recipients report that they developed a business plan for the first time because they were required to do so when applying. Using the program thus not only produces direct benefits in terms of sales, but also leads businesses to rethink and take a more positive approach to their current situation.

Column Fig. 1-3-1 (4) 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 2015).

Column Fig. 1-3-1 (5) Impact on sales of receiving subsidies for sustainable micro businesses



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

(4) Action to develop sales channels (examples of expansion overseas)

Perhaps one of the most proactive ways of developing new sales channels is to expand overseas.

The following pages profile two micro businesses that, despite their small size, came up with original ideas and aggressively expanded overseas to put them into action.

Case

1-3-1: RUIZ Co., Ltd.

(Sumida City, Tokyo)

(Import and sale of general merchandise, operation of overseas outlet)

<Employees: 0; capital: ¥29.50 million>



Satsuki Seki, President

Working together with like-minded associates, Ms. Seki took the international plunge and fulfilled her dream of opening a multi-brand boutique in Hawaii

◆ Background of the business

On the first floor of the Aqua Waikiki Pearl Hotel, five minutes' walk from Waikiki Beach in Hawaii, can be found Ribbon Lei, a multi-brand boutique selling clothes, accessories, and general merchandise inspired by Japanese *kawaii* (cute) style. Especially recommended are Ribbon Lei's original beach sandals. These handmade masterpieces are made from the soles of Havaianas beach sandals, beloved by Hollywood stars, which are embellished with Brazilian beads. Their high heels make them easy to walk in even on the beach, while their gorgeous appearance has turned them into a hit both as footwear for Hawaiian weddings and as souvenirs to take back to Japan.

Havaianas is a Brazilian brand. Ribbon Lei designs and outsources production of its original Havaianas-based sandals, which it then imports and sells in Hawaii.

Ribbon Lei itself is operated by RUIZ Co., Ltd., whose representative director, Satsuki Seki, is a former office worker who was inspired to set herself up in business in 2010.

◆ Turning point and development of the business

"I always liked traveling overseas and wanted my own free time," explains Ms. Seki. "That, and the fact that I really wanted to put everything into something that I liked doing, is the main reason why I started my own business."

As her husband also managed a company and was in the consulting and trading business, the obstacles to going into business were less than they might otherwise have been.

The company began by marketing imported general merchandise online. "I sold what I liked to people who took a fancy to the same kind of things I did. It was very simple, but that was the basic concept," says Ms. Seki.

It was in 2014 that the opportunity to expand overseas arose. A friend in Hawaii, where she visited several times a year, asked her if she was interested in taking over her store there. As the shop was spacious, affordable, and well located, Ms. Seki did not hesitate to accept the offer.

She began making preparations with the help of some of her other associates who also ran their own businesses, and opened Ribbon Lei that September. She is currently working hard to build up her own brand by developing original products. "But doing business overseas also brings

with it its own headaches," admits Ms. Seki. Things have not always gone smoothly, and she has had to deal with the difficulties posed by late deliveries, as well as rising costs due to the weakening of the yen.

But as she adds with a smile, "Our income may still be unstable, but it's fun doing business abroad. I might even decide to settle permanently in Hawaii some day."

◆ Future business development

Looking to the future, Ms. Seki is considering entering the wedding business and food and drink business in Hawaii.

"Some 1.45 million Japanese visit Hawaii every year. That includes 300,000 couples who tie the knot there, making the wedding business an attractive market. As Japanese food is also popular in Hawaii, there's the potential to serve people other than Japanese tourists, too," explains Ms. Seki from an entrepreneurial perspective.

As regards the food and drink business, a Japanese *udon* noodle chain that opened outlets in Hawaii has reportedly become such a popular fast food outlet that long queues form outside its shops all the time. There is also a confectionary boom in Hawaii, and Ms. Seki plans to respond by offering Hawaiian desserts made with Japanese ingredients.

"The *kakigori* shaved ice desserts you get in Hawaii tastes really good, right?" she says. "So there's definitely potential there for re-importing something like *mochi* rice cake ice-cream back to Japan."

Even further down the road, Ms. Seki expects to launch her brand in Southeast Asia as well.

Enterprises frequently seek to generate profits using business management methods that leverage the principle of competition. Ms. Seki, however, trusts in her own senses as she pursues self-fulfillment in cooperation with her like-minded associates.

"One of the best things about running a business is all the opportunities it brings for communicating with people," she says.

Ms. Seki's ambition is to use her community of associates as a springboard for making an even greater splash on the international scene.



Ribbon Lei's original beach sandals



Kawaii (cute) products on display in Ribbon Lei

Case

1-3-2: AS Inc. (Minato City, Tokyo)
(IT services, retail support, and overseas business)
<Employees: 4; capital: ¥3 million>



Tomoyuki Fujita, President (left)
Koichi Takahashi, Director (right)

Two entrepreneurs from different fields hit it off, and leverage overseas expansion to amplify synergies and generate corporate competitiveness through a strategy of differentiation

◆ Background of the business

The case described here involves two key individuals: Tomoyuki Fujita, president of AS Inc., and Koichi Takahashi, a director at the same company.

In 2007, Mr. Fujita spun out an affiliate of a major electronic manufacturer to form AS Inc., which at the time primarily built and ran websites and e-commerce sites. Mr. Takahashi, on the other hand, spent his time dashing around the country as a sales manager for a confectionery manufacturer and advising confectioners in Japan's far-flung prefectures on how to go about establishing operations in Tokyo. Seeking to make better use of his abilities as a producer, however, he invited his boss to join him in starting up a consulting company.

The two first met up when Mr. Fujita invested in an old Kyoto confectioner that had been in business for some 140 years. There he met Mr. Takahashi, who happened to be involved as a consultant.

"Despite being the manager of an IT firm, Mr. Fujita spoke passionately about doing business overseas and online promotions. I thought he was very inquisitive," recalls Mr. Takahashi.

Mr. Fujita was no less impressed. "Mr. Takahashi was outstanding at producing projects to cultivate markets for companies, and I was also impressed by his broad range of contacts," he recollects today.

The two clicked immediately, and quickly decided to work together. In 2014, Mr. Takahashi and his staff joined Mr. Fujita's company and AS was reorganized around a three-division structure: an IT division, a retail support division, and an overseas business division.

◆ Turning point and development of the business

Three years earlier, one of Mr. Fujita's former subordinates had moved to Thailand to work at a Japanese electronics manufacturer's Thai subsidiary. In 2014, the year AS was reorganized, Fujita established a local subsidiary in Bangkok called Try & Marry Consultant Co., Ltd. with his old subordinate as its representative. Although originally motivated by concern that the Japanese market had become saturated, the founding of this subsidiary marked a turning point for the company. Mr. Fujita's online promotion skills, Mr. Takahashi's store production abilities, and the Thai subsidiary proved a perfect match: AS's ability to deliver proposals to companies planning to establish operations overseas was dramatically increased, and orders grew.

The company is now involved in a wide range of activities, including using social media to promote a drugstore chain's first outlet in Thailand, providing end-to-end support—from local marketing to incorporating a local subsidiary—for a Japanese culture school opening its first Thai branch, operating and managing a store in Thailand for a Japanese confectionery manufacturer, and providing support to assist the export to Thailand and development of local demand for cosmetics packaging designed by a Japanese advertising agency.

The company's cross-border corporate support capabilities have thus made it far more competitive, and as a result this year it is set to register an almost fourfold increase in sales on the year before.

Doing business overseas is fraught with risk due to differences in culture and business practices, and this is what makes the support AS provides to enterprises seeking to do business overseas so valuable. Why major firms should want the high-quality, price-competitive overseas support provided by this virtually anonymous company is readily apparent from the two partners' enthusiasm for what they do.

◆ Future business development

AS plans to actively hire new employees in fiscal 2016 and expand its business.

"We're reaching the crucial stage," the pair eagerly explain. "We will strengthen our platform for doing busy as a global enterprise by steadily expanding our overseas operations, particularly in Southeast Asia."

Given the high regard for Japanese quality in Southeast Asia, the region appears to offer AS boundless possibilities.

The company's rapid ascent from a small enterprise into an SME deserves to be closely watched.



Thai subsidiary Try & Marry Consultant Co., Ltd.

4 Actions to ensure profitability

(1) Ways of ensuring profitability

Having analyzed the steps taken by micro businesses to develop sales channels – i.e., how they go about increasing sales – we next focus on the measures that businesses adopt to ensure those sales translate into profits.

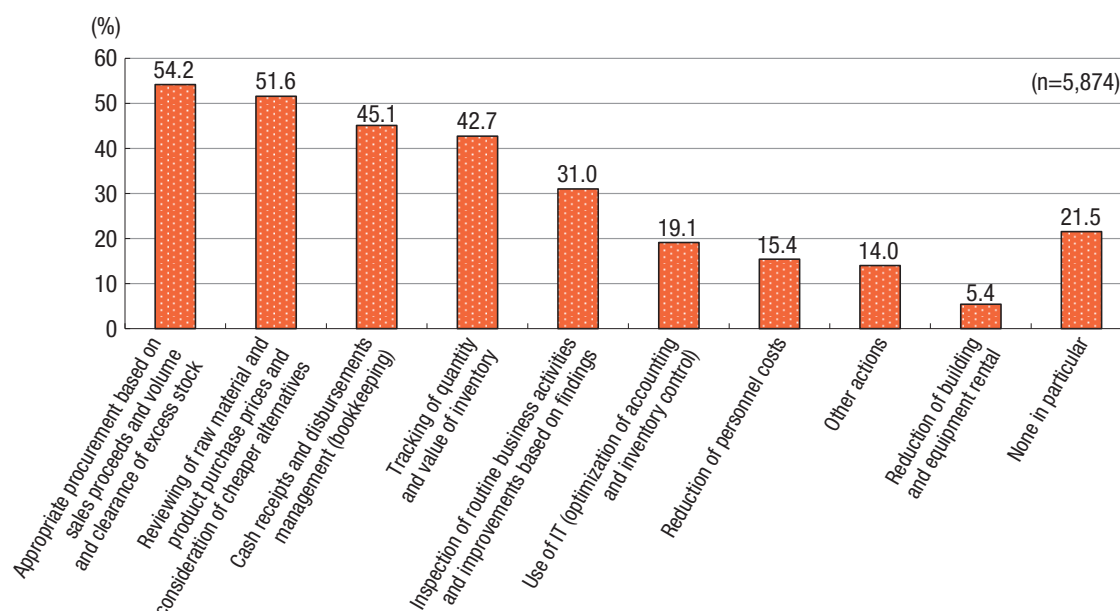
Micro businesses have a tendency to be more interested in expanding business and sales than profits. One of the joys of managing a business is seeing one's products and services accepted by consumers and translated into increased sales. For micro businesses to do business on a sustainable basis, however, the question of how to ensure a certain level of profitability every year cannot be ignored. It is only when businesses know that they can rely on a certain level of profitability that they can freely engage in developing their markets. In this sense, profitability and sales are inseparably linked.

Fig. 1-13-11 shows the results obtained when proprietors were asked about the actions they were actually taking to ensure profitability. The commonest responses were “appropriate procurement based on sales proceeds and volume and clearance of excess stock,” “reviewing of raw material and product purchase prices and consideration of cheaper alternatives,” “cash receipts and disbursements management (bookkeeping),” and “tracking of quantity and value of inventory.”

Conversely, fewer businesses cited “reduction of building and equipment rental,” “reduction of personnel expenses,” and “use of IT” were cited by fewer businesses.

These findings indicate that proprietors emphasize activities such as inventory control and management of receipts and disbursements as means of ensuring profitability.

Fig. 1-3-11 Actions being taken to ensure profitability (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: Results are for the three commonest responses.

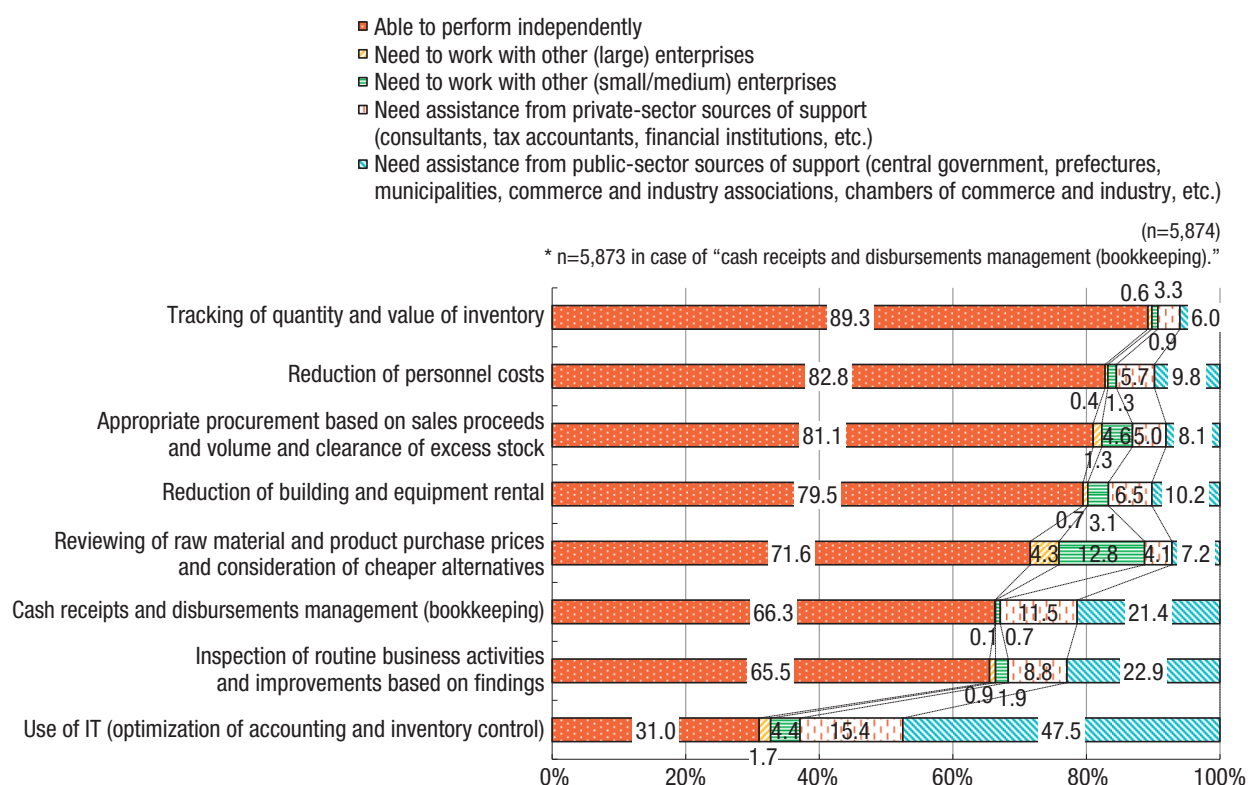
(2) Need for partners when taking action to ensure profitability

Fig. 1-3-12 examines whether businesses taking steps to ensure their profitability are able to do so on their own, or whether they require the cooperation of outside organizations. Almost all the types of action cited were described as “able to perform independently,” with the response rates especially high for “tracking of quantity and value of inventory,” “reduction of personnel expenses,” and “appropriate procurement and clearance of excess stock based on sales proceeds and volume.” In regard to actions that proprietors themselves can initiate in order to generate profits directly, a high proportion responded that they could perform them independently.

In contrast, a noticeably high proportion of micro businesses cited “use of IT (optimization of accounting and inventory control)” as an action regarding which they “need assistance from public/private-sector sources of support.” This coincides with the findings shown in Fig. 1-3-8 (sources of assistance with action to develop sales channels), and is attributable to the fact that IT is a specialized field for which many proprietors require the assistance of outside organizations.

Thus the use of IT both to ensure profitability by optimizing accounting and inventory control and to develop sales channels appears to be a field in which policy support by public support agencies has an important role to play.

Fig. 1-3-12 Sources of assistance with action to ensure profitability



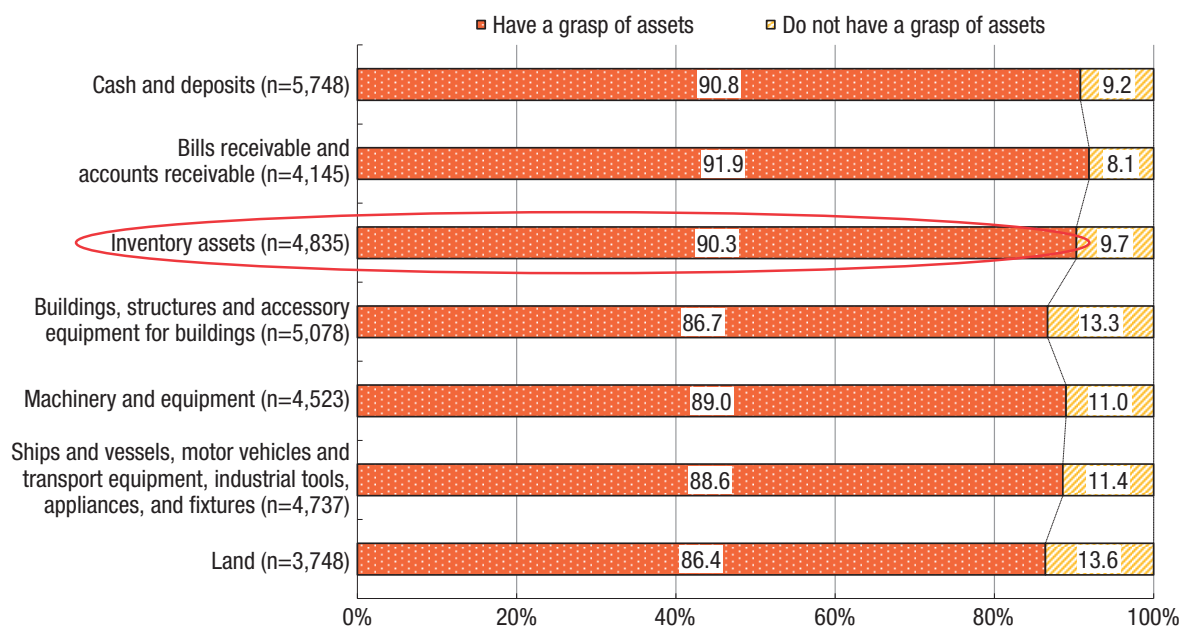
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

(3) Grasp of business assets and actual frequency of inventory control

We next focus on inventory control, which is essential if micro businesses are to ensure their profitability. Beginning with Fig. 1-3-13 (reproduced

from Fig. 1-1-64), which examined proprietors' grasp of inventory assets, 90% of the respondents said that they did have a grasp of those assets. (Note that this figure does not go into the extent of this grasp.)

Fig. 1-3-13 Grasp of business assets (reproduced)

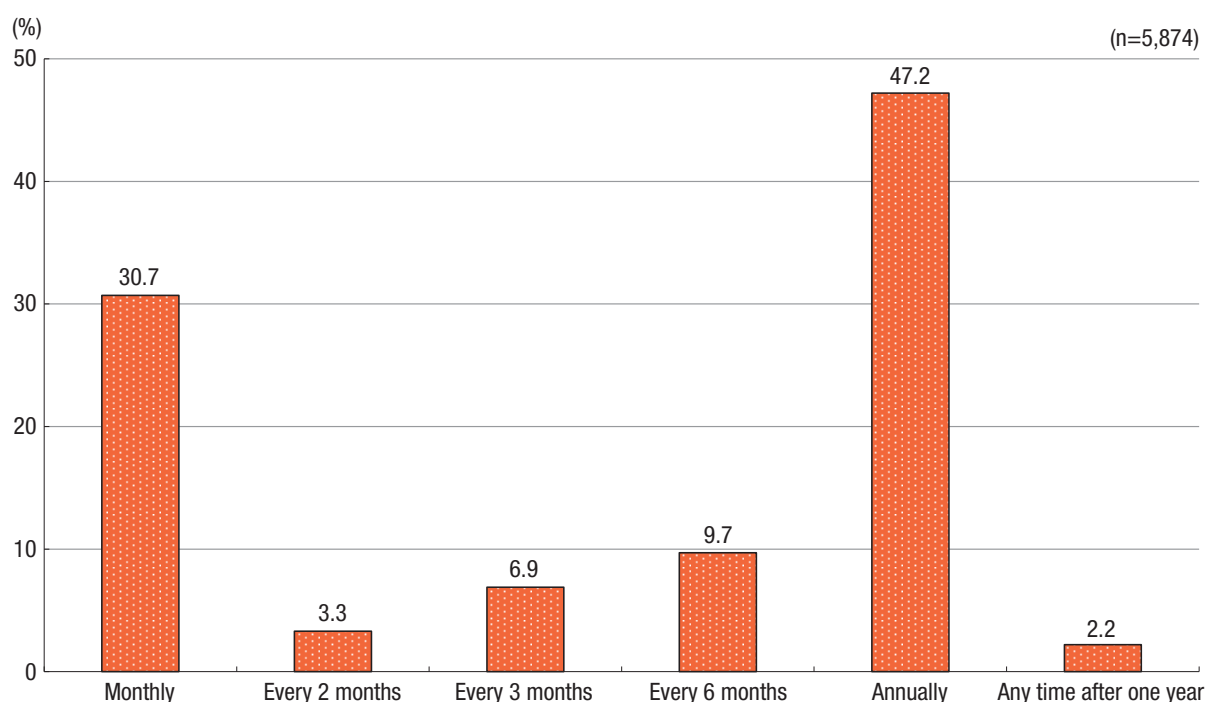


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Bearing in mind the results in Fig. 1-3-13 (grasp of business assets), we turn next to Fig. 1-3-14 on inventory control. This figure shows the results obtained when asking proprietors how frequently they actually inventory the stocks they hold. The results reveal a tendency for inventories to be carried out either once a month or once a year. While it is possible

that some of the proprietors who responded “monthly” in fact conduct detailed inventories on a daily basis, the “annually” respondents may also include some who perform only perfunctory inventories simply because they have to when they are rushing to prepare their annual financial statements. Grasp of inventory may be assumed to vary widely depending on the proprietor.

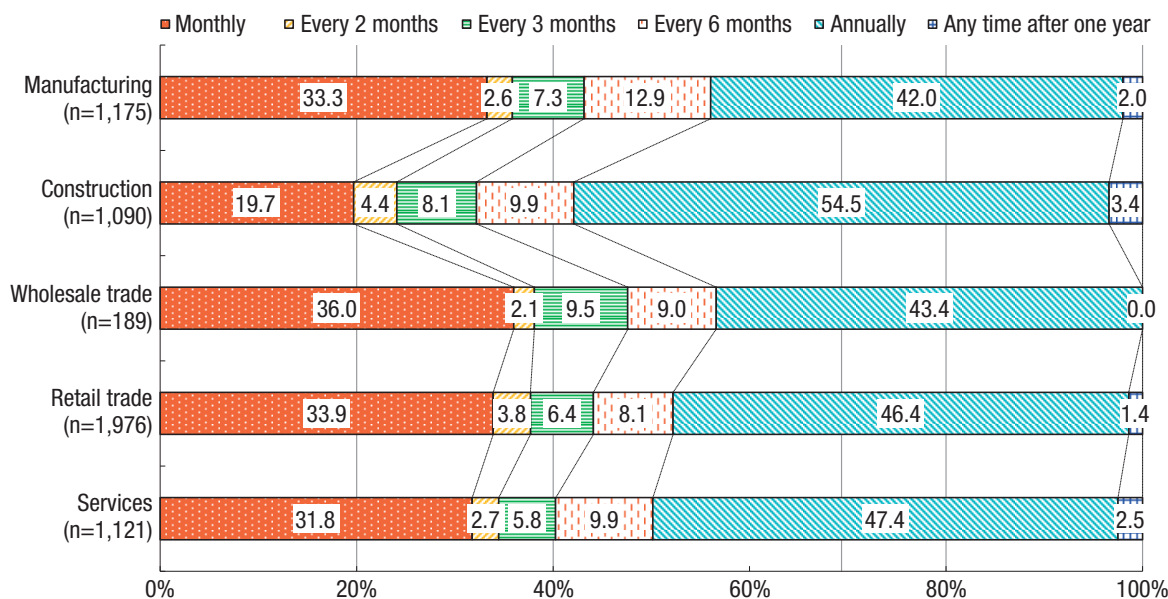
Fig. 1-3-14 Actual frequency of inventory control



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

A breakdown of the actual frequency of inventory control by industry (Fig. 1-3-15) reveals a sharp division in all industries between “monthly” inventory takers and “annually” inventory takers. An examination by industry shows that monthly inventory control is more

common in the wholesale trade and less common in construction. This difference stems from the business practices in each industry, making it important that these practices, too, be included in the scope of reviews and revisions.

Fig. 1-3-15 Actual frequency of inventory control (by industry sector)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Notes: 1. "Retail trade" includes eating and drinking services.

2. "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

Section 2 New work styles

Micro businesses in the broad sense include what are called "freelancers," who are people who market their skills and expertise in various fields, such as software design and engineering (SE), web design, writing, translation, and interpretation, as individuals, without belonging to any specific organization. While freelance work styles have attracted growing interest in recent years, exactly what "freelancer" means is not always clearly defined. While it is easy to imagine that freelance businesses providing their own specialist skills may form in ways that cut across conventional

industrial and occupational categories, it has been difficult to obtain a picture of what they are really like.

This section seeks to provide just such a picture of "freelancer" business forms. Drawing on the results of the *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers*³⁾, it analyzes in particular those micro-business proprietors who have no regular workforce, do business by marketing their own skills, and consider themselves to be a "freelancer." Where the term "freelancer" is not otherwise defined below, it is used with this definition in mind.

3) 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 17,000 individuals). It was commissioned by the SME Agency, conducted by Cross Marketing Inc. in February 2015, and received 800 valid responses. A sample of valid responses was obtained by defining as "freelancers" 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."

1 Trades and industries in which freelancers do business

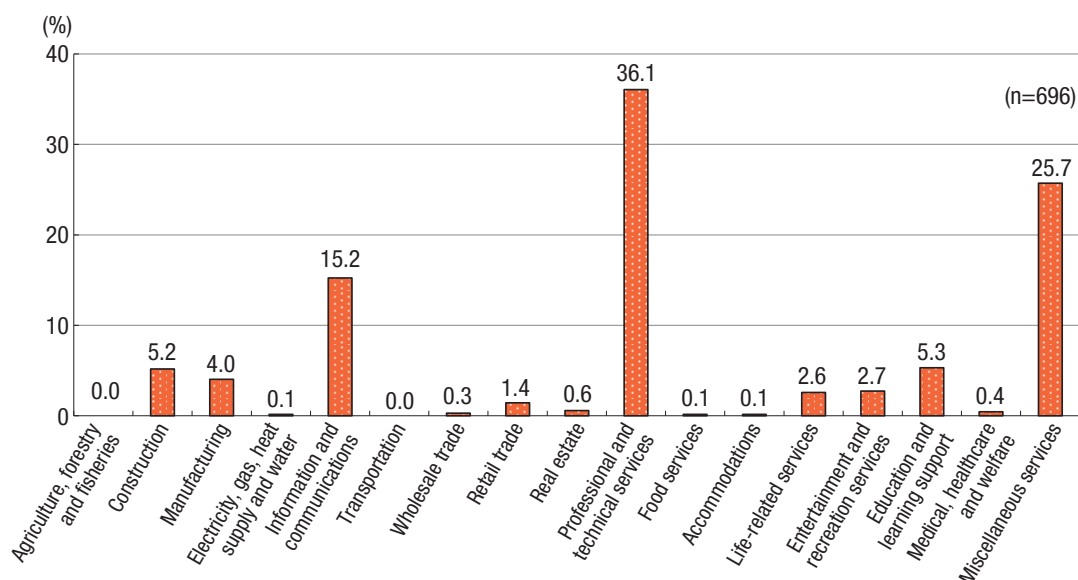
The section begins by examining the attributes of the respondents to the survey and considering why they work in the industries and occupations that they do. As the analysis in this section is based on the results of a questionnaire survey, it is not possible to gain an overview of freelancing and freelancers directly. However, it is possible to ascertain trends and tendencies concerning the industries and occupations⁴⁾ in which freelancers do business.

Fig. 1-3-16 shows the results obtained by asking about the principal industries in which freelancers do

business. From this it can be seen that over 30% of the respondents answered “professional and technical services,” followed by more than 10% who answered “information and communications.” The results suggest that freelancing encompasses highly diverse work styles that span all kinds of industries.

Respondents could also give open-ended responses, instead of choosing from the list of industries provided as options. Common open-ended responses included “design,” “publishing,” and “translation.”

Fig. 1-3-16 Principal industries in which freelancers do business



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

<Principal industries in which freelancers do business (from open-ended responses)>

Design (25), publishing (15), translation (9), investment (8), finance (7), media (6), editing (5), printing (5), authors (4), arts (3), fiction and other writing (3), liberal profession (2), civil engineering design (1), music (1)

Notes: 1. Figures in parentheses indicate the number of responses.

2. The above industries were categorized and aggregated by Applied Research Institute, Inc.

⁴⁾ The industries and occupations listed in the questionnaire as answer options were categorized independently by Applied Research Institute, Inc., which was the organization commissioned by the SME Agency to conduct the survey.

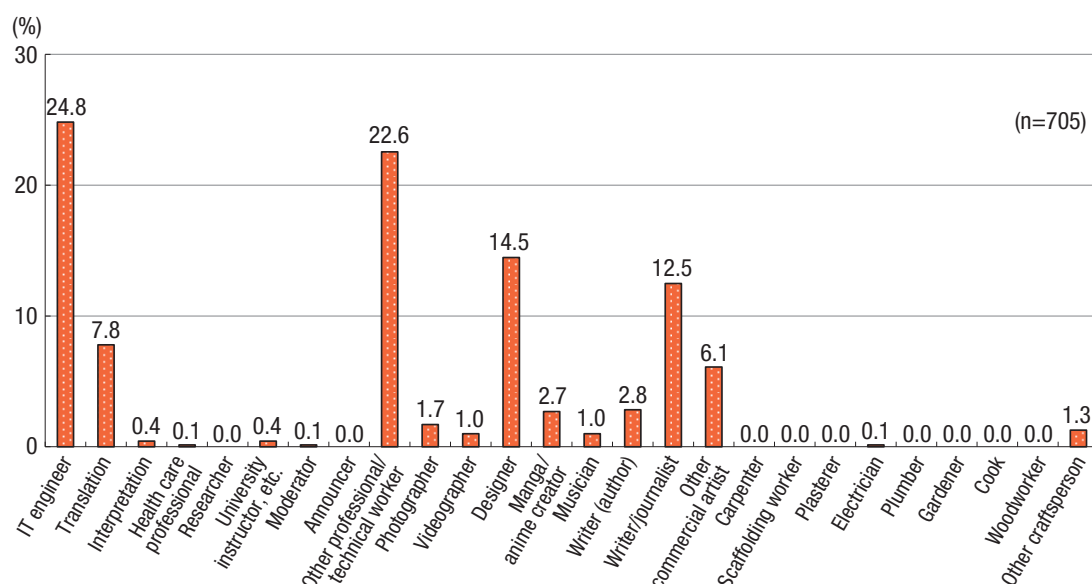
The responses regarding the professions in which freelancers do business are shown next in Fig. 1-3-17. “IT engineer” and “other professional/technical worker” were each cited by around 20% of respondents respectively, followed by “designer” and “writer/journalist,” which each accounted for around 10%. These are all lines of work that require individuals to produce results using skills backed by their own personal expertise and experience, and are likely to call for different approaches than typical work.

The analysis presented in Section 1 of the areas in which micro businesses reported requiring the assistance of outside sources of assistance to develop their sales channels (Fig. 1-3-8) and ensure their

profitability (Fig. 1-3-12) revealed a strong overall need for assistance in areas involving the use of IT (online retailing, dissemination of information utilizing websites and e-mail, and optimization of accounting and inventory control) and specialist services (market analysis) to assist with the development and provision of products. This suggests that micro businesses’ use of freelance outside human resources is likely to grow even further.

Respondents could also give open-ended responses instead of choosing from the list of occupations provided as options.. Common open-ended responses included architectural design, investor, and editing/printing/publishing.

Fig. 1-3-17 Occupations in which freelancers do business



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

<Principal industries in which freelancers do business (from open-ended responses)>

Architectural design (14), investor (12), editing/printing/publishing (10), consultant (6), instructor (4), retail (3), financial planner (3), health and beauty (3), sales and marketing (2), administration (2), event planning (2), pet trainer/breeder (2), designer/pattern maker (2), operator (2), export/import (1), leasing (1), tape transcription (1), data input (1)

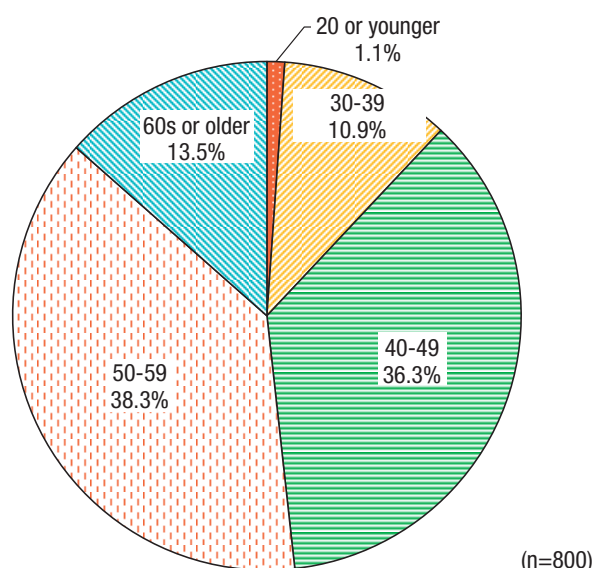
Notes: 1. Figures in parentheses indicate the number of responses.

2. The above industries were categorized and aggregated by Applied Research Institute, Inc.

The results obtained by asking the age of freelancers working in these industries and occupations are shown in Fig. 1-3-18. Largest is the 50- to 59-year-old age group (38.3%), followed by 40- to 49-year-olds

(36.3%) and 30- to 39-year-olds (10.9%). Individuals in their forties and fifties, who have acquired experience, skills, and contacts, can thus be seen to make up the mainstay of freelancers.

Fig. 1-3-18 Breakdown of freelancers by age



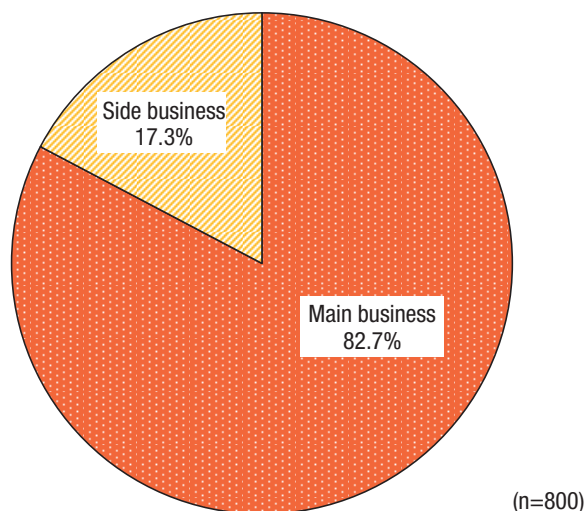
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancer* (February 2015), commissioned by SME Agency.

2 Facts on freelancers

Bearing in mind the attributes of respondents analyzed thus far, we next analyze the actual circumstances of freelance work styles

(1) Forms of freelance employment

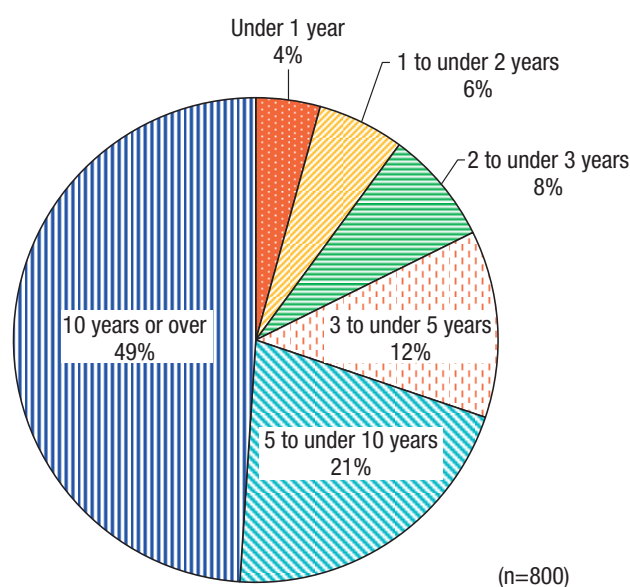
Fig. 1-3-19 shows the results obtained when asking the questionnaire respondents whether they regarded their freelance work to be their main line of work or a sideline. This indicates that approximately 80% of respondents regard freelancing to be their main line of work.

Fig. 1-3-19 Freelancing as main or side business

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Next, Fig. 1-3-20 shows how long respondents said they had been working as freelancers. The largest proportion, accounting for around half of all respondents, had worked freelance for at least 10 years, with the next commonest responses being “5 to under 10 years” (approximately 20%), and “3 to under

5 years” (approximately 10%). Given the previous finding that approximately 80% of the respondents work freelance as their main line of work (Fig. 1-3-19), these results suggest that it takes at least several years of professional experience before a freelancer can become self-supporting.

Fig. 1-3-20 Length of freelance experience

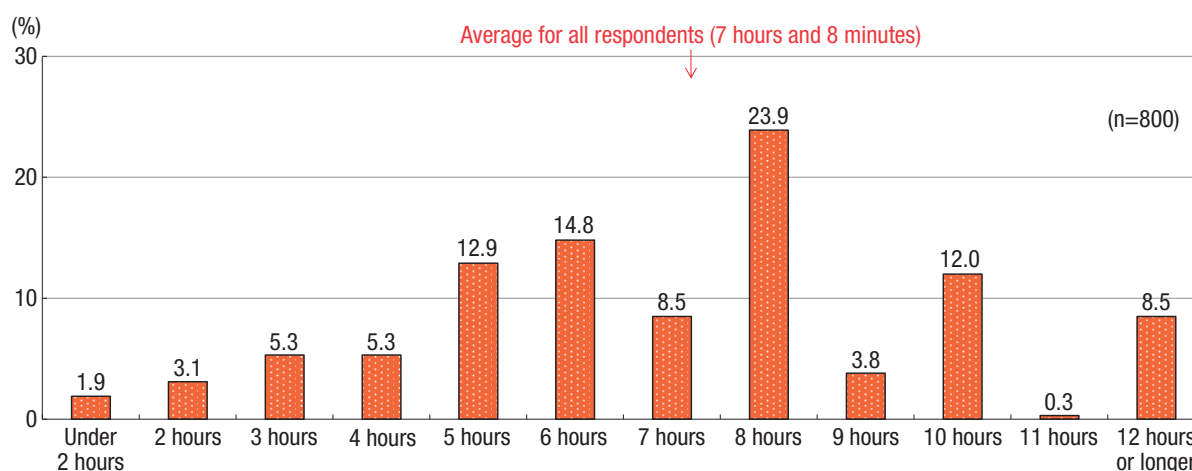
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

The results obtained by asking respondents about their actual working hours per day and their regular holidays as freelancers are shown in Figs. 1-3-21 and Fig. 1-3-22. The average working hours for all respondents was over 7 hours per day, with the single largest proportion of respondents (over 20%) working 8 hours per day. As the combined total of those working 5-6 hours per day comes to just under 30%, the freelance working day can be said to generally range between 5 and 8 hours. However, the survey also found

that a little under 10% of respondents work 12 hours or longer per day, and it is clear that some freelancers work very long hours.

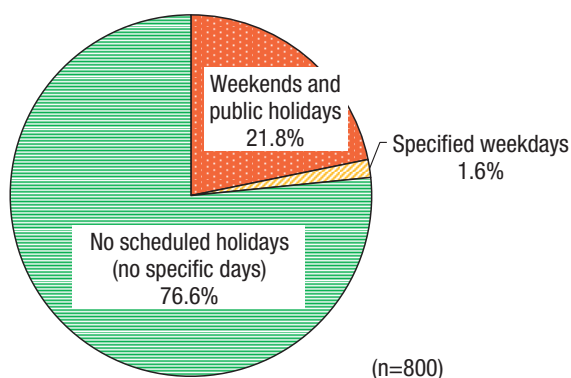
The largest proportion of freelancers, almost 80% of the total, take no scheduled holidays at all. Next commonest are those who take off “weekends and public holidays,” accounting for around 20%. While it is likely that some of those who responded that they take no “scheduled holidays” in fact take hardly any holidays at all, the survey did not pursue this possibility.

Fig. 1-3-21 Actual working hours per day of freelancers



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Fig. 1-3-22 Regular holidays taken by freelancers



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

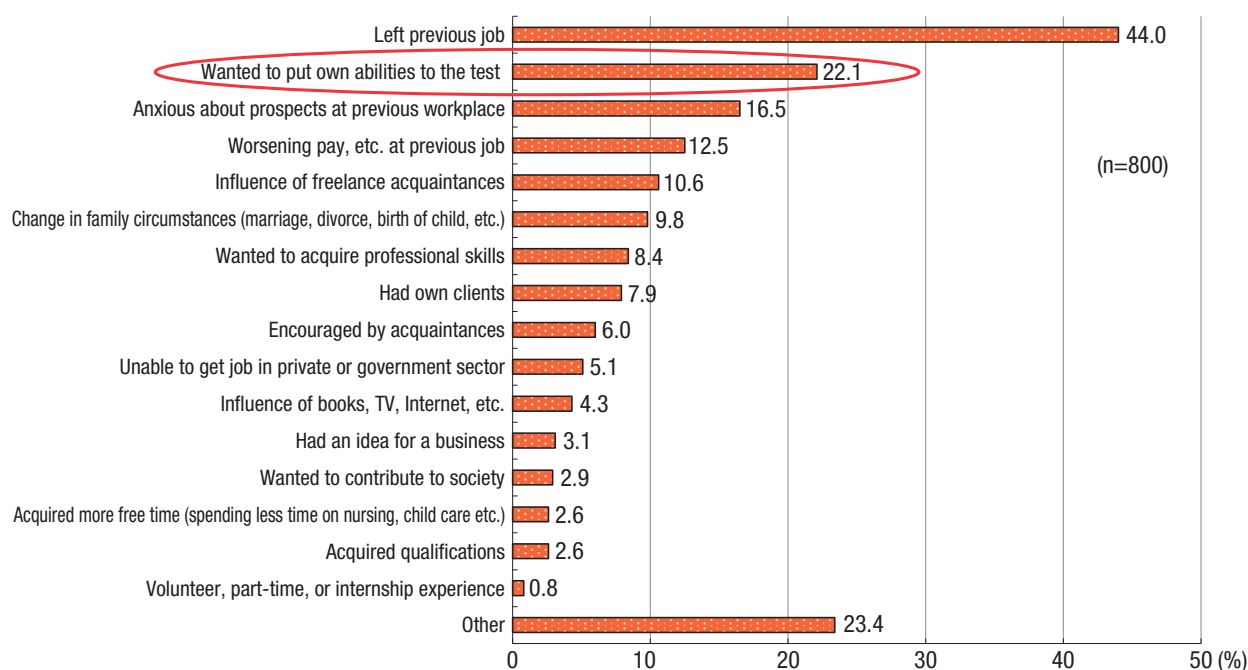
(2) Motivations and reasons for choosing to work freelance

We next examine the reasons for becoming aware of freelancing as a work style, and for choosing to work in this way.

The reasons given for first becoming aware of freelancing as a work style are shown in Fig. 1-3-23.

While the commonest response was “left previous job,” this was followed by “wanted to put own abilities to the test.” It is clearly apparent from these results that one major reason for becoming aware of freelancing as a work style is a growing desire to utilize one’s own skills and experience.

Fig. 1-3-23 Reasons for becoming aware of freelancing as a work style (multiple responses)

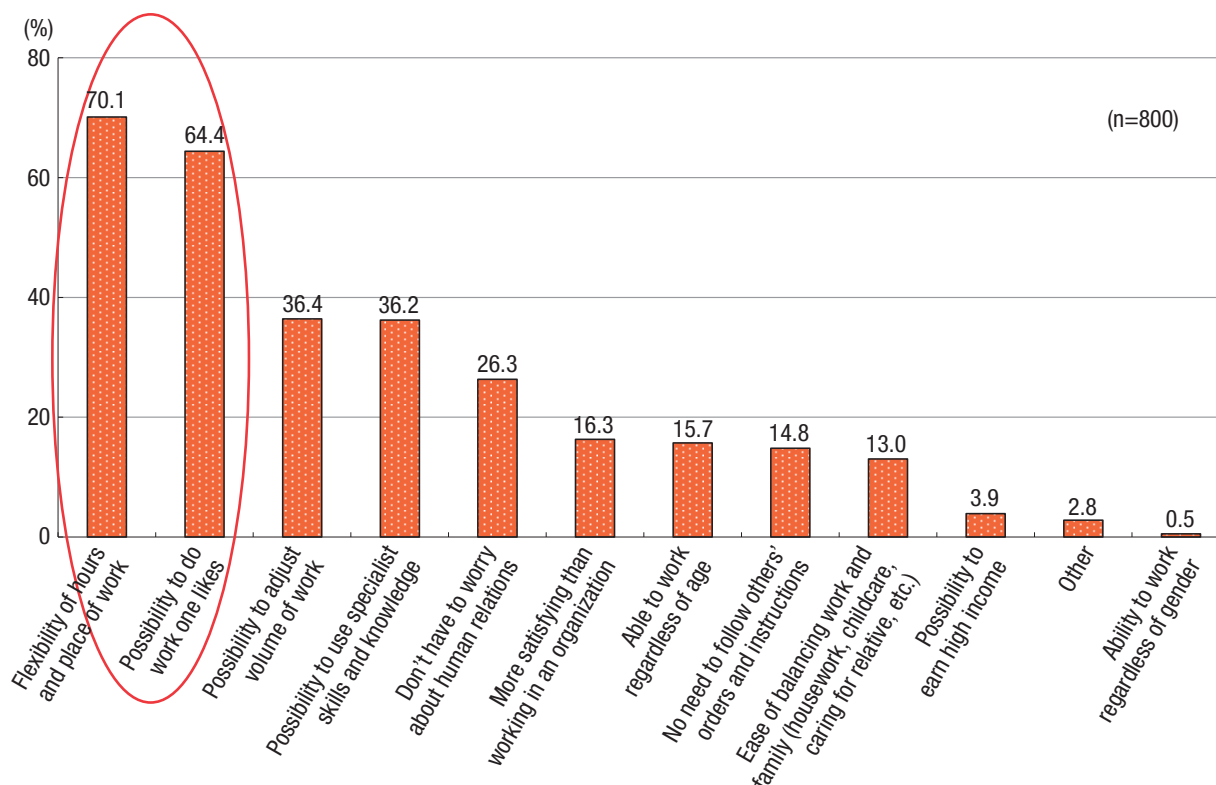


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

The reasons respondents gave for working freelance are shown in Fig. 1-3-24. By far the commonest responses were “flexibility of hours and place of work” and “possibility to do work one likes,” followed by

“possibility to adjust volume of work” and “possibility to use specialist skills and knowledge.” These results clearly indicate that freelancers set considerable store by freedom of work style and content.

Fig. 1-3-24 Reasons for working freelance (multiple responses)



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

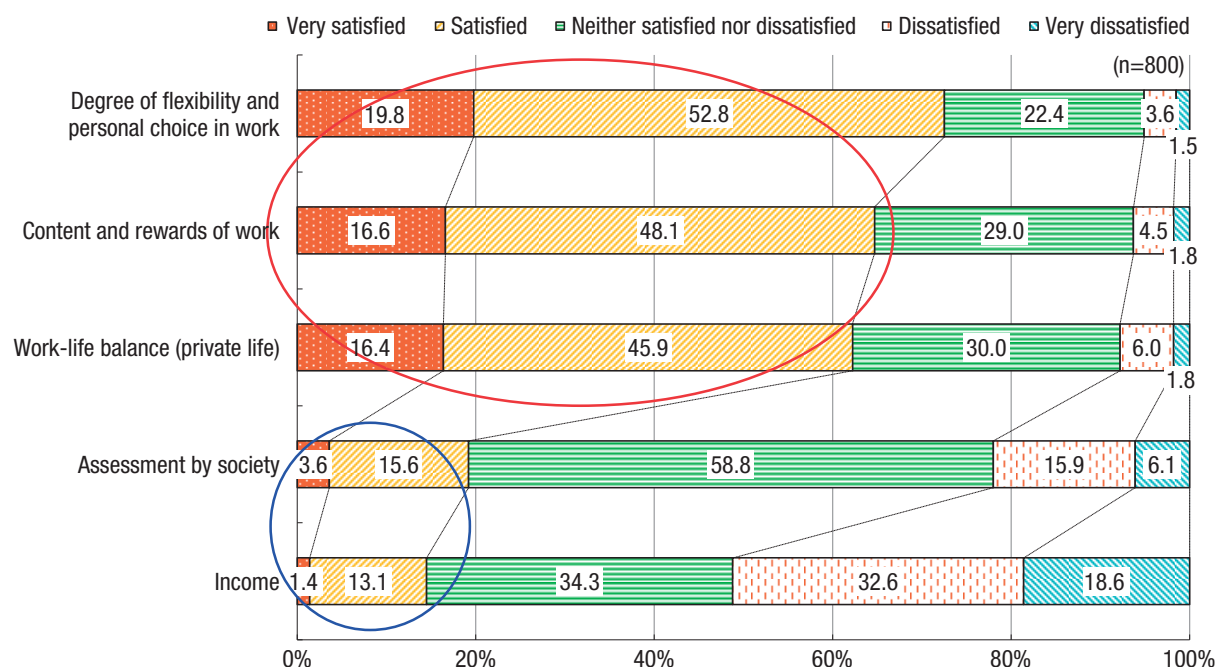
Note: Results are for the top three responses.

Having examined the reasons for becoming aware of freelancing as an option and choosing to work freelance, in the following we look at levels of satisfaction with freelancing work styles. Fig. 1-3-25 shows freelancers' satisfaction with their work style as viewed from five different perspectives: (1) degree of flexibility in their work, (2) content of their work, (3) work-life balance, (4) assessment by society, and (5) income.

Regarding degree of flexibility in their work, content of their work, and work-life balance, a combined total

of between 60% and 70% of those surveyed responded that they were "very satisfied" or "satisfied." In contrast, less than 20% in total said that they were "very satisfied" or "satisfied" with their income and society's assessment of them. As was shown in Chapter 1 regarding micro-business proprietors' satisfaction as proprietors (Fig. 1-1-41), these results suggest that, despite their low satisfaction with their incomes and assessment by society, freelancers on the whole approach their work with pride.

Fig. 1-3-25 Satisfaction of freelancers concerning their work styles



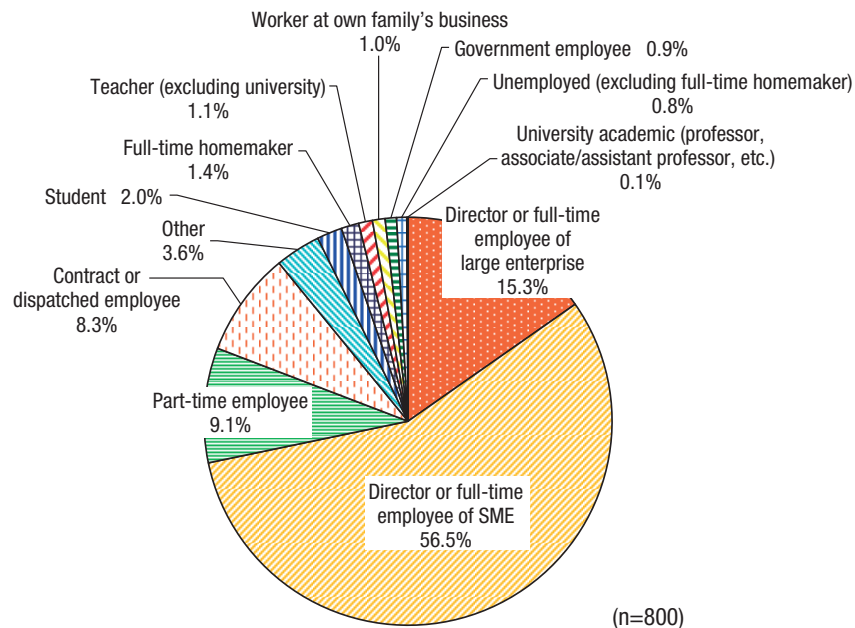
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

(3) Previous jobs before becoming freelancers, etc.

Fig. 1-3-26 presents a breakdown of freelancers' previous jobs. "Director or full-time employee of SME" accounts for the largest proportion at just under 60%, followed by "director or full-time employee of large

enterprise" at slightly under 20%. It may be surmised that many freelancers use the practical experience they have gained at enterprises to establish themselves in their new line of work. In contrast, very few were found to be former teachers or government employees.

Fig. 1-3-26 Previous jobs before becoming freelancers

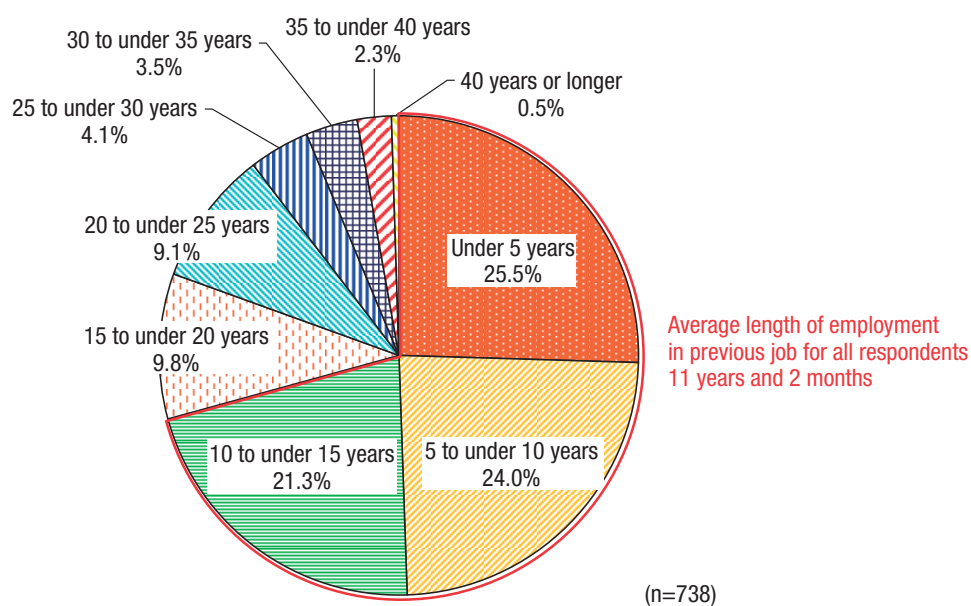


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Looking next at length of employment in a previous job before going freelance (Fig. 1-3-27), the average for all respondents was just over 11 years. A breakdown, however, reveals considerable variation: “under 5 years,” “5 to under 10 years,” and “10 to under 15 years” each account for large proportions, and were cited by a combined total of around 70% of all respondents. In

contrast, the proportion replying that they had worked “15 years or more” in their previous job was much smaller at around 30%. It may be concluded from this that it takes more than a few years before one is able to go freelance, and that it is necessary to first develop one’s skills and gain experience in a corporate or similar setting.

Fig. 1-3-27 Length of employment in previous job before going freelance



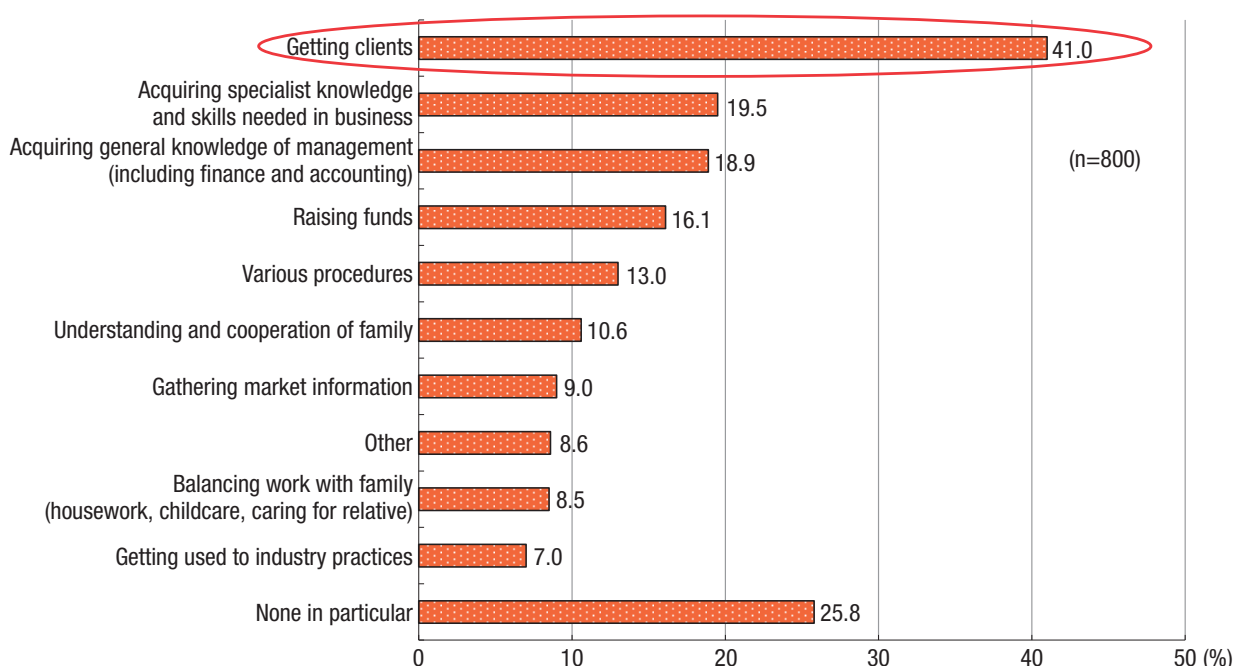
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

(4) Issues encountered when going freelance

Fig. 1-3-23 (reasons for becoming aware of freelancing as a work style) and Fig. 1-3-24 (reasons for working freelance) showed a preponderance of positive reasons for beginning business as a freelancer, including the opportunities this style of work offers to put one's abilities to the test, and flexibility regarding one's work style and content. However, what kinds of

issues do people actually encounter once they do go freelance? Fig. 1-3-28 shows the results obtained by posing this question. By far the commonest response was "getting clients." This is likely because freelancers have already made progress on "acquiring specialist knowledge and skills needed in business," one of the other options offered, before going freelance, and thus give top priority to getting clients in order to make use of the expertise that they already have.

Fig. 1-3-28 Issues encountered when going freelance (multiple responses)

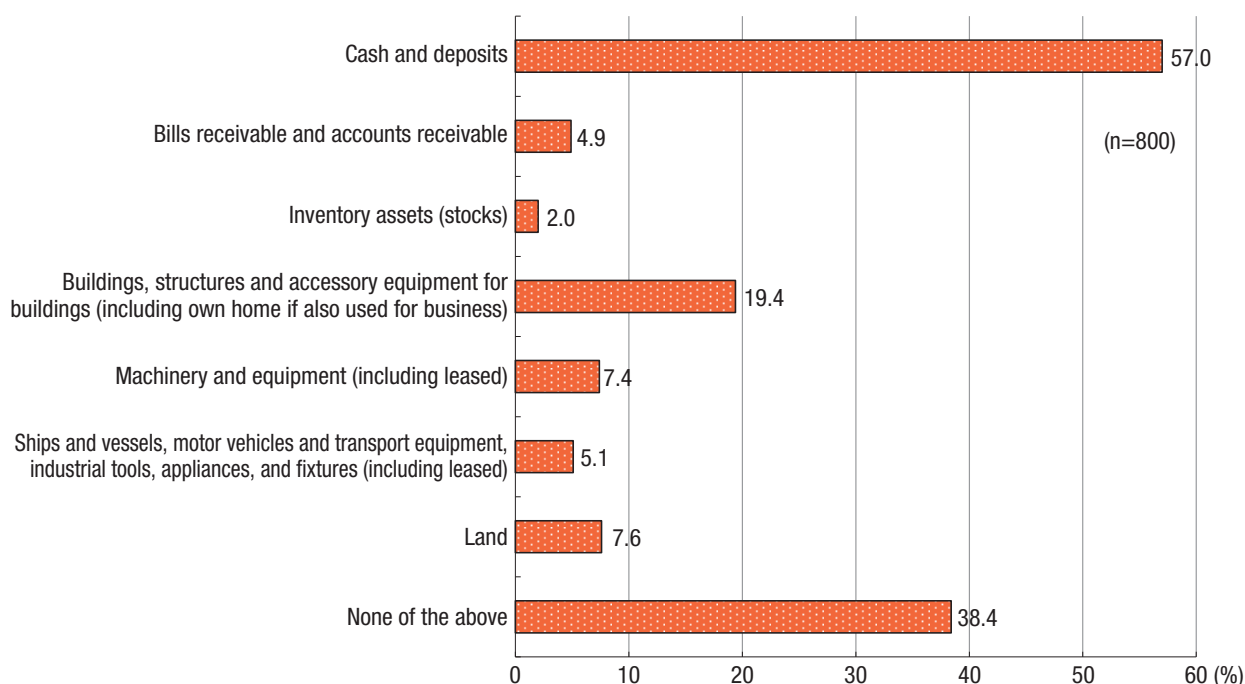


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

(5) Freelancers' economic underpinnings

In this sub-section, we turn our focus to the economic underpinnings of doing business as a freelancer, starting with ownership of business assets, as shown in Fig. 1-3-29. By far the most commonly held form of business asset was found to be "cash and deposits,"

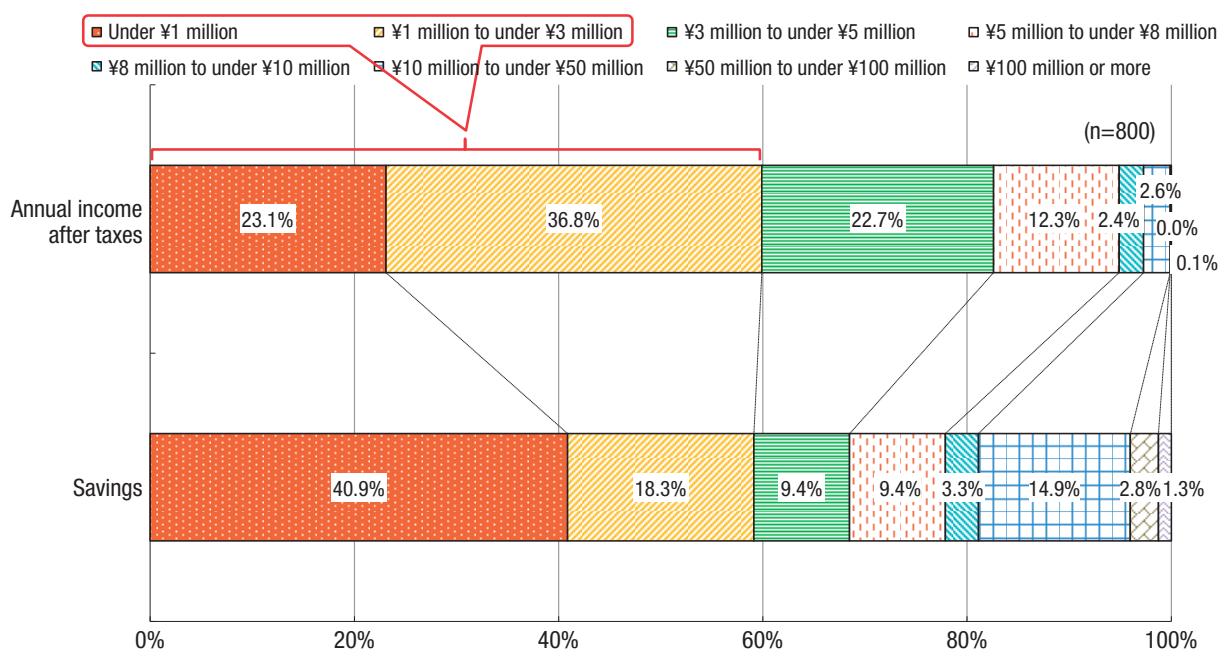
followed by "buildings, structures and accessory equipment for buildings (including own home if also used for business)." These findings provide further evidence that freelancers base their businesses on their personal skills rather than on expensive machinery and other hardware.

Fig. 1-3-29 Business asset owned by freelancers (multiple responses)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Regarding both annual income after taxes and savings (Fig. 1-3-30), approximately 60% of respondents said that both their after-tax annual

income and their savings were less than ¥3 million, with approximately 40% responding that their savings were less than ¥1 million.

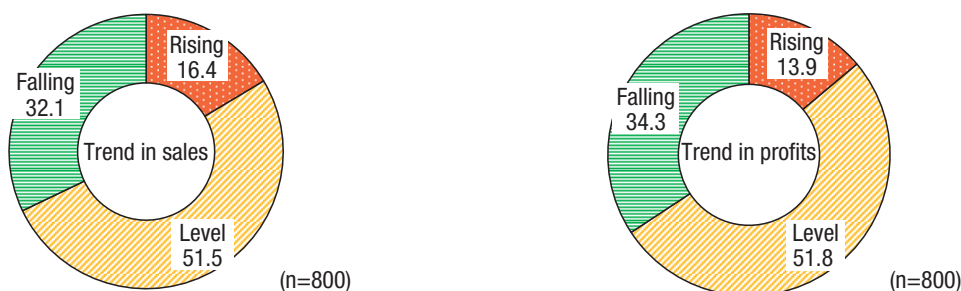
Fig. 1-3-30 Annual income after taxes and savings of freelancers

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Around 50% of the freelancers surveyed reported that both their sales and profits have been “level” in recent years (Fig. 1-3-31). Although around 30% responded that business was declining, approximately

70% said that both sales and profits were rising or holding steady, indicating that they are doing stable business.

Fig. 1-3-31 Trends in freelancers’ sales and profits (last three years)



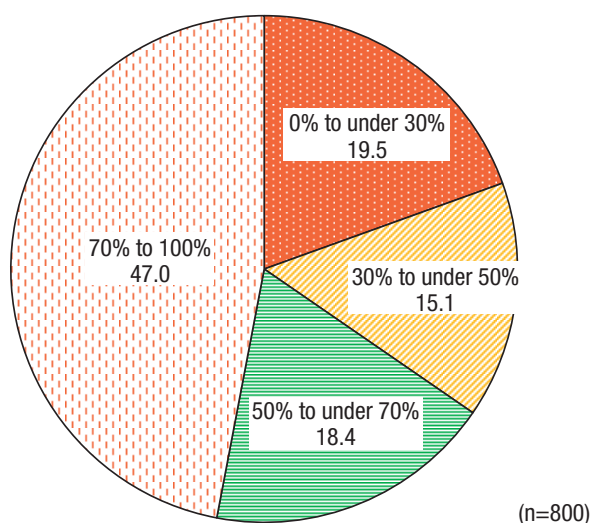
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Fig. 1-3-31 (trends in freelancers’ profits and sales) shows that around 70% of respondents said that both their sales and profits were on the increase. The next question to consider, then, is what kind of business relations freelancers have with their clients when they undertake work for them?

Fig. 1-3-32 shows the results obtained when asking freelancers what proportion of the clients that order

work from them are regular clients (i.e., clients who order work on an ongoing basis). Almost half of all respondents said that regular clients make up at least 70% of their clientele. It is likely that – while doing business with specific clients may weaken a business’s negotiating position in terms of the value and content of contracts – it does offer the advantage of greater business stability.

Fig. 1-3-32 Proportion of clients who are regular clients



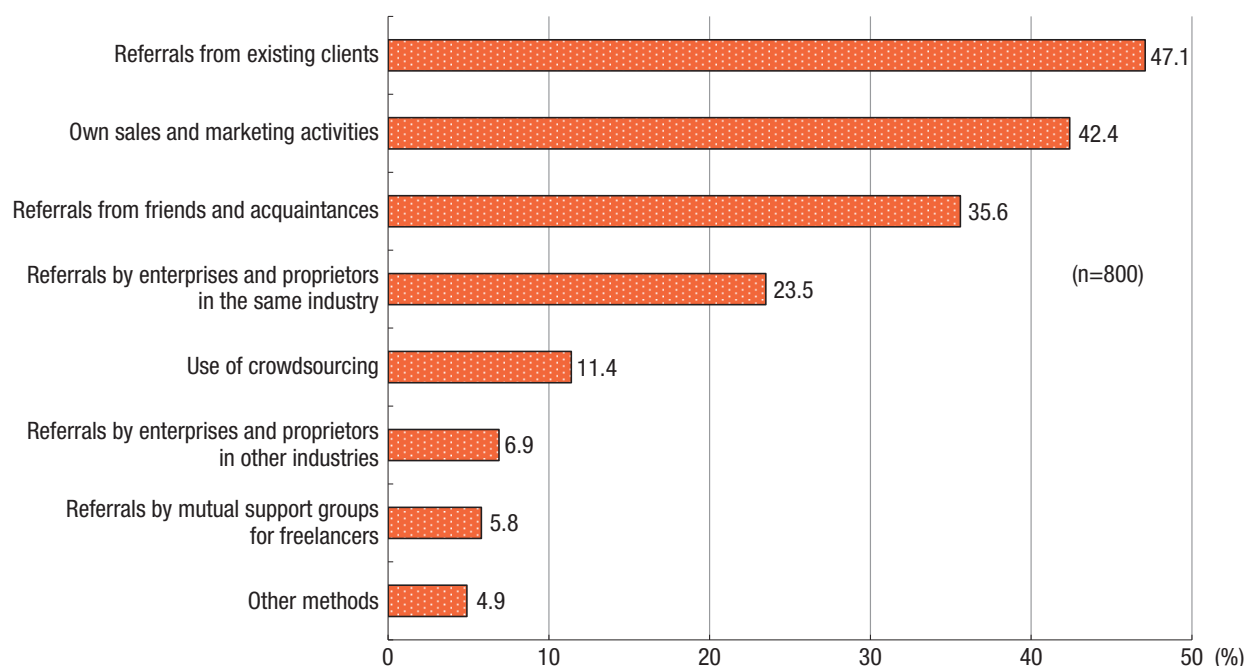
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Note: “Regular clients” are defined as clients that order work on an ongoing basis.

Fig. 1-3-33 shows the results obtained by asking freelancers how they acquire clients. The commonest response, accounting for almost 50% of the total, was “referrals from existing clients.” It was followed by “own sales and marketing activities” (approximately 40%), and “referrals from friends and acquaintances”

(slightly under 40%). The survey findings point to a strong tendency to acquire clients through a combination of two strategies: maintaining ties with existing clients, and pursuing one’s own marketing activities.

Fig. 1-3-33 Methods of acquiring clients (multiple responses)

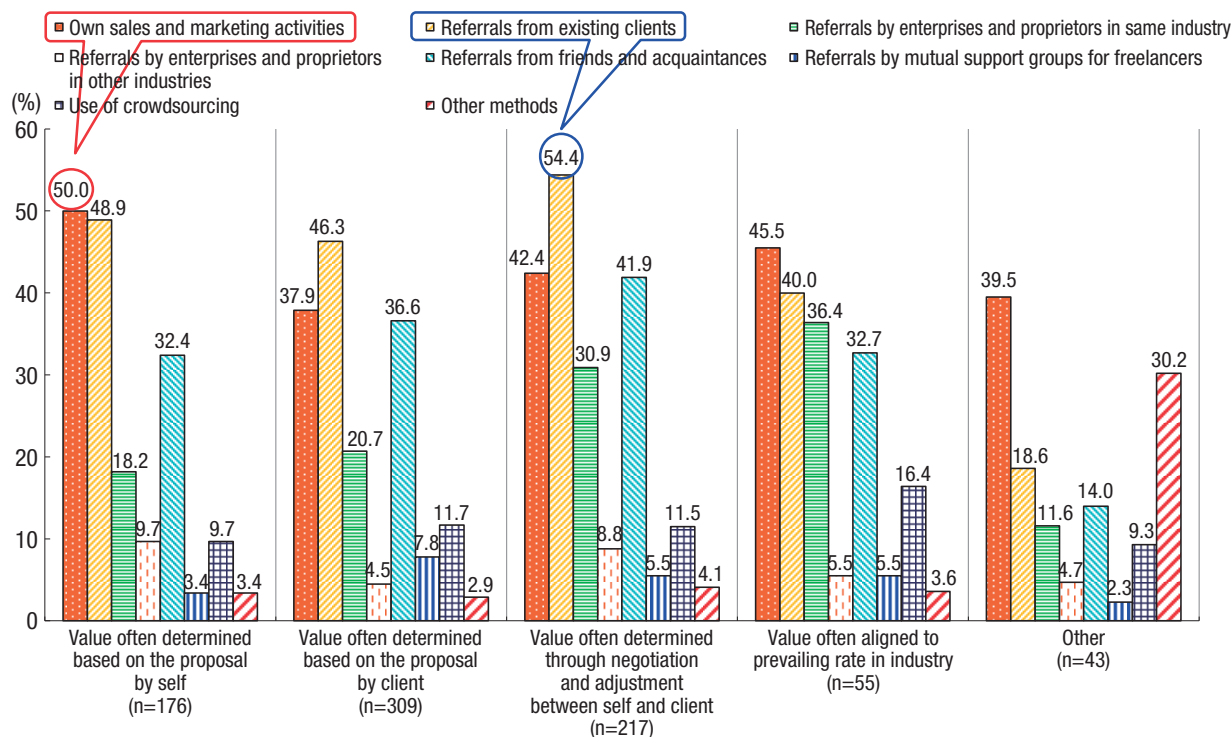


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

What kind of relationship can be found between the methods by which freelancers acquire their clients and how the values of their contracts with those clients are determined? This is examined in Fig. 1-3-34. For a freelancer, being able to determine the value of a contract on favorable terms means being able to enter into the contract at one’s own proposed price. Those most commonly winning work on these terms were found to be the respondents who had acquired their clients through their “own sales and marketing activities.”

By comparison, the most common response given by freelancers who had acquired clients somewhat more passively through referrals from existing clients was the response, “often determined through negotiation and adjustment between self and client.” These results suggest that the amount of time and effort expended by freelancers on sales and marketing is related, at least to some extent, to being able to obtain work under more favorable contracts (in value terms).

Fig. 1-3-34 Relationship between methods of acquiring clients and determination of contract value (multiple responses)

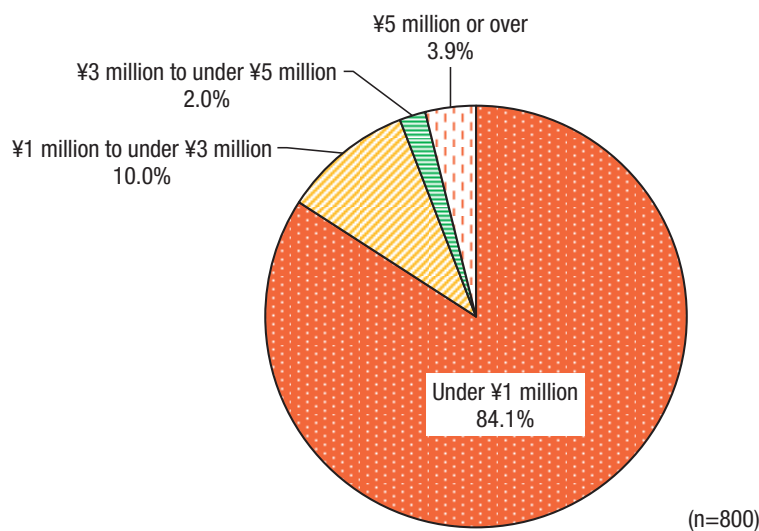


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

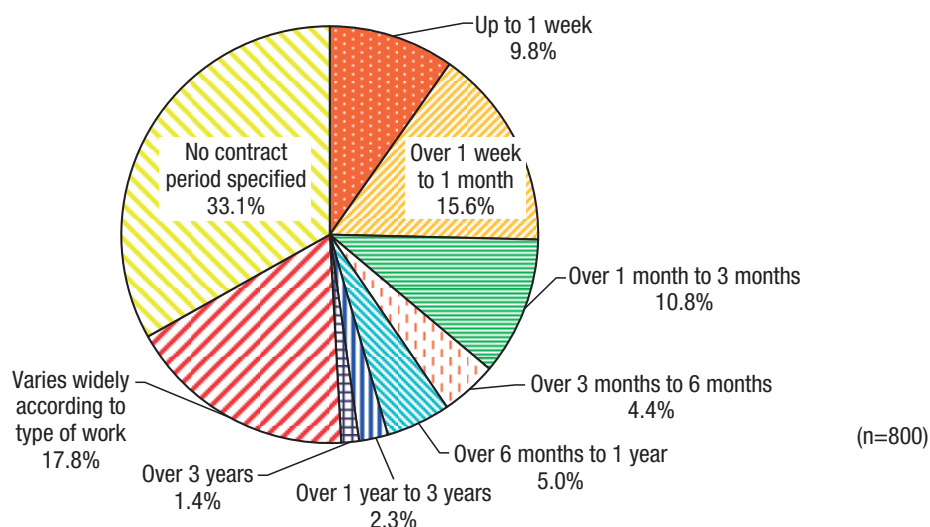
Considering next the value and delivery time per job undertaken by freelancers, Fig. 1-3-35 shows that orders are concentrated at the low value end, with over 80% of jobs being worth less than ¥1 million. In contrast, time until delivery varies widely overall (Fig. 1-3-36). While slightly under 20% of respondents said

that times “vary widely according to type of work” and around one in four said that delivery times were one month or less, the combined total of those saying that delivery times exceeded one month was also around 20%.

Fig. 1-3-35 Average value of contract per job



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

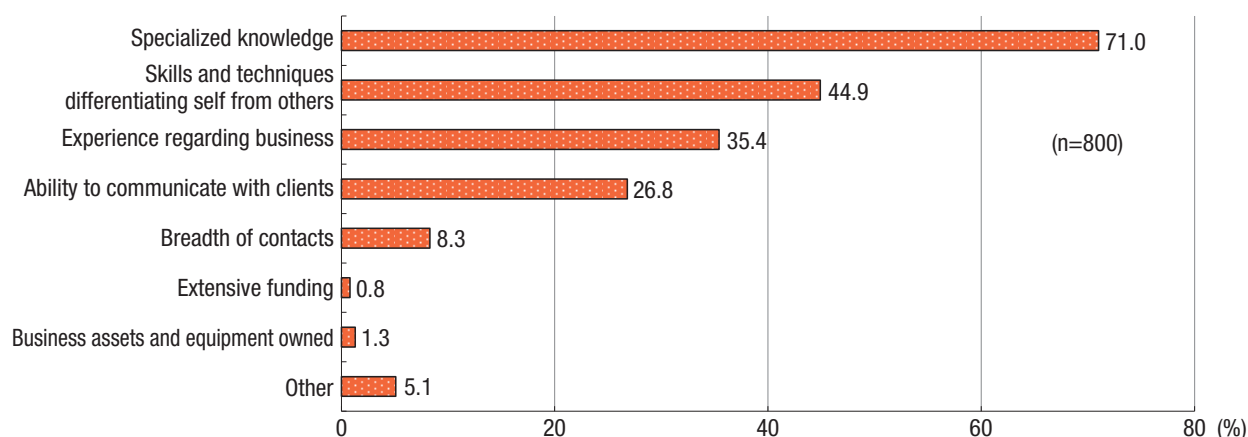
Fig. 1-3-36 Average contract period per job

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

(6) Strengths as freelancers

Freelancers' greatest business resources are their own skills and experience. With this in mind, the focus of this sub-section is on freelancers' views of the skills and experience that give them their edge in business. The results obtained by asking freelancers about their strengths are shown in Fig. 1-3-37, from which it can be seen that by far the commonest response was "specialized knowledge." This finding, considered in

association with the reasons given by freelancers for becoming aware of freelancing as a work style (Fig. 1-3-23) and the issues they encountered when going freelance (Fig. 1-3-28), paint a picture of freelancers as individuals who have confidence in their own "specialized knowledge" and go into business because they want to put their own abilities "to the test," but who also feel that "getting clients" is a challenge.

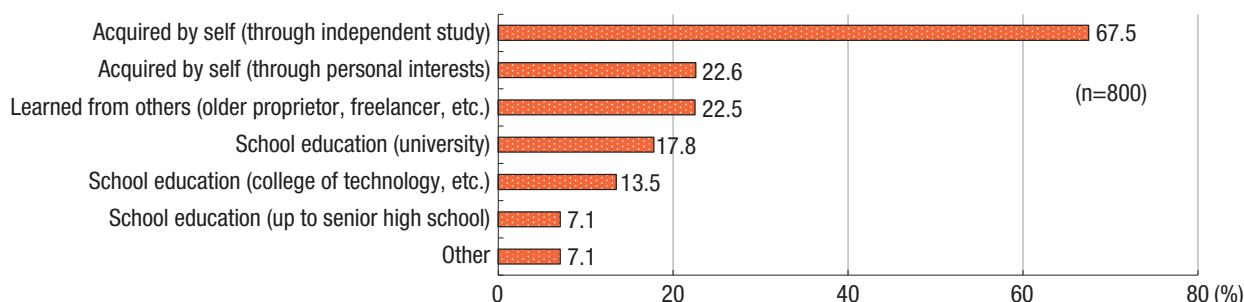
Fig. 1-3-37 Strengths as freelancers (multiple responses)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Given that skills and experience may be considered the most important elements of a freelancer's business base, the next question to consider is that of how freelancers acquire them (Fig. 1-3-38). Well over half of respondents say that their skills and experience were

“acquired by self” (whether as a result of independent study or personal interests). Those saying that they learned them from “others,” and in particular through “school education,” are in the minority.

Fig. 1-3-38 Acquisition of knowledge and skills needed as freelancer (multiple responses)



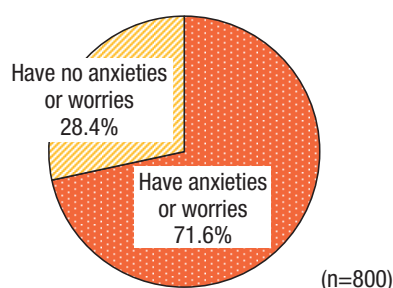
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

(7) Concerns and worries as freelancer

This sub-section examines the anxieties and worries experienced by freelancers in relation to their style of work. We first consider the proportion that

have anxieties and worries, as shown in Fig. 1-3-39. Approximately 70% said that they do “have anxieties or worries,” making them far more numerous than those who “have no anxieties or worries.”

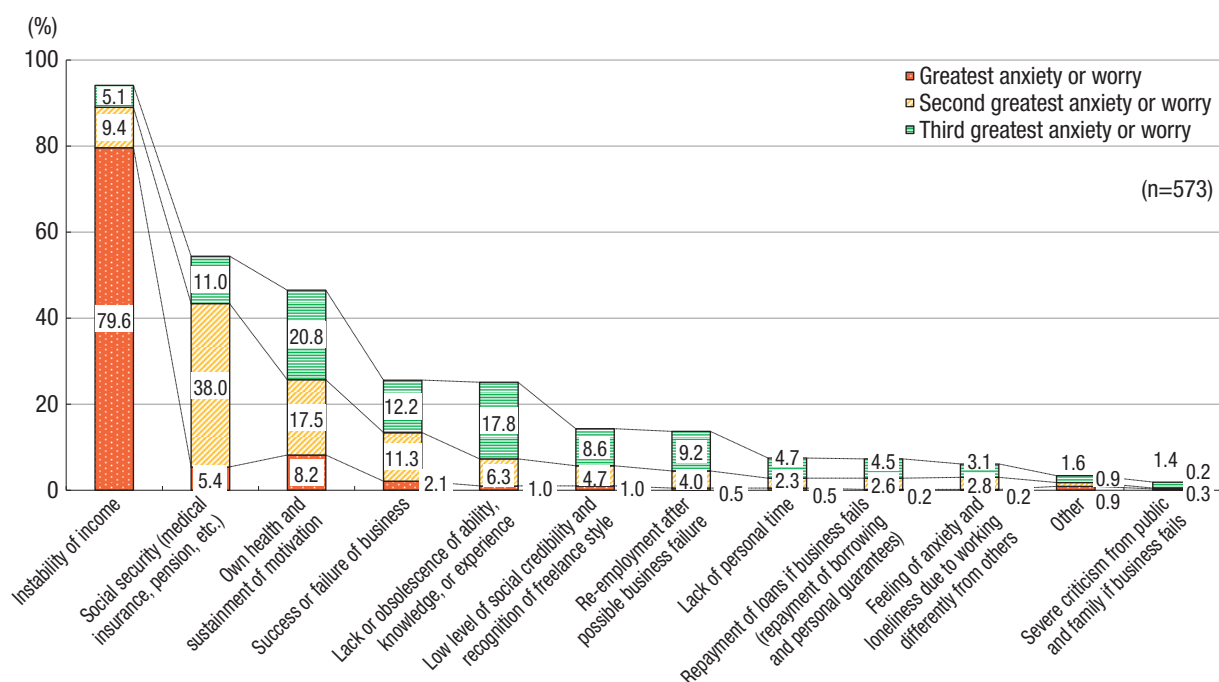
Fig. 1-3-39 Anxieties and worries experienced when working freelance



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

The specific anxieties and worries of freelancers who report having them are shown in Fig. 1-3-40. The commonest response was “instability of income,” followed by “social security (medical insurance, pension, etc.)” and “own health and sustenance of motivation.” While “instability of income” is not a

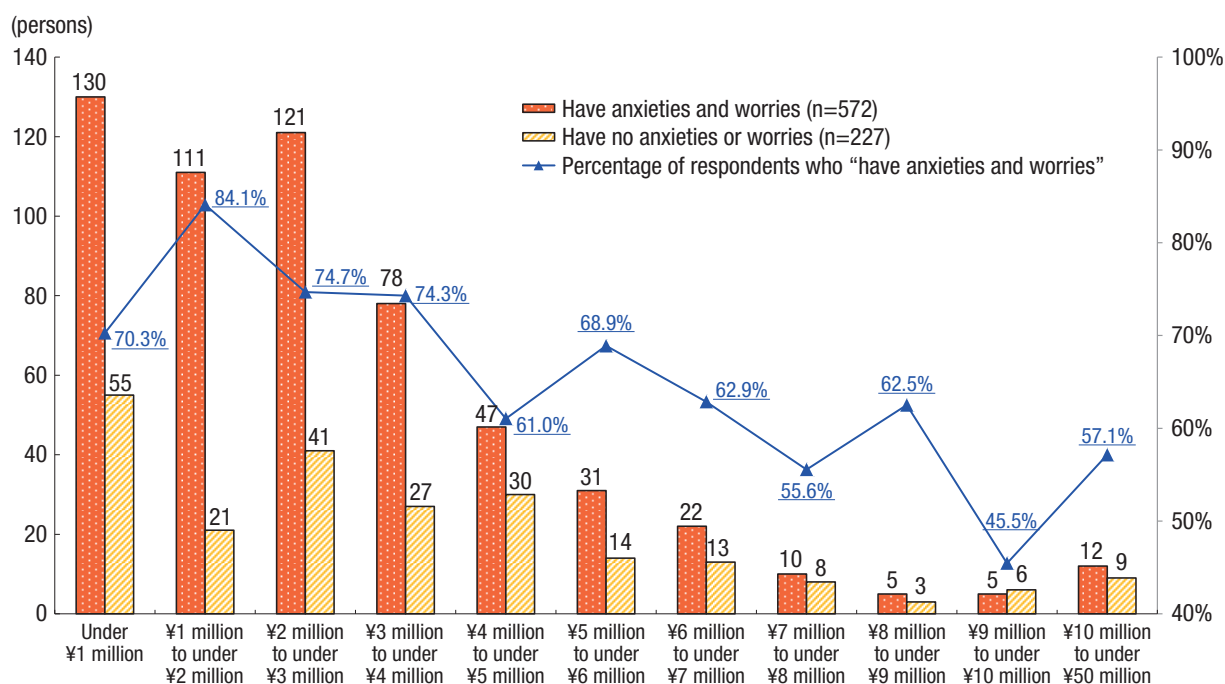
direct indication of how low income has been in recent years, these results do suggest that freelancers do not enjoy secure incomes and that their businesses can be affected by the freelancer's own declining vitality due to health issues or aging.

Fig. 1-3-40 Anxieties and worries experienced when working freelance (multiple responses)

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Having seen that freelancers' greatest business concern is "instability of income" (Fig. 1-3-40), in Fig. 1-3-41 we examine in more detail the relationship between level of annual income after taxes and having

anxieties or worries. The results indicate that the proportion of respondents who "have anxieties and worries" tends to be higher primarily amongst those with income of less than ¥4 million.

Fig. 1-3-41 Relationship between freelancers' annual income after taxes and their anxieties and worries

Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

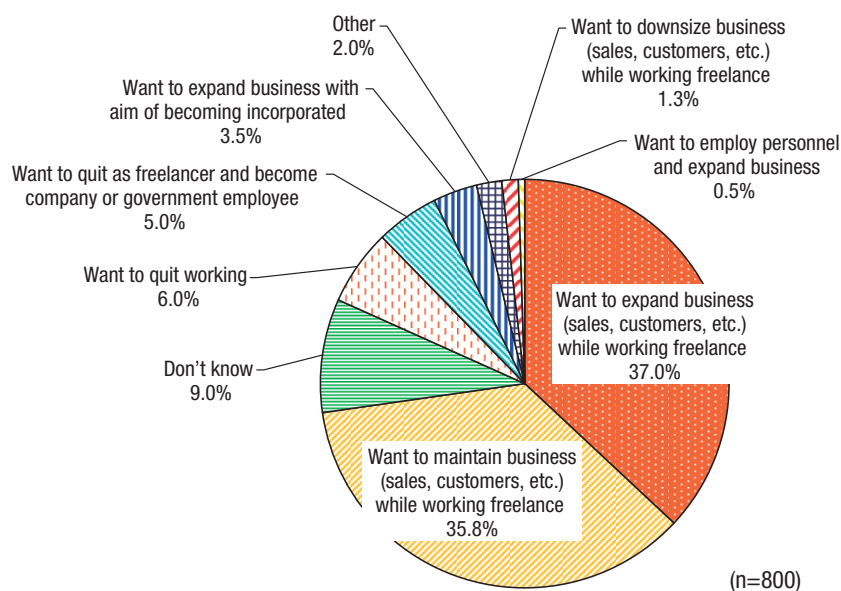
3 Prospects for freelance work styles

Considered next are freelancers' own views of the future of freelancing as a style of work. Fig. 1-3-42 shows the results obtained by asking freelancers their thoughts on the future of their own business and work style. The commonest responses were "want to expand business (sales, customers, etc.) while working freelance" and "want to maintain business (sales, customers, etc.) while working freelance," with each cited being by just under 40% of the respondents and accounting for over 70% of the respondents in total.

Despite the fact that, as seen in Fig. 1-3-40

(anxieties and worries experienced when working freelance), an extremely high proportion of freelancers have anxieties or worries about "instability of income," the findings here regarding freelancers' thoughts about the future indicate that the freelancers themselves want to expand or at least maintain their businesses while ensuring that they continue to enjoy the "flexibility of hours and place of work" that is considered one of the major advantages of working freelance (Fig. 1-3-24). Very few of the respondents replied that they "want to employ personnel and expand business."

Fig. 1-3-42 Freelancers' own perspectives on the future of their businesses and work styles

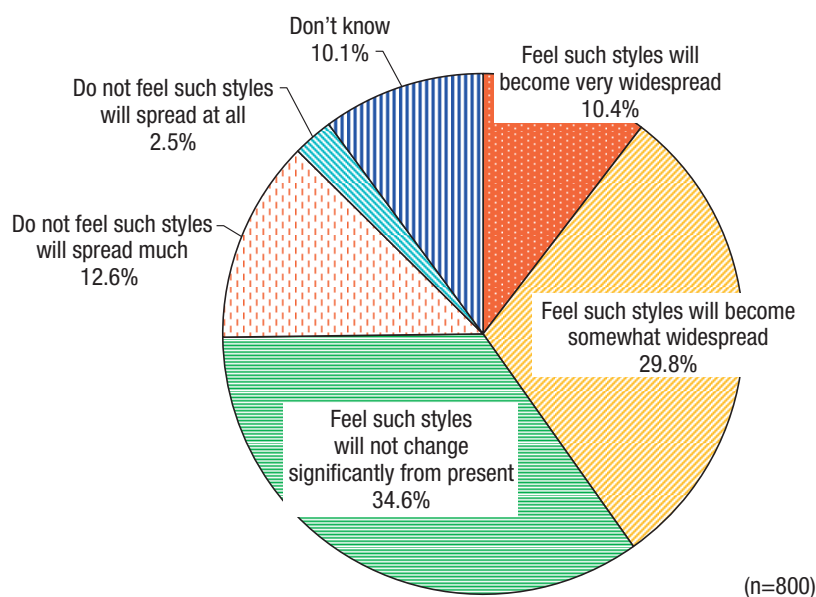


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Having examined freelance lifestyles and work styles from various perspectives, we next explore freelancers' thoughts about how these will evolve in the future. The survey findings on this subject are shown in Fig. 1-3-43. A combined total of approximately 40% responded that they “feel such styles will become very

widespread” or “feel such styles will become somewhat widespread,” and just under 40% “feel such styles will not change significantly from at present.” Freelancers thus generally have a positive outlook on the future, with almost 80% believing that freelancing will either continue as at present or become more widespread.

Fig. 1-3-43 Future prospects for freelance lifestyles and work styles



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

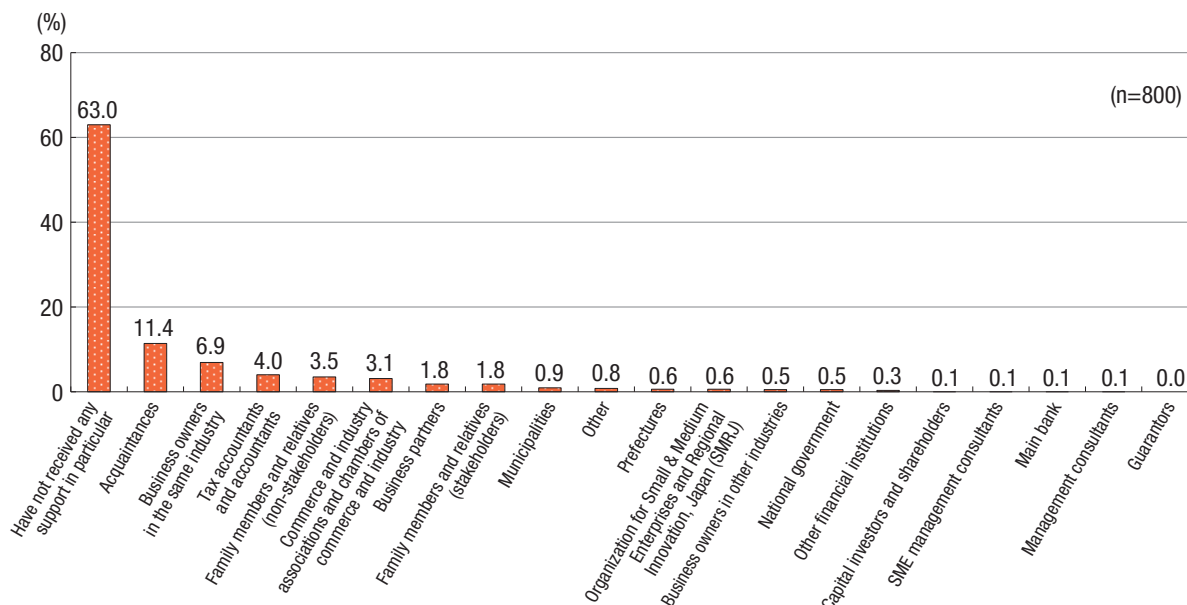
4 Sources of advice and support used by freelancers

Thus far, the questionnaire findings have shown that, despite their small business scale, freelancers possess both the drive to tackle new challenges and confidence in their skills that enable them to meet orders. Now, however, we turn our focus to whether freelancers seek outside assistance in business and whether they consider such assistance to be necessary.

Fig. 1-3-44 and Fig. 1-3-45 show the results obtained by asking freelancers about what sources of advice and support they have actually used and that they would like to use in the future. By far the commonest responses were “have not received any support in particular” and “do not want to receive

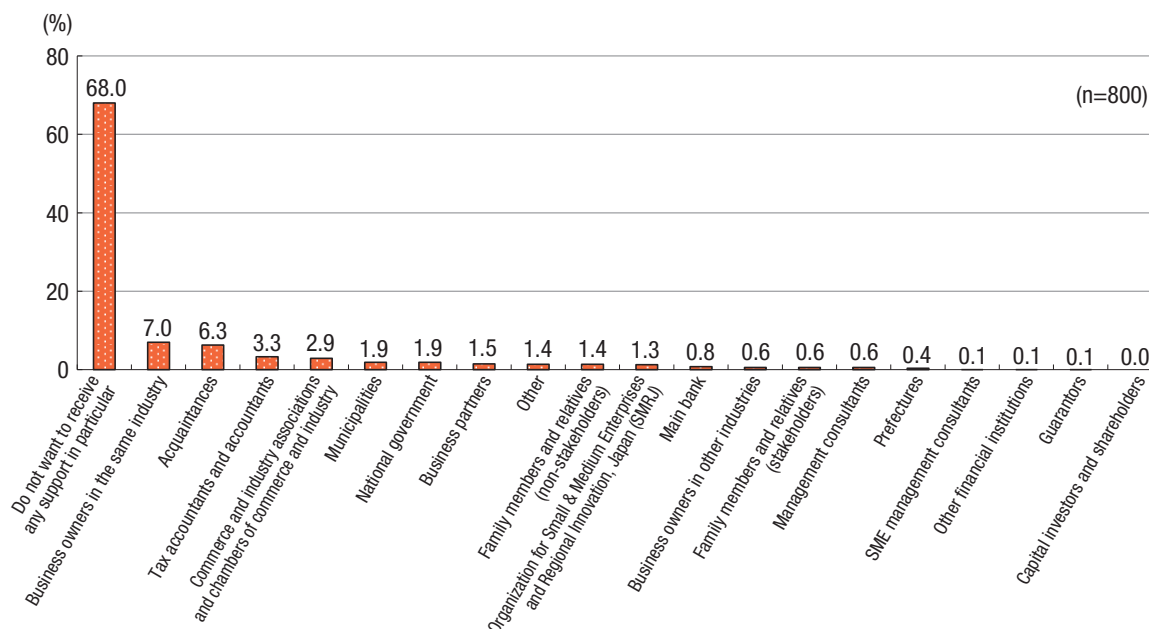
any support in particular.” Taking these responses in conjunction with those examined earlier—namely, the findings that around half of all freelancers say that they work freelance because of the “flexibility of hours and places of work” that doing so gives them (Fig. 1-3-24), that necessary knowledge and skills were “acquired by self” (Fig. 1-3-38), and that sales and profits have been “level” in recent years (Fig. 1-3-31)—there emerges a picture of freelancers as individuals who are more interested in business continuity than in all-out growth, reflecting a preference for relying on their own skills to maintain their businesses at their current scale.

Fig. 1-3-44 Sources of advice and support that freelancers have actually used



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.
 Note: Respondents were allowed to choose multiple responses to this question. However, the figure shows only the top responses.

Fig. 1-3-45 Sources of advice and support that freelancers would like to use in the future



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.
 Note: Respondents were allowed to choose multiple responses to this question. However, the figure shows only the top responses.

Thus far, Section 2 has examined freelancing as a new style of work from a variety of perspectives. In the following pages we present cases studies of two freelancers who are currently active in their respective

fields, and the activities of a micro business that provides co-working space for a large community of freelancers.

Case

1-3-3: Ekuko Saito-Benz (Sakura City, Chiba Prefecture)

(Japanese/Russian conference interpreter and translator)

<Employees: 0>



Ms. Saito-Benz
providing simultaneous
interpretation

Freelance interpreting lets you adjust your work schedule as your children grow up, while still using your professional skills in an international setting

◆ Beginnings and turning point

Ekuko Saito-Benz is a leading Japanese/Russian conference interpreter. Her simultaneous interpretation at international conferences makes you think that she has lived for a long time in Russia. However, she actually majored in English literature at university, where she studied Shakespeare, and Russian is her second foreign language. However, she was fortunate to have good teachers and has been providing Japanese/Russian interpreting since she was a student. As well as interpreting, she has also had a philosophy work that she translated into Russian published by Moscow State University.

After graduating from university, Ms. Saito-Benz worked as an interpreter and translator at a major trading firm. There she translated documents such as contracts and specifications of machinery for export.

The turning point in her career came in December 1989, when U.S. President Reagan and Soviet General Secretary Gorbachev met in Malta. For the first time in her life she provided simultaneous interpretation for a television station. After the Cold War came to an end, Russian became a required simultaneous interpretation language for television and at international conferences, and Ms. Saito-Benz's work as a simultaneous interpreter increased. This was also a time when new demand emerged for interpretation services at events such as financial seminars to assist Russia's transition from a planned to a market economy. Prompted by the changing demand for Russian – as well as to be able to work more flexibly while her children were still small – she left the trading firm and embarked on a new career as a freelance interpreter.

◆ Nature of work

Interpreting is not simply a matter of substituting one word for another. While interpreting during both conferences and negotiations obviously requires specialist background knowledge, accurately communicating

people's intentions also requires overcoming differences in linguistic culture as well as simple linguistic differences.

As Ms. Saito-Benz explains, "It's important for an interpreter to properly understand differences in national character and the different patterns of thinking that manifest themselves in language so as to mediate between cultures."

Acting as a linguistic "bridge" by truly understanding and digesting the speaker's thoughts – such a job on the global frontline takes more than ordinary ability. Yet through her own hard efforts Ms. Saito-Benz has acquired the skills and experience to be a successful professional interpreter.

◆ Opinion of work

When she first began working as a freelance interpreter, Ms. Saito-Benz was a mother with small children.

"Freelancing was an ideal way of balancing work with parenting," she says today, "as I was able to adjust what sort of work I took on as my children grew up. So when they went to preschool and elementary school, I avoided being away from home for long and only did short jobs around Tokyo. For me, working freelance was an excellent way of adjusting my workload and work times according to my stage in life."

Ms. Saito-Benz remains an interpreter in various fields, while now also training young interpreters. When asked if one's income as an interpreter is variable, she readily agrees.

"That's true," she says. "But I love the job of interpreting. It feels marvelous when you manage to skillfully interpret something particularly complex or nuanced, and it's lovely to see people understand one another as a result."

The freelance work style has allowed her to live the life she wants, achieving professional success in a changing global environment at each stage of her life.

She looks set to continue to enjoy the freedom and flexibility that freelancing can offer someone of her ability.

Case

1-3-4: Zen Architects Co., Ltd. (Minato City, Tokyo)

(IT consulting business)

<Employees: 0; capital: ¥21 million>



Kazuyuki Miyake, COO

Using crowdsourcing both to get work and to save time in order to concentrate on the work that matters

◆ Background to adopting crowdsourcing

With crowdsourcing, a company that needs work done (the client) will announce details of the job online, and an individual looking for work to do (the worker) will come forward if he or she wants to take the job on. If the two sides' requirements coincide, a match-up takes place and work commences. Use of this method of ordering and taking on business is growing, especially among people with specialist skills in IT and creative fields.

On the face of it, this may just seem like another temporary staffing arrangement. Unlike with temporary staffing services, however, where it is impossible to ask for a particular worker in advance, crowdsourcing services provide a direct match-up between client and worker. Workers publish details of their skills and experience on a crowdsourcing site, and clients can quickly find the kind of person that they are looking for.

Zen Architects Co., Ltd. is one company that uses this kind of system to win orders for work, and despite being run by just two people, it provides core system services, such as system consulting and design services, to major clients. The company's COO, Kazuyuki Miyake, who used to plan and run systems at a major trust bank, and his business partner and the company's CEO, Hiromasa Oka, who developed asset management systems at a major computer manufacturer, are both experts in the field. And both had felt something incongruous about the industry since their time in their previous jobs.

◆ Benefits of crowdsourcing

"Like construction, the IT industry has a multi-layered subcontracting structure, which makes work extremely inefficient," explains Mr. Miyake. "Even when I was responsible for systems development at a bank, there were so many people involved that you couldn't share information properly and lots of time was wasted. And of course budgets ended up being wasted too."

As the clients who order work from the two partners have chosen to use a crowdsourcing service instead of contracting with a major systems integrator (i.e., a contractor that analyzes the client's operations and provides a bundle of information system services, including design, development, and operation, tailored to solving the client's problems), this suggests that they also share the dissatisfaction felt by Mr. Miyake and Mr. Oka felt when they were company employees. The arrangement thus guarantees simple and efficient work. Another of the attractions of crowdsourcing is that various tasks that are incidental to the main job, ranging from the placement of orders to drawing up contracts and collecting payments, can also all be dealt with online.

As Mr. Miyake puts it, "Being a company run by a couple of engineers, we don't want our time taken up with the contract and billing side of things. We'd rather spend any spare time we have on our main line of work."

◆ Cautions about using crowdsourcing

While crowdsourcing has been an unmixed blessing for Zen Architects, Mr. Miyake cautions that certain points that people should consider before using such a service.

"Some people might consider using this service because they're not very sociable," he observes. "But to use crowdsourcing, you actually need to have communication skills as well as technical skills. I don't know about other occupations, but in systems engineering you often have to work face to face with other people. As you have to meet the client in the real world too, in this respect it's no different from working at a conventional company."

For people who are looking for workers with advanced skills and want to eliminate wasteful spending, and for workers who are confident in their own skills and communication ability, this new way of placing and taking orders can be an effective tool.

Case

1-3-5: Communitycom, Inc.
 (Saitama City, Saitama Prefecture)

(Co-working space provider)

<Employees: 4; capital: ¥1 million>


 Kunitoshi Hoshino,
 President

Getting involved in website development and maintenance while in hospital, one entrepreneur spotted a way of creating a freelance community. His ultimate aim: turn co-working into a means of local revitalization

◆ Background of the business

Communitycom, Inc.'s president, Kunitoshi Hoshino, is a 36-year-old Saitama City native who runs the "Office 7F" co-working space service in the city's Omiya Ward.

After graduating from university, Mr. Hoshino lived a carefree life rather than hunting for a job. Soon, however, a hereditary condition that he had worsened, and he had to go into hospital. One of his friends who visited him there gave him a book on how to set up a website. This prompted him to while away the tedium by publishing a regular online account of his time in hospital, and that, in turn, is how he became absorbed in website development and operation.

Aged 27 when he finally left the hospital, Mr. Hoshino got a job at an accounting firm and while working there set about becoming a qualified accountant. Feeling a need for an online site where students could share information on the tax accountant examinations, he created and ran one himself. This site then attracted the interest of exam preparation providers. Affiliate revenue generated by the site began to rise in 2004, and in no time at all his annual revenue exceeded ¥10 million.

It was then that a certain exam preparation provider that wanted to place advertising on his site proposed entering a corporate contract. "Why not," he thought, and left the accounting firm in 2008 to launch Communitycom, Inc. at age 29.

◆ Turning point for the business and business development

After the startup Mr. Hoshino worked from his parents' house in Saitama City's Midori Ward, but he soon began to feel that he was staying shut up at home too much and not getting out and meeting people. So he went out and rented some incubator space for his business in Akabane, Tokyo.

At about the same time, requests started pouring in to give presentations at forums and seminars on website maintenance and the WordPress open-source website development platform, and he found himself getting more

and more involved in community activities and working on joint projects with associates. He was also getting requests to write how-to books on using WordPress.

With his business expanding, Mr. Hoshino began to think about relocating his office again. Just then it became possible to rent a room in a disused school in Tokyo's Nishi-Nippori district, so he moved in there, only to have the building declared to not meet official seismic standards following the Great East Japan Earthquake of 2011 and be scheduled for demolition. This time, he decided, he would set up and run a co-working space service himself, and thus it was that he established Office 7F back in his hometown of Saitama City.

Office 7F does not simply provide leased office space. It also serves as community space for freelancers.

"Freelancing gives you considerable flexibility in your life and work," says Mr. Hoshino, "but the downsides are that you can get isolated through lack of communication with others, and your income can be unstable."

Based on his own experience, he started wondering whether it would be possible to support a community of users, and he is currently pursuing a tie-up with a leading crowdsourcing service provider.

◆ Future business development

"Use of our space by local homemakers and clubs has been rising recently, so I'd like to move beyond IT and promote the idea of co-working between all kinds of occupations," says Mr. Hoshino. At the same time, he adds, he is preparing to turn his co-working business into a franchise.

"The first most important thing for regional revitalization is to provide a forum for communication between individuals, so a community can emerge and become established in the region," he explains, speaking of his ambitions for the future. "Along with that, it's important to create a workflow that will make that community sustainable." And that, Mr. Hoshino says, is "the ultimate goal of co-working."



Inside Office 7F



Office 7F's space is also used for briefings on public subsidies and other events

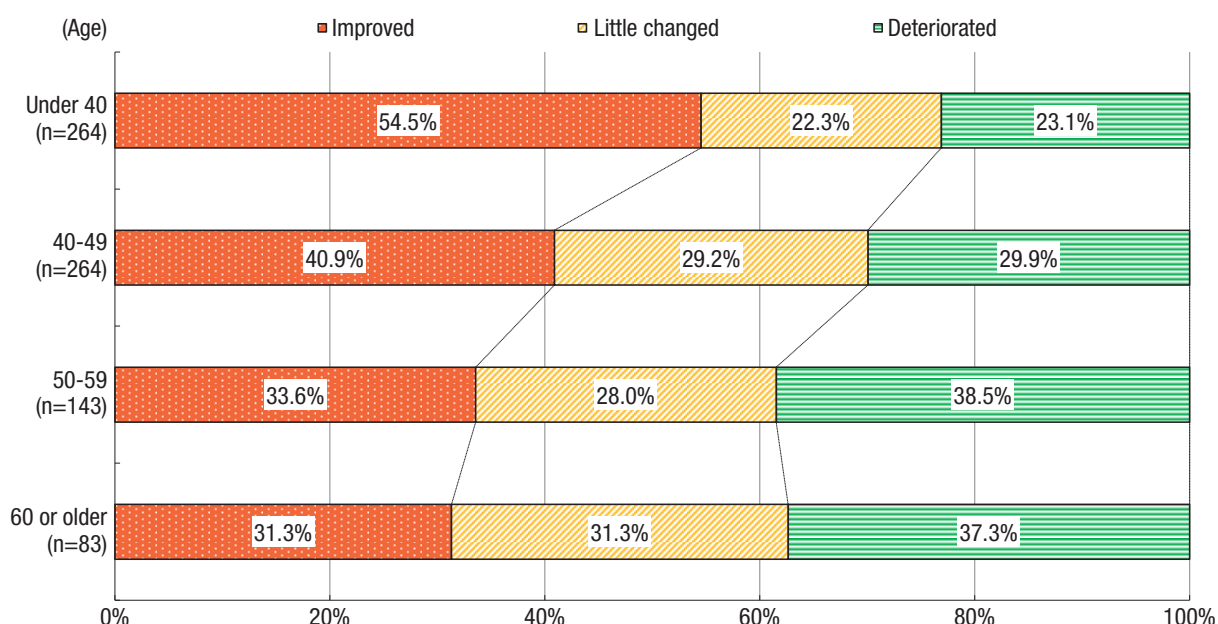
Section 3 New initiatives pursued following business successions

This section examines new initiatives pursued by micro businesses following a business succession.

Fig. 1-3-46 is an examination of trends in micro businesses performance after handover from one proprietor to another, broken down by the age of the current proprietor at the time of succession. It is clear from this that performance at micro businesses following business succession tends to pick up more

the younger the proprietor is when succession occurs. While over 50% of respondents in the under-40 age group responded that performance improved, the proportion falls to 40% among 40- to 49-year-olds, and 30% among those 50-year-old and over. These figures suggest that succession by a proprietor at a young age can have a regenerative effect on a micro business.

Fig. 1-3-46 Trends in business performance at micro businesses after business succession (by proprietor's age at succession)



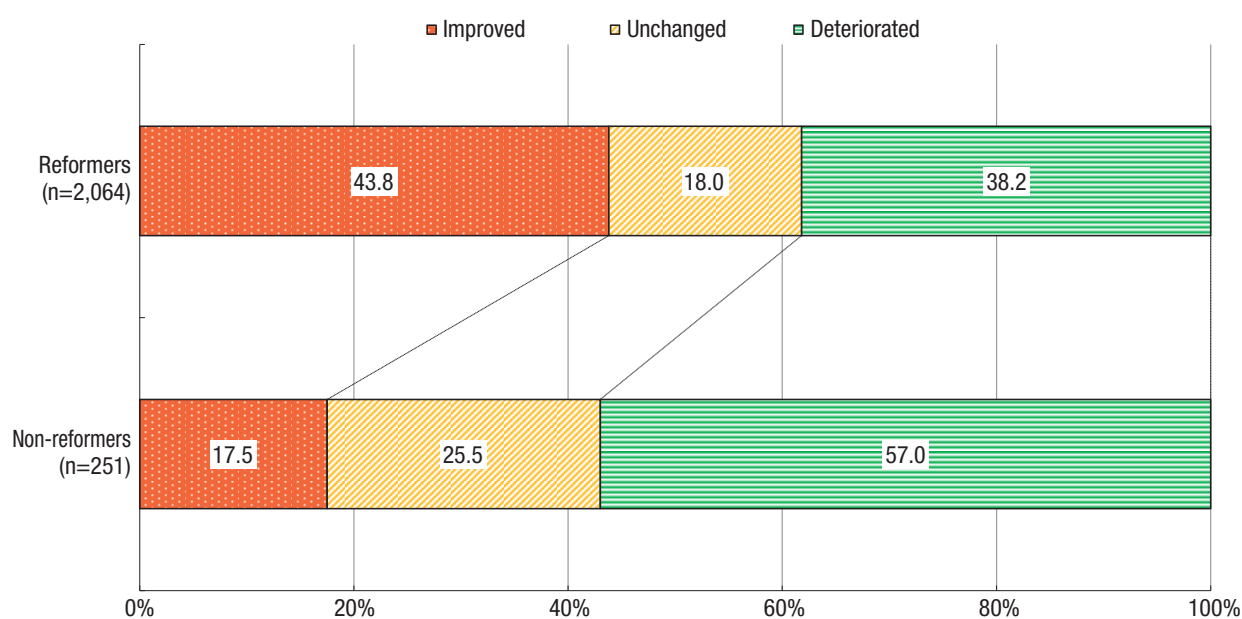
Source: Nomura Research Institute, Ltd., *Questionnaire Survey on Business Succession for Small and Medium Enterprises* (November 2012), commissioned by SME Agency.

Notes: 1. The figures on trends in business performance after business succession are based on survey responses concerning actual business results for approximately five years after succession (or for the period up until the survey was carried out in cases where five years had not yet passed).
2. "Improved" also includes "slightly improved," and "deteriorated" also includes "slightly deteriorated."

Fig. 1-3-47 shows the proportions of SMEs that reported changes in business performance after business succession according to whether or not they had implemented management reforms. It can be seen from this that 2.5 times more “reformers” than “non-reformers” reported “improved” performance.”

These results indicate that it is extremely important that successors should, at the same time that they are absorbing their predecessors’ management methods, also take advantage of any strengths of their own that their predecessors lacked to innovate and improve management when they succeed to the business.

Fig. 1-3-47 Changes in business performance after business succession (by state of implementation of management reforms)



Source: Japan Finance Corporation Research Institute, *Questionnaire on Business Succession for Small and Medium Enterprises* (July 2009).

Note: Figures are based on the responses of micro enterprises. The term “micro enterprise” is defined in the questionnaire as an enterprise that employs 19 or fewer workers.

Having observed the importance of taking action to improve management when a business succession occurs, the following case study examines a micro

business that, while in a traditional handicrafts industry, embarked on various new initiatives when a new proprietor took over.

Case

1-3-6: Sato Shoji Co., Ltd.

(Yuzawa City, Akita Prefecture)

(Manufacture and marketing of traditional handicrafts)

<Employees: 11; capital: ¥6 million>



Keita Sato, President

After realizing the importance of traditional culture, a new proprietor takes over and cultivates new markets by creating new yet traditional products to preserve that culture for future generations

◆ Background of business succession

Sato Shoji Co., Ltd. is a long-established firm that been crafting Kawatsura lacquerware by traditional methods in Yuzawa, Akita Prefecture, for nearly eight centuries.

Kawatsura lacquerware is known for being exceedingly durable thanks to its base coat, which consists of layers of raw lacquer and juice extracted from sour persimmons. A special technique called *hananuri* is then used to apply a finish that brings out the characteristic luster of the lacquer, and it takes all the skill of an experienced craftsman to ensure that the lacquer is applied absolutely evenly.

The man who succeeded to this distinguished business is its current president, Keita Sato. However, that was never his original intention.

After graduating from university, Mr. Sato first worked as a salesman for an IT company in Tokyo.

“Originally I wasn’t very interested in the family business,” he recalls today. “But then I was asked to create a website for the family, and I was struck anew by the beauty of traditional handicrafts and the importance of what my father was doing to preserve this culture. I felt that I couldn’t let this tradition die.”

With further urging by his grandmother, Mr. Sato decided to take over the family business, and in 2012, at age 35, he became president.

◆ New initiatives and results

Mr. Sato is deeply committed to preserving the traditional artisanal skills by which Kawatsura lacquerware is made.

The first thing he decided to do on taking over was to work with the local community to introduce the region’s traditional culture to tourists. For example, he supplied Kawatsura lacquerware to a well-known local restaurant serving *Inaniwa udon* noodle, a local specialty, so customers could experience the quality of the lacquerware for themselves.

However, in order to ensure the continued preservation of traditional handicrafts for future generations it is also important to develop new products that will be appealing to consumers, and to establish new sales channels.

Up until now, the appeal of Kawatsura lacquerware has tended to be framed in terms of the many lacquer layers applied to make it and its functionality, but this alone is insufficient to stoke consumers’ interest.

From his time working in Tokyo, however, Mr. Sato also recognized the importance of good design. He therefore set

about developing new products, such as grooved plates and spoons for children, and collaborative products featuring characters created by major toymakers.

“We’ve been feeling our way as we go, but our customers and sales are growing steadily,” Mr. Sato explains. “As well as our existing customers, we’re also now getting more inquiries about our products from other industries.”

◆ Future tasks and initiatives

Mr. Sato is deeply concerned about the fact that craftspeople are getting older and there are not enough young people stepping up to take their place. He has therefore teamed up with universities and vocational colleges specializing in arts and crafts to help train the next generation of young artisans.

As a result, he says, “We’re getting more inquiries from young students who are interested in joining the company and learning these skills. Momentum is also growing among young proprietors involved in preserving traditional handicrafts in Akita Prefecture to work together to develop and publicize a regional brand.”

If initiatives such as this succeed, young people who bring with them different perspectives and ideas will inherit these traditional handicraft businesses, and the skills and traditions will be passed on to future generations.

As long as there are people like Mr. Sato around, the skills of Japan’s traditional craftspeople will continue to survive.

Note: The case study of Sato Shoji Co., Ltd. was presented in last year’s *2014 White Paper on Small and Medium Enterprises in Japan*. It has been updated with additional reporting for *2015 White Paper on Small Enterprises*.



Traditional Kawatsura lacquerware
(Negoro-nuri and Akebono-nuri soup bowls)

Section 4 Summary

Chapters 1 to 3 identified, analyzed, and explained the work styles and thinking of micro business proprietors, the challenges that they encounter in business, and ways forward for tackling these challenges as a useful reference for the 3.34 million micro businesses in Japan today. In Chapter 3, the focus was on three areas of particular importance to the survival and growth of micro businesses, namely (1) the development of sales channels and ensuring of profitability, (2) the freelance work styles now attracting interest for their diversity and flexibility, and (3) the actions taken when businesses are succeeded to by younger proprietors. All are important from the point of view of micro business management.

- (1) Regarding the development of sales channels, the findings show that the starting point should be a renewed recognition that it is possible to maintain sales when business conditions worsen by enhancing approaches to face-to-face sales and marketing activities, which are a forte of micro businesses. There also exists potential at many micro businesses for profits to be generated if their proprietors take a fresh, hard look at their traditional approaches to inventory control.
- (2) It was found that freelancers, whose business revolves around offering their own skills for remuneration without employing other regular employees, consider “flexibility of hours and place of work” and “possibility to do work one likes” to be key advantages of freelancing. Freelancing, which is attracting interest as a flexible work style that frees the individual from organizational constraints, is also characterized by its spread across diverse industries and occupations. However, it is hard to go independent as a freelancer without around 10 years’ prior experience at a company, while low income levels and difficulties securing clients

are an ongoing challenge. Nevertheless, it was found that many freelancers expect their own freelance business and freelancing in general to either continue as at present or to grow further.

- (3) As proprietors age, the smooth handover of their businesses to younger successors grows in importance. As has been so often noted, however, this is easier said than done. Business successions often occur between relatives, such as from parent to child, but one explanation for this appears to be a lack of rapport and proper discussion about the business. Even more important than the handover of business assets is the transfer of the know-how that has been built up in the course of business, and the new management will find it harder to pick up and keep going unless there is even closer discussion about the business between family members to ensure that this know-how is passed on. As described in this chapter, therefore, it is important first and foremost to approach business successions as though they are, in effect, “M&As between parent and child.” It was shown that, in practice, many proprietors of micro businesses that were succeeded to by a young proprietor or whose new proprietor undertook management reforms following succession felt that their businesses performance had improved.

This analysis has thus shown that there remains scope for various actions to be undertaken by micro businesses, and has further suggested possible directions for micro businesses to pursue as they review their current circumstances and maintain and expand their businesses in the future. It is hoped that this analysis has provided useful pointers to help individual micro businesses take these actions, and so improve their businesses in the future.

Chapter 4 Micro businesses at the local level

In *2014 White Paper on Small and Medium Enterprises in Japan*, micro businesses were classified into three types according to their targeted future markets (customers) and forms of organization (Fig. 1-4-1).¹⁾ Thus classified by market and organizational orientation, approximately 80% of micro businesses were found to be “regional demand-oriented enterprises,”²⁾ and approximately 80% were found to be “maintenance/fulfillment-oriented businesses.”³⁾ This suggests that many micro businesses engage in ongoing business activities that are firmly rooted in local communities.

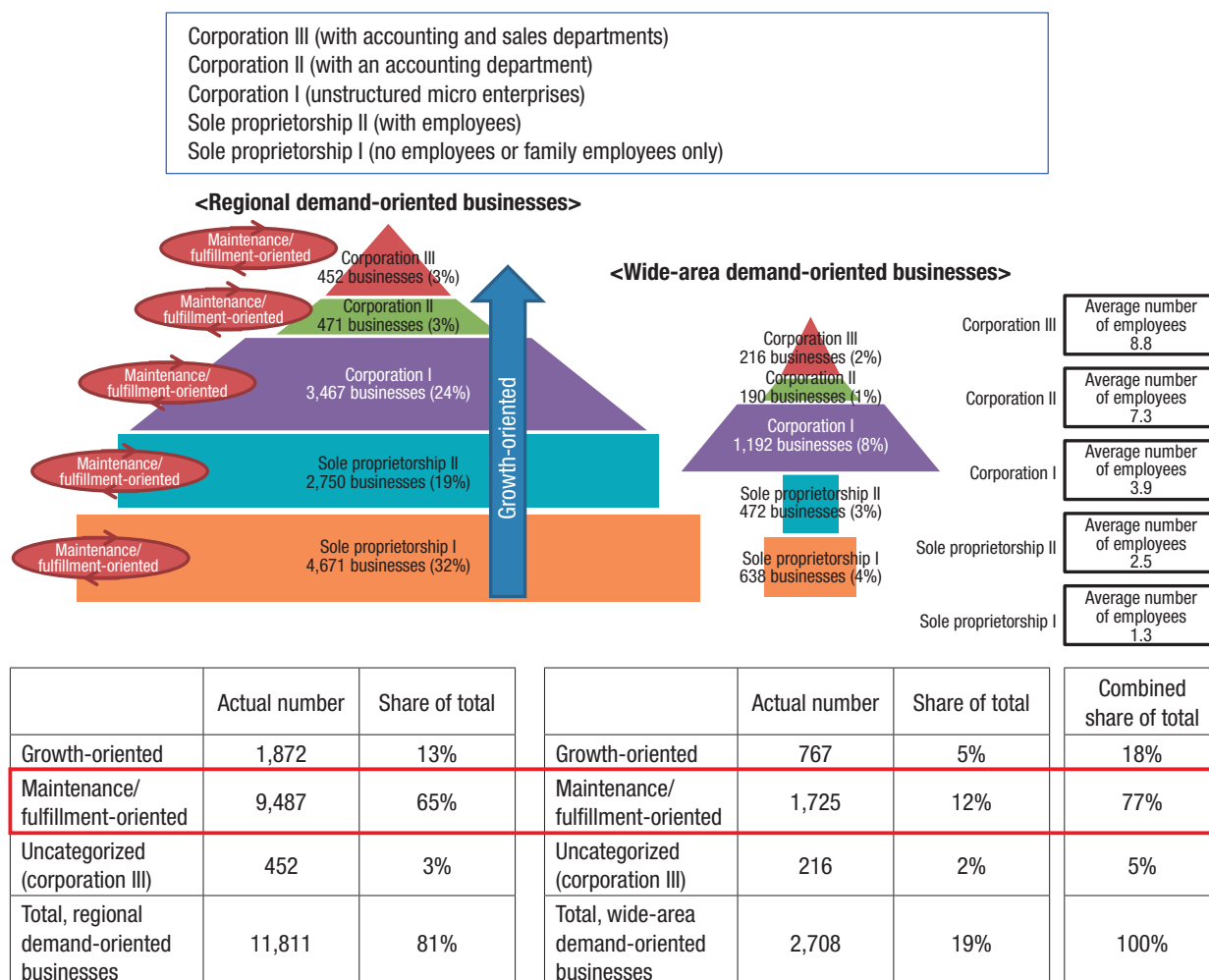
While micro businesses play a key role in their local economies, local demand needs to be maintained at a certain level if they are to remain a strong presence in their communities. However, local population decline has ramifications for the businesses activities of micro businesses themselves as well as for local demand due, for example, to business closures as proprietors age. Local communities and micro businesses are thus inextricably linked to one another.

With this in mind, the present chapter sets out to survey the current state of local consumption (which is heavily affected by population decline) and clarify the roles of micro businesses in their local communities. It then proceeds to consider the various ways in which micro businesses contribute to local communities through local activities that extend beyond their regular business operations.

1) Micro businesses were classified into types based on the results of a door-to-door questionnaire survey of 18,078 members of societies of commerce and industry conducted by the Central Federation of Societies of Commerce and Industry in October 2013.

2) A “regional demand-oriented business” is one that targets a market within the same municipality, in neighboring municipalities, or within the same prefecture.

3) A “maintenance/fulfillment-oriented business” is one that seeks to achieve the “sustainable development” of its business while retaining the same organizational form.

Fig. 1-4-1 Classification of micro businesses

Source: Prepared by SME Agency based on Central Federation of Societies of Commerce and Industry, *Survey on the Conditions of Business Activities of Micro Businesses*.

- Notes:
1. The above figures are for the 14,519 micro businesses that were among the 18,078 members of societies of commerce and industry surveyed by the Central Federation of Societies of Commerce and Industry in October 2013.
 2. Businesses in the sole proprietorship I to corporation III groups were considered "growth-oriented" if they sought to develop to a higher stage, and "maintenance/fulfillment-oriented" if they sought to stay at the same stage while pursuing sustainable development.
 3. As corporations III have no scope to grow organizationally, they are here treated as neither maintenance/fulfillment-oriented nor growth-oriented and left uncategorized.

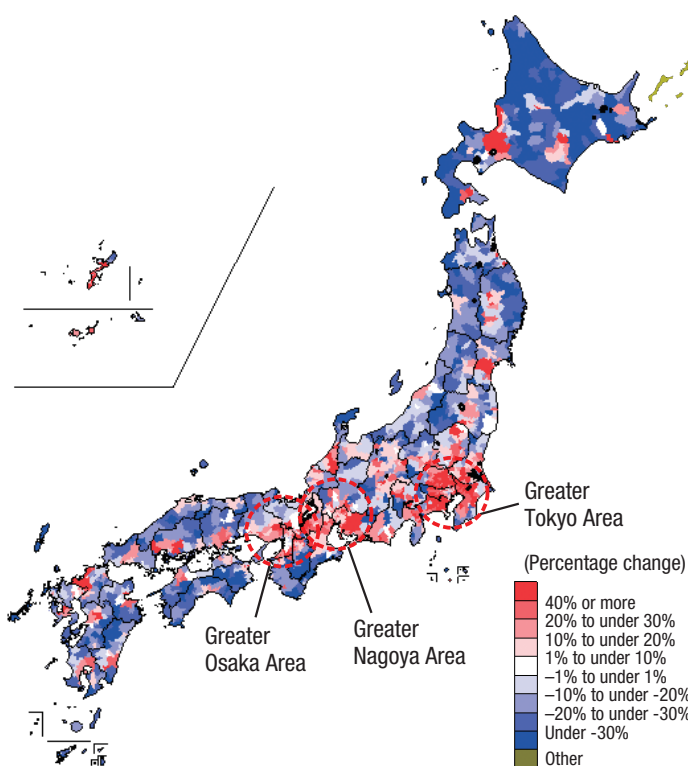
Section 1 Current state of consumption at the local level

1 Current state of the retail trade at the local level

The changes in the Japanese population affecting local demand are considered first. Fig. 1-4-2 shows the changes in population that occurred between 1980 and 2010 by municipality.⁴⁾ From this it can be seen that although the population of Japan as a whole increased by around 11 million over this 30-year period, this was due to population growth in urban municipalities (especially the prefectural capitals), and many municipalities in the regions, and especially in hilly

rural areas, face population decline. Japan's population went into full-blown decline in 2011, and this decline is projected to continue.⁵⁾ As population decline is a cause of waning demand at the local level, this means that local micro enterprises will have to take steps to tap into latent local demand, as well as maintain their conventional community-based business activities, if they are to cope with these changes.

Fig. 1-4-2 Population change by municipality (1980-2010)



Change in total population of Japan			
Total population (1980)	Total population (2010)	Absolute change	Percentage change
117,058,537	128,059,362	11,000,825	9.4%

Population change at prefectural level Population (top and bottom three prefectures, 1980-2010)		
Prefecture	Absolute change	Percentage change
Kanagawa	2,123,983	30.7%
Saitama	1,774,076	32.7%
Tokyo	1,541,107	13.3%
Aomori	-150,568	-9.9%
Nagasaki	-163,785	-10.3%
Akita	-170,748	-13.6%

Population change at municipal level	
Shrinking municipalities	Growing municipalities
1,038	704

Source: MIC, *Regional Statistics Database*.

Notes: 1. The colors in the map represent population at the municipal level in 2010 relative to 1980 (1980 = 100).
2. "Other" indicates regions that were not surveyed.

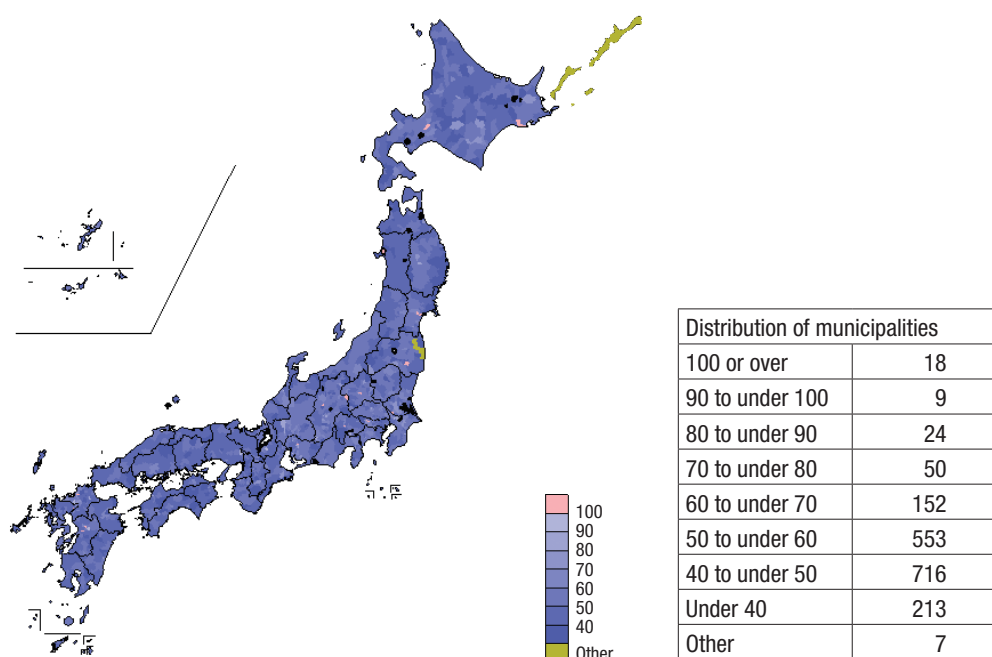
⁴⁾ In this chapter, unless otherwise indicated, "municipality" means any of Japan's municipalities, including special wards.

⁵⁾ See Fig. 2-1-7 in *2014 White Paper on Small and Medium Enterprises in Japan*.

In order to explore how consumption changed as the populations of areas such as these declined, we next examine changes in the retail trade.⁶⁾ A breakdown of changes in the number of retail establishments

nationwide by municipality reveals that the number has declined in virtually all municipalities, and that in the majority the number has halved (Fig. 1-4-3).

Fig. 1-4-3 Changes in number of establishments in the retail trade (1988-2012)



Sources: METI, *Census of Commerce*; MIC and METI, *2012 Economic Census for Business Activity*.

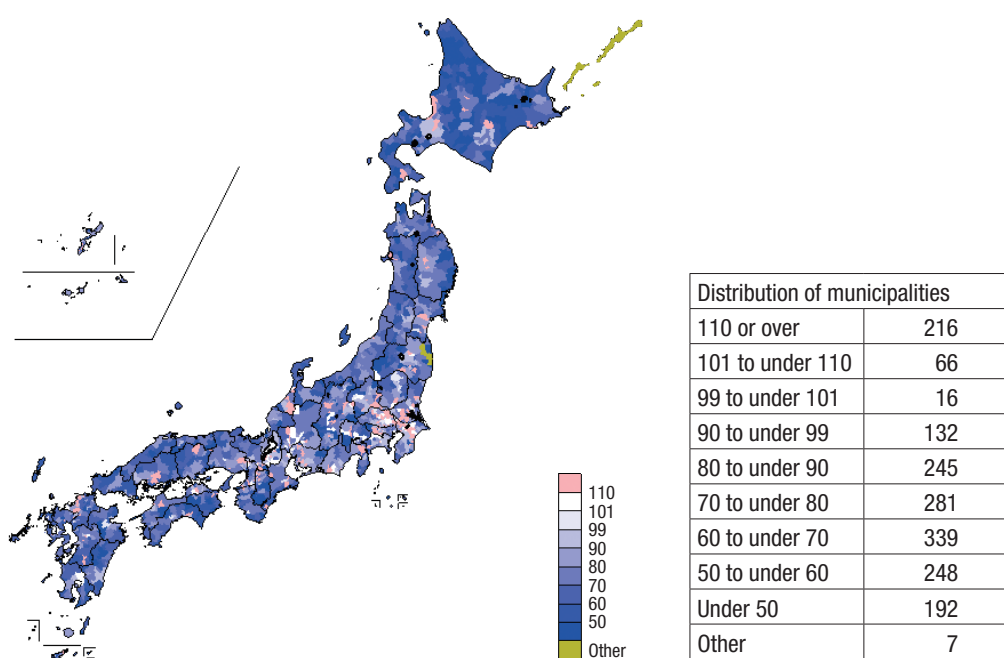
- Notes:
1. The map depicts the number of establishments in 2012 by municipality where 1988 = 100.
 2. "Other" denotes regions that were not surveyed or for which values could not be calculated for either 1988 or 2012.
 3. Number of establishments is according to *Census of Commerce* in 1988, and *2012 Economic Census for Business Activity* in 2012.
 4. Note that *Census of Commerce* and *2012 Economic Census for Business Activity* employed different methodologies and directories of establishments, the directory used for the latter being compiled based primarily on the results of *2009 Economic Census for Economic Business Frame*.

⁶⁾ The number of establishments is according to *Census of Commerce* in 1988, and *2012 Economic Census for Business Activity* in 2012. Note that these two surveys employed different methodologies and directories of establishments (the directory used for *2012 Economic Census for Business Activity* was compiled based primarily on the results of *2009 Economic Census for Economic Business Frame*).

Examined next are changes in the number of retail trade workers nationwide, broken down by municipality, as shown in Fig. 1-4-4. As can be seen, while the number of workers is declining in

approximately 80% of municipalities, there are also many municipalities, located mainly in the Greater Tokyo Area, where numbers are rising.

Fig. 1-4-4 Changes in number of workers in the retail trade (1988-2012)



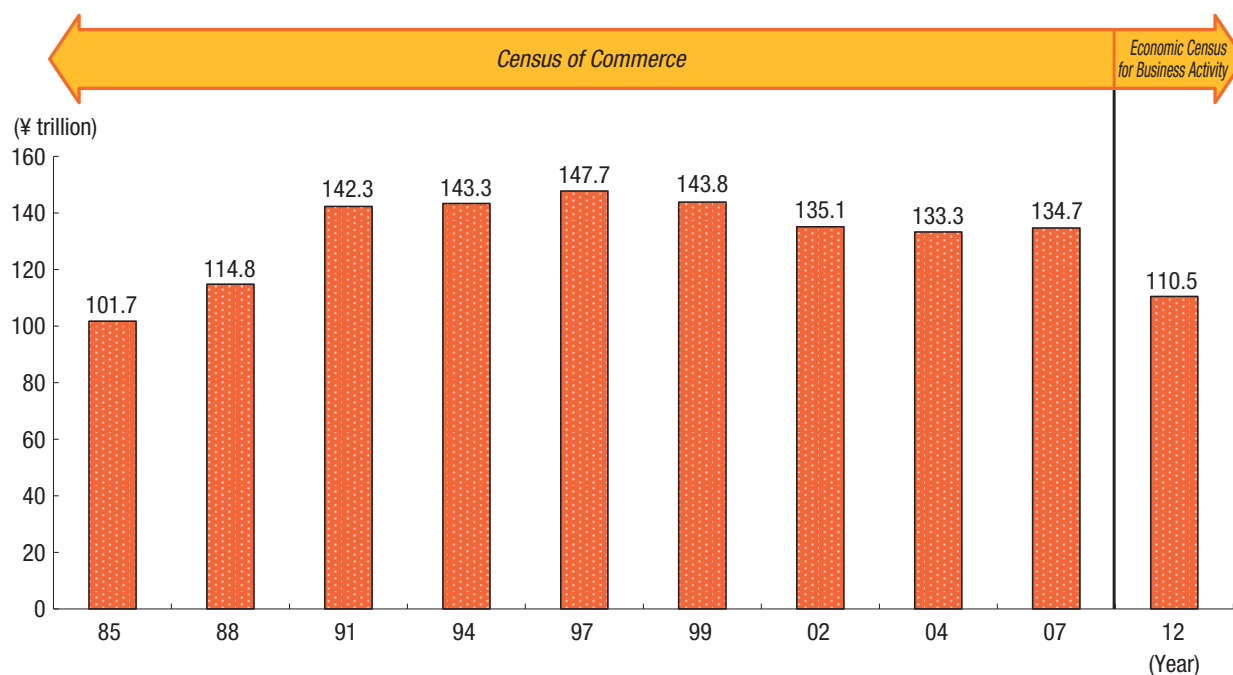
Sources: METI, *Census of Commerce*; MIC and METI, *2012 Economic Census for Business Activity*.

- Notes:
1. The map depicts the number of establishments in 2012 by municipality where 1988 = 100.
 2. "Other" denotes regions that were not surveyed or for which values could not be calculated for either 1988 or 2012.
 3. The number of workers is according to *Census of Commerce* in 1988, and *2012 Economic Census for Business Activity* in 2012.
 4. Note that *Census of Commerce* and *2012 Economic Census for Business Activity* employed different methodologies and directories of establishments, the directory used for the latter being compiled based primarily on the results of *2009 Economic Census for Economic Business Frame*.

Looking next at changes in the annual value of commercial sales in the retail trade, Japan's economic and demographic growth fueled strong growth up to

1997. Since 1997, however, no comparable trend has been evident (Fig. 1-4-5).

Fig. 1-4-5 Change in annual value of commercial sales in the retail trade



Sources: METI, *Census of Commerce*; MIC and METI, *2012 Economic Census for Business Activity*.

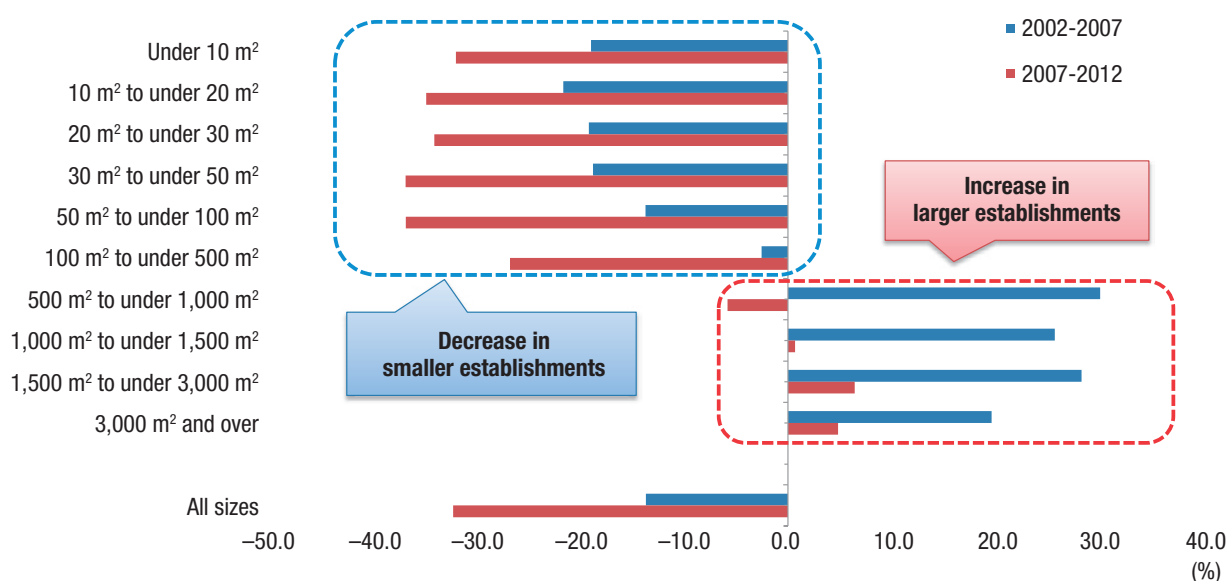
- Notes:
1. The annual value of commercial sales is according to *Census of Commerce* up to 2007, and *2012 Economic Census for Business Activity* in 2012.
 2. Note that *Census of Commerce* and *2012 Economic Census for Business Activity* employed different methodologies and directories of establishments, the directory used for the latter being compiled based primarily on the results of *2009 Economic Census for Economic Business Frame*.

Looking lastly at changes in the number of retail establishments categorized according to sales floor space (Fig. 1-4-6), the number of small stores decreased between 2002 and 2007 while the number of medium and large stores increased. This change appears to have arisen from a combination of factors: on the one hand, the closure of small stores located in shopping districts

due to the decline in demand caused by population shrinkage, and, on the other, the opening of discount stores and large suburban stores as consumer needs diversified.

Between 2007 and 2012, the downward trend in the number of small stores was accompanied by slowing growth in medium and large stores as well.

Fig. 1-4-6 Changes in number of establishments by sales floor space (retail trade)



Sources: METI, *Census of Commerce*; MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. The number of establishments is according to *Census of Commerce* up to 2007, and according to *2012 Economic Census for Business Activity* in 2012.
2. Note that *Census of Commerce* and *2012 Economic Census for Business Activity* employed different methodologies and directories of establishments, the directory used for the latter being compiled based primarily on the results of *2009 Economic Census for Economic Business Frame*.

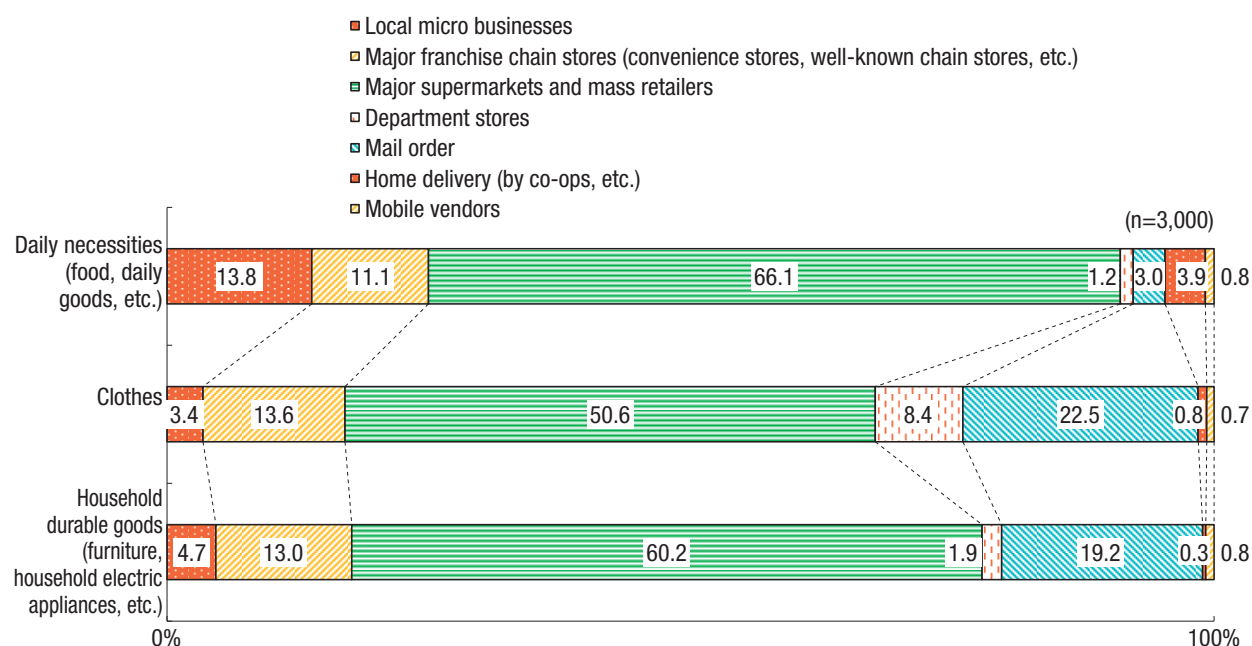
2 Current state of purchases of goods and services from micro businesses and shopping districts

The shopping environment for local residents is changing dramatically as the number of retail establishments declines nationwide, major franchise chains move into the regions, and online shopping becomes more common. With these changes in mind, local residents' opinions on shopping for goods and services at micro businesses are examined here using the results of *Questionnaire on Relations between You and Your Local Community*.⁷⁾

Fig. 1-4-7 shows where local residents buy various categories of goods. The commonest places of purchase of daily necessities, clothes, and household durable goods, used by a majority of the respondents in

each case, were found to be “major supermarkets and mass retailers.” The proportions of respondents who said that they made their purchases at micro businesses were 13.8% in the case of daily necessities, 3.4% in the case of clothes, and 4.7% in the case of household durable goods. It may be observed from this that while local residents are more likely to make high-frequency purchases (such as foodstuffs and daily necessities) than low-frequency purchases (such as clothes and household durable goods) at micro businesses, overall there is a strong tendency to buy goods from major supermarkets and mass retailers.

Fig. 1-4-7 Places of purchase used by local residents by type of good



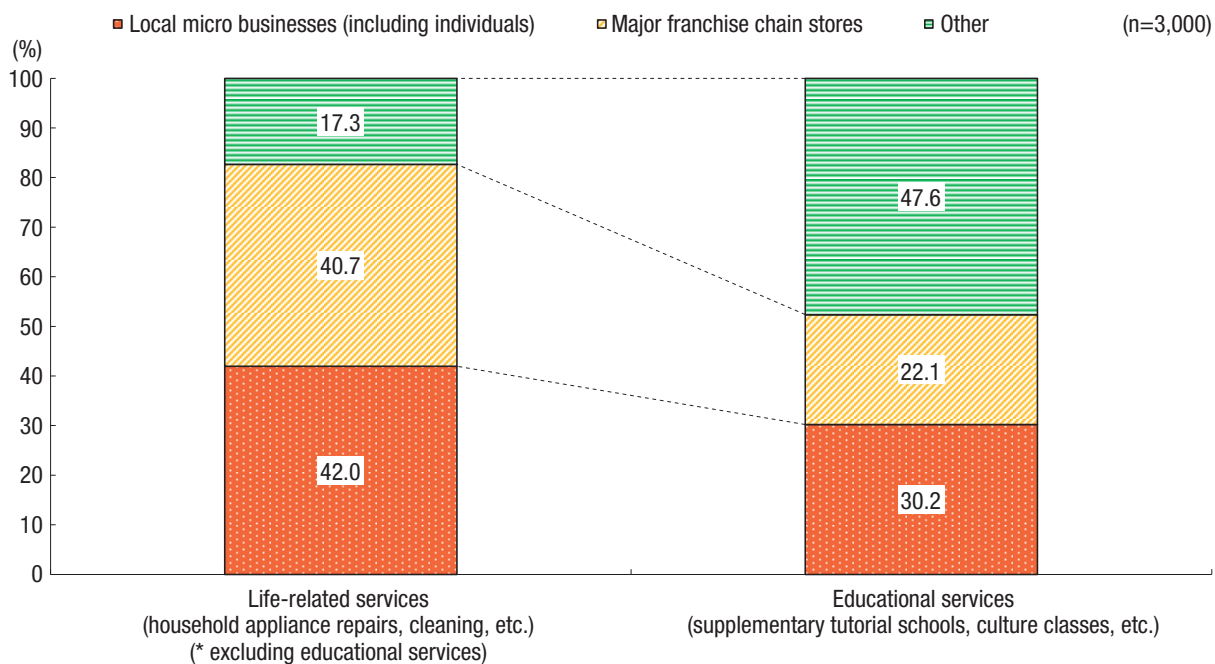
Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

⁷⁾ This is a questionnaire survey of registered online survey participants commissioned by SME Agency and conducted by Land Brains Co., Ltd. in January 2015. The respondents consisted of 3,000 participants living in municipalities with a population of not more than 50,000 who were selected to ensure an even distribution by region, gender, and age.

The sources of services used by local residents are considered next, as shown in Fig. 1-4-8. Unlike goods purchases, 42.0% of local residents use micro businesses for “life-related services (excluding educational services)” and 30.2% use them for “educational services.” This is likely associated with

the fact that service providers have diversified in line with the diversification of consumer needs, and that micro businesses are well placed to meet these diversifying needs because of the face-to-face contact with local residents that their community-based business activities give them.

Fig. 1-4-8 Service providers used by local residents

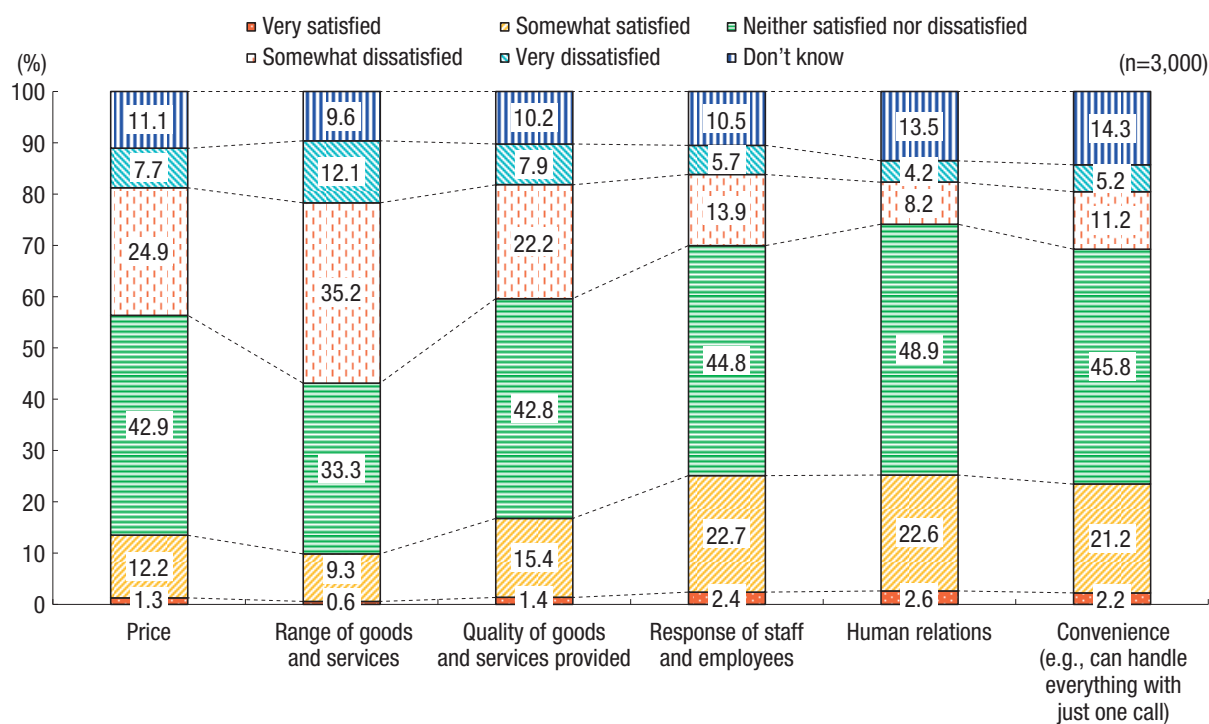


Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

We next turn our attention, to local residents' satisfaction with the goods and services provided by micro businesses. Looking at Fig. 1-4-9, it can be seen that, setting aside those who expressed no clear opinion ("neither satisfied nor dissatisfied" or "don't know"), more respondents were dissatisfied than were satisfied with "price," "range of goods and services," and "quality of goods and services provided," while more respondents were satisfied than were dissatisfied with "response of staff and employees," "human relations," and "convenience."

The lower level of satisfaction with price, range, and quality is likely a reflection of the fact many micro businesses are unable to supply goods more cheaply or offer a wider range of goods and services than can major franchise chain stores and major supermarkets owing to their business circumstances. However, as they are able to respond flexibly and attentively to customers' needs because of their face-to-face, trust-based business dealings with them, local residents rate them more highly in these areas.

Fig. 1-4-9 Level of satisfaction with goods and services provided by micro businesses

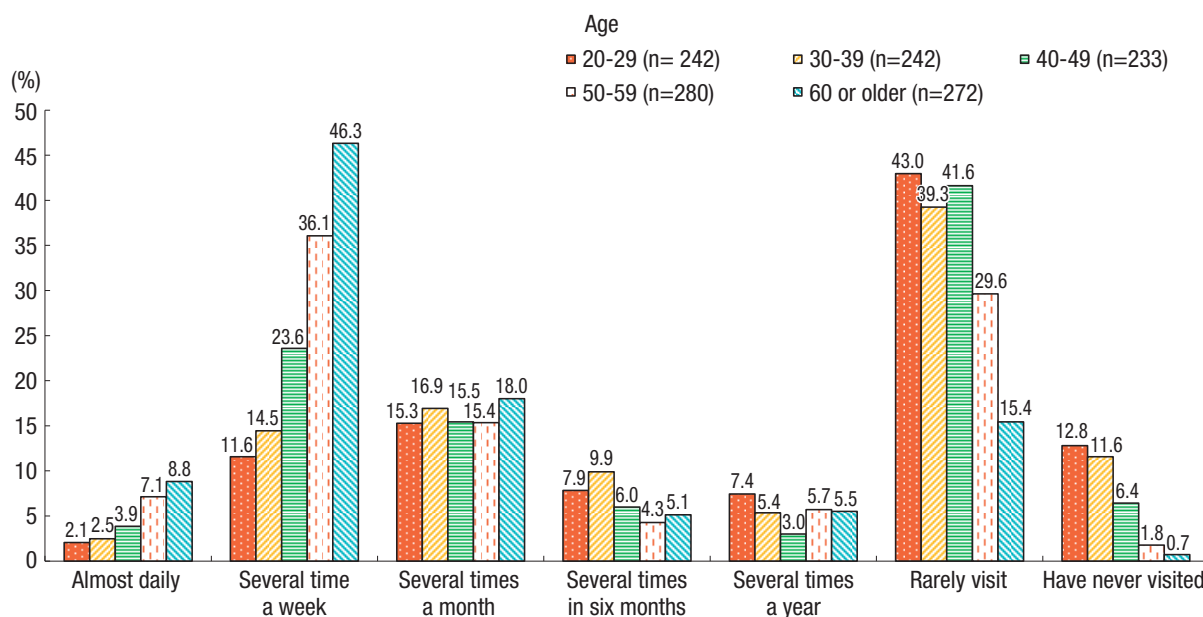


Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Having thus far examined the current state of purchasing of goods and services from micro businesses by local residents, we next focus on the current state of local shopping districts, where many micro businesses have stores. Fig. 1-4-10 shows a breakdown of the frequency of visits to shopping districts made by local

residents by age. Visits tend to increase with age, with 55.1% of 60- to 69-year-olds visiting either “almost daily” or “several times a week.” In contrast, only 13.7% of 20- to 29-year-olds visit “almost daily” or “several times a week,” and 12.8% said that they “have never visited” their local shopping district.

Fig. 1-4-10 Frequency of local residents' visits to shopping districts by age



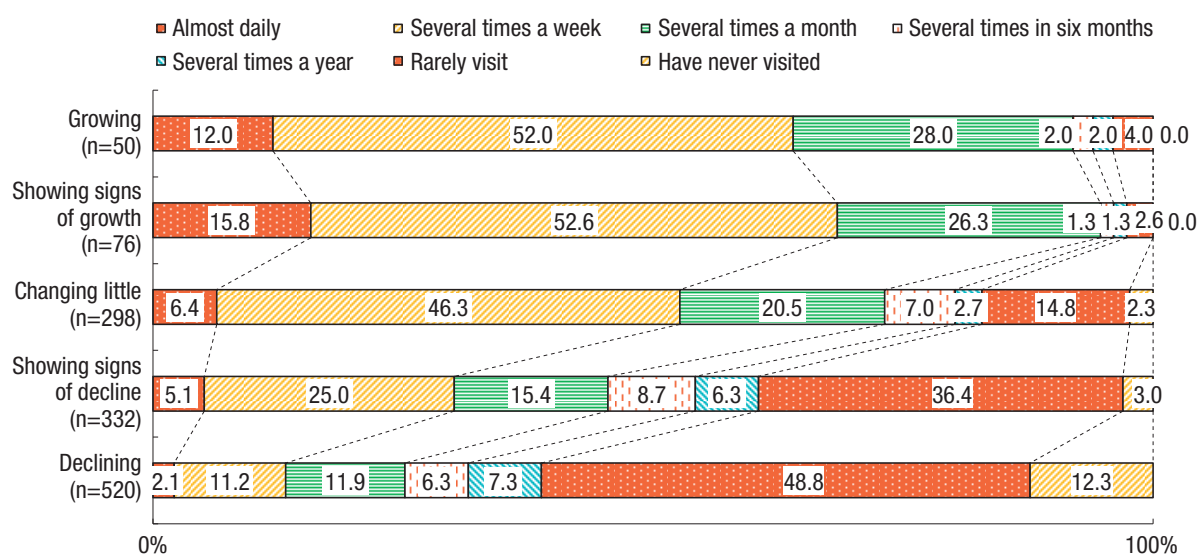
Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (December 2014), commissioned by SME Agency.

Note: This question was posed to respondents who said that they live near a shopping district.

The frequency of local residents' visits to shopping districts is examined next from a different perspective. Fig. 1-4-11 shows the frequency of local residents' visits to shopping districts according to the “condition” of these districts.⁸⁾ In the case of shopping districts regarded by local residents to be either “growing” or “showing signs of growth,” around 60% to 70% of respondents said that they visited their local shopping district either “almost daily” or “several times a week.”

On the other hand, in the case of shopping districts regarded by local residents to be “declining” only 13.3% of respondents said that they visited their local shopping district either “almost daily” or “several times a week,” and the proportion who “rarely visit” or “have never visited” climbs to 61.1%. These figures suggest that local residents' views of shopping districts may affect the frequency with which shopping districts are visited.

⁸⁾ It should be noted that “condition” here means shopping districts' condition in terms of the respondents' subjective opinion, and not as measured by objective criteria.

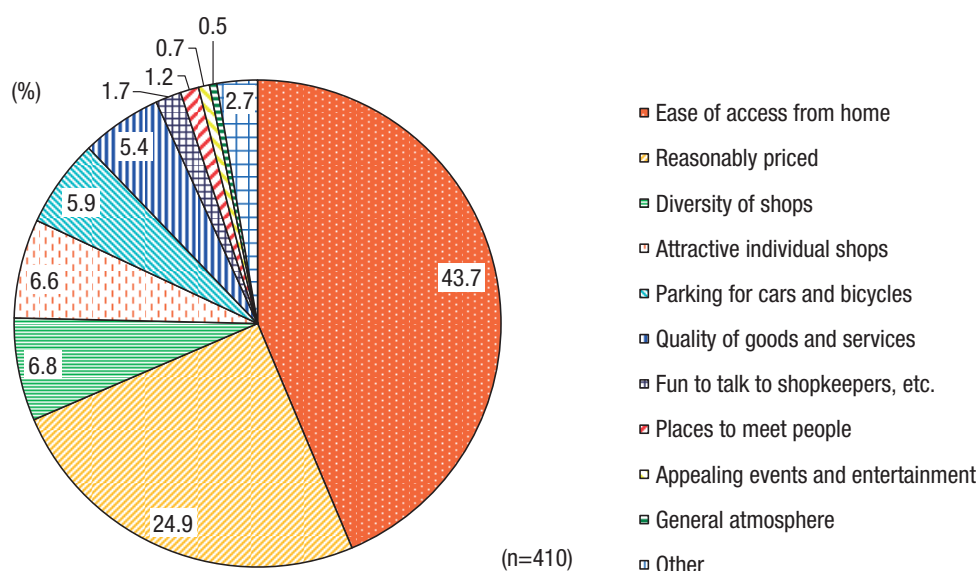
Fig. 1-4-11 Frequency of local residents' visits to shopping districts by condition of district

Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (December 2014), commissioned by SME Agency.

Note: This question was posed to respondents who said that they live near a shopping district.

The reasons for either often or seldom visiting shopping districts are examined next. Fig. 1-4-12 shows local residents' reasons for often visiting shopping districts. The most commonly cited reasons are "ease

of access from home" (43.7%) and "reasonably priced" (24.9%), indicating that local residents' perception of shopping districts as familiar places to shop translates into a reason to visit them often.

Fig. 1-4-12 Local residents' reasons for often visiting shopping districts

Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

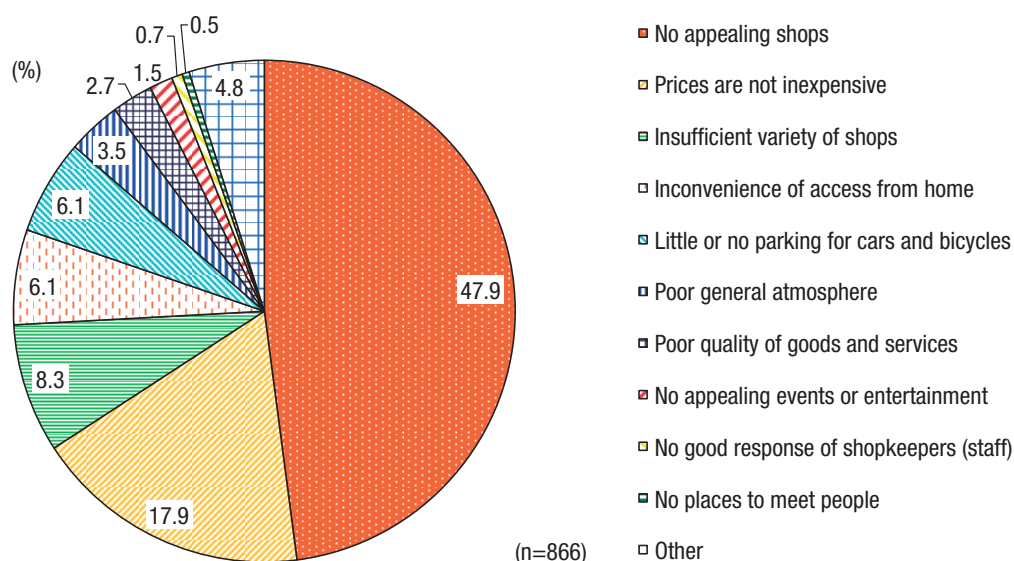
Notes: 1. This question was posed to respondents who said that they lived near a shopping district and visited that shopping district "almost daily" or "several times a week."

2. Respondents were asked to give three reasons for often visiting a shopping district. The above is based on the top-most reasons given.

The reasons given by local residents for seldom visiting shopping districts, on the other hand, are shown in Fig. 1-4-13. The most commonly cited reasons were “no appealing shops” (47.9%), “prices are not inexpensive” (17.9%), and “insufficient variety of shops” (8.3%), indicating that local residents’ exacting opinion on shopping translates into reasons

not to visit shopping districts very often. However, these results also suggest that the presence of even a few appealing stores may encourage local residents who had not hitherto visited a shopping district to do so, thereby generating more foot traffic and revitalizing the shopping district as a whole.

Fig. 1-4-13 Local residents’ reasons for seldom visiting shopping districts



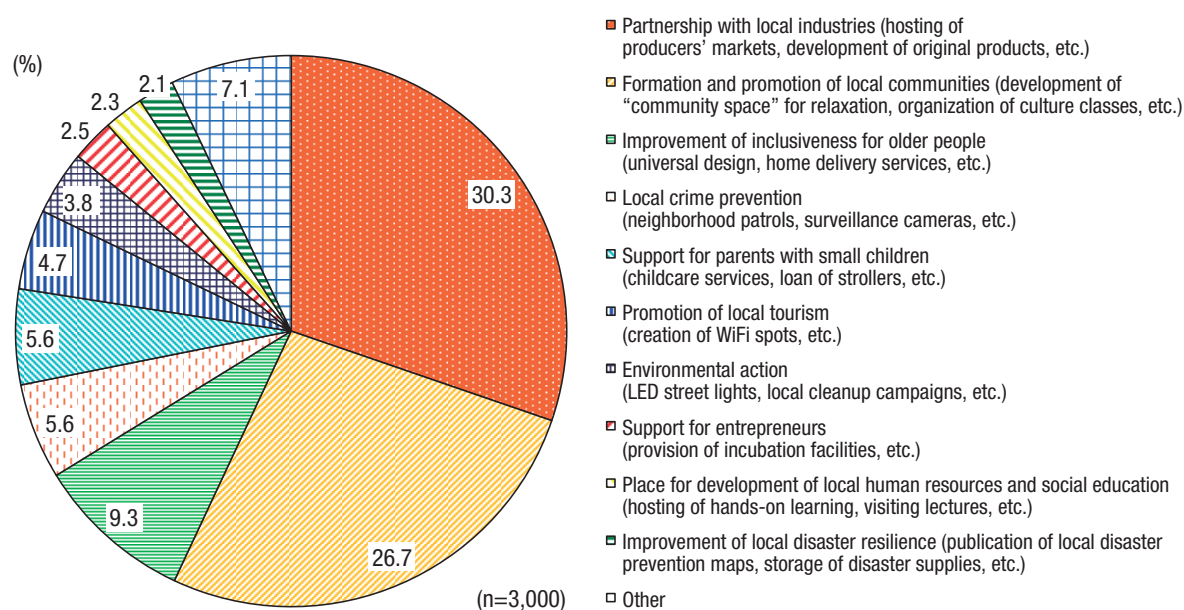
Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Notes: 1. This question was posed to respondents who said they lived near a shopping district but did not visit it “almost daily” or “several times a week.”
2. Respondents were asked to give three reasons for seldom visiting a shopping district. The above is based on the top-most reasons given.

We last consider the actions that local shopping districts need to take in order to revitalize themselves, starting with Fig. 1-4-14. The most commonly sought for actions were found to be “partnership with local industries (hosting of producers’ markets, development of original local products, etc.)” (30.3%) and “formation and promotion of local communities (development of original local products, etc.)” (30.3%) and “formation and promotion of local communities

(development of “community spaces” for relaxation, hosting of culture classes, etc.)” (26.7%). These results indicate that many local residents consider it important that shopping districts take action to leverage their localities’ distinctive features or to generate greater foot traffic.

Fig. 1-4-14 Important measures for revitalizing local shopping districts



Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Note: Respondents were asked to choose what they considered to be the three most important strategies for revitalizing shopping districts. The above is based on the top-most choices.

The above confirmed that while local residents appear to take a critical view of shopping districts’ shopping-related aspects, they recognize the importance of, for example, leveraging localities’ distinguishing features and generating foot traffic as strategies for revitalizing those districts. It also confirmed that the potential does exist for shopping districts to revitalize themselves,

provided that they exercise their knowledge and ingenuity.

In the following we present a case study of a shopping district that has succeeded in revitalizing itself by making itself more community based, and by proactively drawing in new customers.

Case

1-4-1: Iwamurada Honmachi Shopping District Promotion Association

(Saku City, Nagano Prefecture)

<Members: 61>

One shopping district's efforts to become more community based and draw in new shoppers

Iwamurada Honmachi Shopping District in Saku City, Nagano Prefecture, grew up alongside a street in an area that once thrived as a post town on the historic Nakasendo highway. When Sakudaira Station on the new JR Nagano Shinkansen high-speed rail line opened in 1997, a massive shopping center was built near the new station and local residents' lifestyles changed. A large supermarket in the old shopping district went out of business, the number of vacant stores increased, and the district's significance as a place to go shopping rapidly waned.

In response, the district has now recast itself as a "community space for local residents," and has spearheaded the implementation of a variety of new initiatives.

Initially, the shopping district organized various events on the theme of "The Best in Japan." However, while these events were successful in temporarily attracting shoppers, they failed to permanently revitalize the district. The district therefore changed tack. Moving away from spectacular one-off events, district merchants concluded that it is really the aggregation of distinctive individual stores that gives a shopping district its soul. From that emerged the idea of transforming their own mindsets, seeing their shopping district as growing out of the neighborhood, rather than the other way around, and with that they set about enhancing their own stores.

More concretely, the district set itself a goal of becoming a "community-based shopping district that lives and works with the community and draws in new customers." Defining the area within walking distance (a radius of 300 meters) of the shopping district itself as its basic area of activity, it set about regaining its vitality and cultivating the support of local residents by pursuing initiatives designed with a view to "meeting local residents' needs," "developing young human resources," and "providing childcare support and education."

To meet local residents' needs, the district identified the lack of fresh food stores and eateries in the neighborhood as an issue, and opened three new stores under its own management. These were Honmachi Okazu Ichiba (a grocery store opened in a vacant store in the district), Sangatsu-Kokonoka Seishun Shokudo (a restaurant serving mostly rice *udon* noodle dishes made from locally grown ingredients, situated in a renovated old Japanese-style house), and Minnano Ichiba (a mini-supermarket for people with limited access to shopping facilities).

To help young people cultivate their skills, three



High Schooler Challenge Shop



Shopkeepers discuss their "future vision" for the district

new "challenge shops" were also opened in the district. ("Challenge shops" are a type of store opened in vacant premises and made available to entrepreneurs and other users either for free or a low rent in order to help regenerate a shopping district). These three stores are Honmachi Teshigotomura, a shop staffed by six up-and-coming "challengers" whose goal is to foster handicraft, handiwork, and skills in the neighborhood; Yatte Mise, which was set up to support independent startups; and the High Schooler Challenge Shop, which is used by nearby high school students for extramural activities.

Two new facilities were also opened to assist parents with small children: Kosodate Otasukemura, a convenient childcare "salon" where local parents and grandparents can drop by with small children in tow; and Iwamurada Terakoyajuku, Japan's first *juku* cram school and correspondence high school support school to be operated directly by a shopping district when it opened in fiscal 2013. The support school is particularly interesting, as it offers opportunities for its students to help out at the shopping district's events and experience working

in an actual store while the district watches over them and helps them learn to become independent.

Since November 2014, the district has worked with educators, high school students, financial institutions, the authorities, local residents, and others to develop its own future vision for itself and the neighborhood.

[Lessons to learn from this case]

■ Success factors

When shopping districts across the country began to decline under pressure from suburban stores, Iwamura Honmachi Shopping District was quick to rethink its role and embark on action to meet local residents' needs by offering something as a local community. One reason for its success in doing so has been its continued adherence to a plan-do-check-act (PDCA) cycle, by which it constantly monitors local residents' needs and continues to improve its existing activities and launch new projects.

This approach is exemplified by the district's pursuit of a wide variety of projects once it moved away from spectacular one-off events. It started out by filling in the gaps in its offerings by launching its own restaurant and fresh food store, and in so doing it contributed to local job creation by hiring people to staff these outlets.

Anticipating that existing stores might close as their proprietors grow older, the district has also sought to attract and cultivate a new generation of entrepreneurs by opening the Honmachi Teshigotomura challenge shop in order to attract the kind of tenants it needs to achieve its future vision of itself.

Alongside these activities, the district is also working to develop a more livable environment for childrearing households, embarking on projects in childcare and education in anticipation of the effects of population decline. The Iwamura Terakoyajuku is just one example, the first *juku* school in Japan run by a shopping district. Functioning like the *terakoya* temple schools of the Edo

period, this *juku* provides parents with a safe place to send their children to study under the watchful eye of specialist instructors and older students. A further benefit is that everyday ties between children have been strengthened and any problems that they might be having can be detected early and communicated to their parents and caregivers.

■ Current state of consumption in the area: revitalization of the shopping district

Recognizing that the graying of society is bound to continue, the Iwamura Honmachi Shopping District believes that the role of shopping districts in urban development should be to "create pedestrian- and resident-friendly neighborhoods," and it places a particular premium on a "local first" approach.

Adopting a local perspective that puts the community first, the district seeks to create a sustainable local community that values local resources, culture, and history, and is working with residents and other local stakeholders to find new ways of getting the young people who represent the community's future involved.

■ Future tasks

Focusing on the area within walking distance of the shopping district itself, Iwamura Honmachi Shopping District has pursued a course of ascertaining local needs, filling gaps in its offerings, and cultivating local young people's skills with the aim of becoming a "community-based shopping district that draws in more shoppers." Anticipating that the graying of society will progress even further in the future, it is exploring together with local residents and other stakeholders the roles that shopping districts should play in the context of local urban development.

In the district's view, "finding ways of working closely with local authorities will be the 'crux issue'" in urban development in the years ahead.

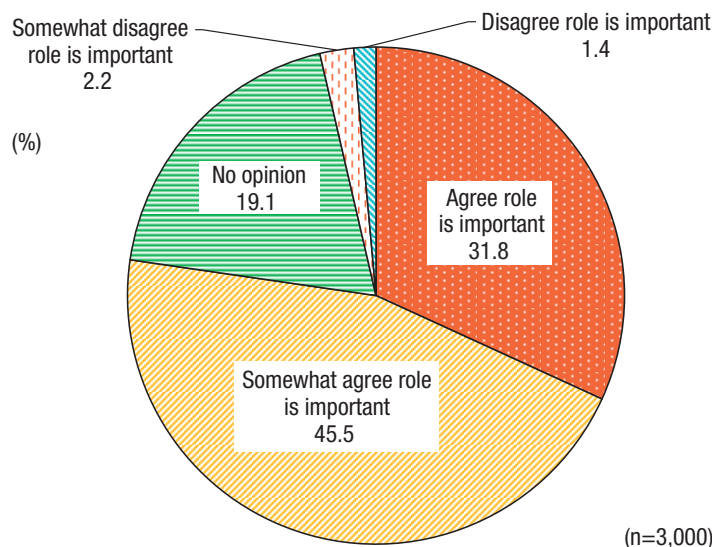
Section 2 Roles of micro businesses in local communities

1 Roles of local residents in local communities

Micro businesses engaging in community-based business activities enjoy close ties with the residents of those communities. They play an important role in local economies by providing goods and services to local residents, while at the same time the purchase of these goods and services by local residents ensures local micro businesses' own sustainable business growth. This section considers these roles of residents and micro businesses in local communities.

Fig. 1-4-15 examines local residents' awareness of the importance of the roles they play in revitalizing communities and solving local community issues. Over 70% said that they believed that local residents play either a "very important" role (31.8%) or "somewhat important" role (45.5%), indicating that many local residents believe that they have an important contribution to make to local revitalization.

Fig. 1-4-15 Awareness of importance of roles played by local residents



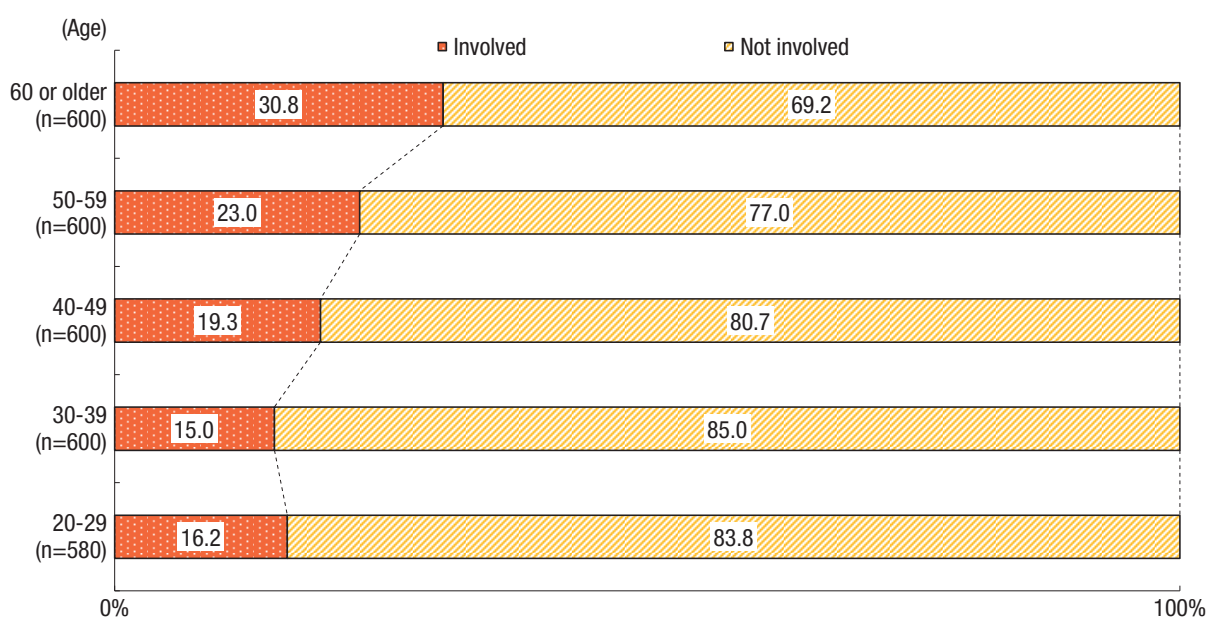
Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Note: Respondents were asked about the importance of the role played by local residents in revitalizing local communities and solving local issues.

The actual state of local residents' involvement in local revitalization and solving local issues is examined next. As Fig. 1-4-16 shows, while 30.8% of 60-year-olds and over and 23.0% of 50- to 59-year-olds said that they are involved, this figure falls to 15.0% among 30- to 39-year-olds and 16.2% among 20- to 29-year-olds.

Involvement in activities to revitalize communities and solve local issues thus tends to increase with age. One likely reason for this is that people in their sixties have reached retirement age and so have more time to devote to other activities.

Fig. 1-4-16 Involvement in activities to revitalize communities and solve local issues

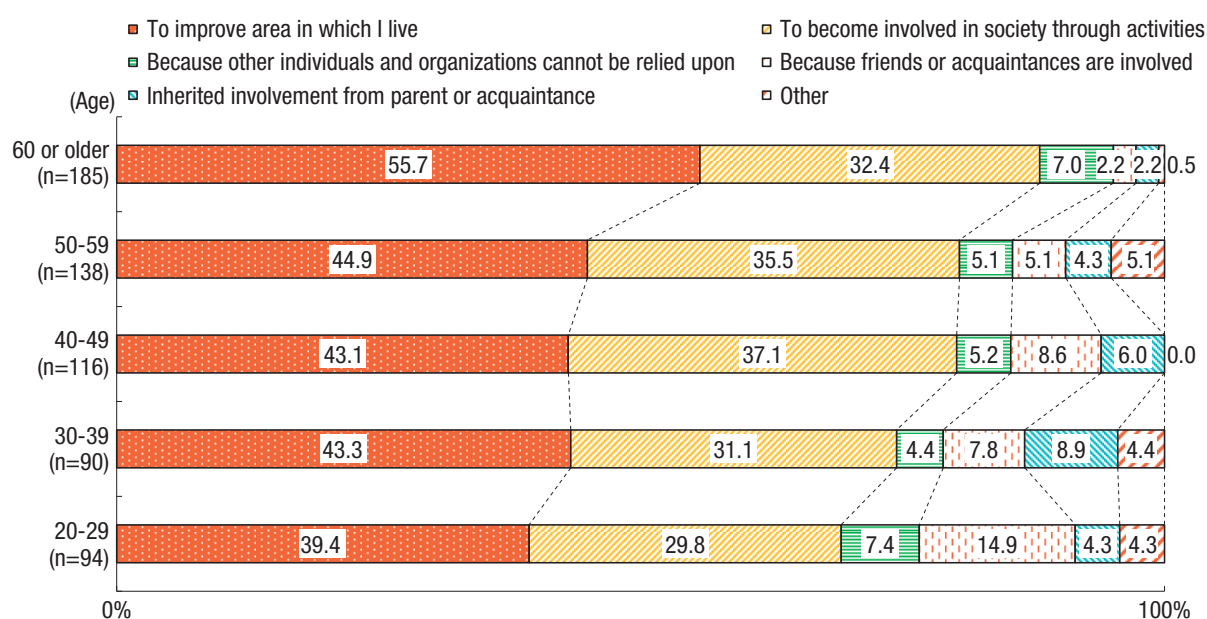


Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Community* (January 2015), commissioned by SME Agency.

Next we look at local residents' reasons for taking part in activities to revitalize their communities and solve local issues, as shown in Fig. 1-4-17. From this it can be seen that the commonest reasons for involvement cited by all age groups were "to improve area in which I live" and "to be involved in society through activities." This tendency increases with age, however, and younger age groups are more likely to cite "because friends and acquaintances are involved" or

"inherited involvement from parent or acquaintance." These figures point to what is, in a sense, a quite natural motivation in any age group to get involved in order to contribute to one's community and develop community ties, with younger residents also exhibiting a tendency to be motivated to become involved in revitalizing their communities and solving local issues through personal ties with their own friends and acquaintances.

Fig. 1-4-17 Reasons for involvement in activities to revitalize communities and solve local issues



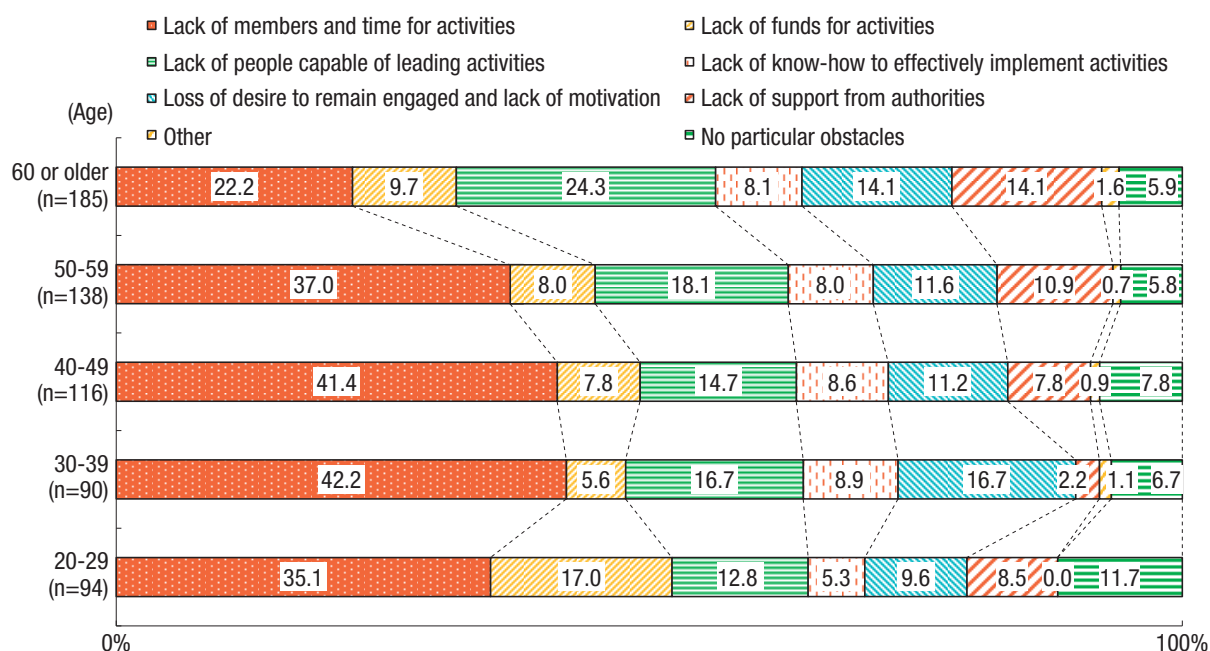
Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Note: This question was posed to respondents involved in community revitalization and solving local issues.

Considering next the obstacles to the continuation of activities to revitalize communities and solve local issues as seen by those actually involved in such activities, Fig. 1-4-18 reveals considerable differences according to age group. While "lack of members and time for activities" is perceived to be the biggest obstacle in all age groups, "lack of funds for activities" is considered a major obstacle among 20- to

29-year-olds, while "lack of people capable of leading activities" is considered a major obstacle among 60-year-olds and over. Thus while younger people tend to see issues in getting such activities going and in the activities themselves, older people are more likely to have concerns regarding the qualitative aspects of those activities.

Fig. 1-4-18 Obstacles to continuation of activities to revitalize communities and solve local issues



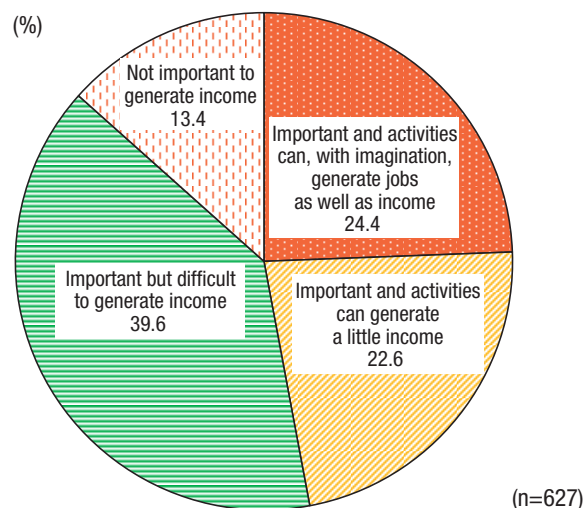
Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Note: This question was posed to respondents involved in community revitalization and solving local issues.

It requires a certain amount of funding (income) for local residents to continue to engage in activities to revitalize local communities and solve local issues. Opinions on the importance of generating income from such activities are therefore examined next. As Fig. 1-4-19 shows, approximately 90% of local

residents consider it important that such activities generate income. In addition, 24.4% believe that, with imagination, these activities can be made to generate jobs as well as income, which suggests that local residents' activities can also contribute to local employment.

Fig. 1-4-19 Importance of generating income from activities to revitalize communities and solve local issues



Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Note: This question was posed to respondents involved in community revitalization and solving local issues.

The above analysis confirms that, despite the existence of various obstacles, local residents believe that it is important that activities to revitalize local communities and solve local issues generate income, and also feel that such activities can be designed to create jobs.

Reflecting these beliefs, residents in some

communities are organizing themselves and starting up small companies themselves to solve local issues and revitalize their communities. The following case study describes one such company run by local residents who are working together to tackle the challenges faced by their community.

Case

1-4-2: Omiya Sangyo Co., Ltd.

(Shimanto City, Kochi Prefecture)

(Retail trade)

<Employees: 2; capital: ¥7 million>

Following the withdrawal of the agricultural cooperative, 108 local households establish their own “total local revitalization company” to revitalize their community and preserve their way of life⁹⁾

The Omiya district of the city of Shimanto (formerly the village of Nishitosa) on the prefectural border between Kochi and Ehime Prefectures is a small rural community nestled in the valley of a tributary of the Shimanto River. Its population, which in 1975 stood at 528 (148 households), had by 2014 shrunk to just 286 (130 households), and the proportion of elderly residents had risen to 49.7%. The only shop in the village was a liquor store, and residents had to travel either to the center of Uwajima in the neighboring prefecture of Ehime, 32 km away, or to the center of Shimanto, 50 km away, to shop for daily necessities. As the nearest filling station other than the filling station at the Omiya branch of the local agricultural cooperative, JA Kochi Hata, was also 15 km away, older people who did not own their own car or have other means of transportation could not even go shopping or visit the doctor's.

Omiya Sangyo Co., Ltd. was created as a solution to the proposed closure of the Omiya branch of JA Kochi Hata, which had been the only place where the villagers could buy food and other daily necessities locally. As the cooperative's impending closure potentially threatened the very survival of the village, the community's residents set up a committee to investigate ways of replacing the cooperative's functions.

In order to maintain the shop and filling station functions hitherto performed by the cooperative, 108 households (representing around 80% of the residents) contributed a total of ¥7 million to establish Omiya Sangyo Co., Ltd. in May 2006. Set up to enable the residents to maintain their way of life, the new company has a store that stocks a selection that rivals that of JA Kochi Hata's old branch, ranging from foods (excepting fresh foods) to



Outside Omiya Sangyo's store



Inside Omiya Sangyo's store

daily sundries and agricultural supplies. It also has a filling station next door that supplies gasoline for cars and the diesel fuel essential for agricultural equipment. Its sole full-time employee, a man in his thirties, handles sales, and several female residents of the village are employed on a part-time basis to staff the store, thus generating jobs in the village as well. The company also provides a home delivery service for older people who cannot visit the store in person.

⁹⁾ A “total local revitalization company” is the local name for a company organized by a residents group to revitalize the local community.

Although profitability was initially a concern, the company posted sales of ¥35 million in its first year in operation in fiscal 2006. It has been in the black for six years running, and in fiscal 2011 was used by an average of 90 people a day and generated sales of ¥62 million.

While the company currently functions as a lifeline for the community by meeting vital shopping needs, other services such as transport and healthcare remain a major problem. Recognizing this, the company aims to become a “company that supports the community” and move into other fields in the future, such as by operating an “on-demand” bus service and providing monitoring and daycare services for older residents.

[Lessons to learn from this case]

■ Success factors

One reason for this project’s success is that, recognizing that their community’s survival depended on maintaining the delivery of essential everyday services, a full 80% of the residents invested money in it. This made residents aware that they were the ones who were taking the initiative and were responsible for their own community’s survival.

The residents’ initiative and sense of responsibility manifest themselves in how the “total community revitalization company” is run. The project is characterized by regular dialogue between residents and Omiya Sangyo concerning everything from the mix of goods stocked by the store to sale methods and promotion, as well as events designed to enhance community interaction. The company reports details of its performance, such as annual sales and numbers of customers, and makes improvements to how it delivers its service to better meet villagers’ lifestyles and needs. Management improvements and innovations implemented in partnership with residents thus appear to have ensured business profitability, resulting in six consecutive years of profits.

■ Action to solve local issues: resident-led company management

As the issue facing the community before the

establishment of Omiya Sangyo was how to ensure the continued provision of everyday services, the cost of the initial investment in management was kept down by making use of pre-existing service delivery facilities and national and prefectural subsidies in order to make the most of limited funds.

As part of its mission as a business that serves the locality, Omiya Sangyo also plays an important role in maintaining the local community. There are sofas installed in a corner of the store to provide a place for residents to meet and talk, and older residents who live alone can often be seen chatting there. Using the square in front of the store, the company also hosts regular events during the summer, such as “Saturday night markets” and “resident thanksgiving fairs.” By thus offering services for residents living in the area as well as simply selling products at its store, the company has established itself as a popular and well-used business among residents.

Despite their difficult circumstances, the residents of Omiya are showing how it is possible to continue to enjoy a comfortable lifestyle by using a joint-stock corporation that they themselves took the lead in setting up.

■ Future tasks

Demographic attrition due to the aging of the local population continues, and the number of the store’s users will inevitably decline. To counter this, the company is also putting its efforts into “local production for outside consumption” in order to cultivate new markets and “earn foreign currency” from outside of the community. Locally grown rice is branded as “Omiya mai” and sold further afield – it is now being used in school and hospital meals in Shimanto City, in school meals in Kochi, and at welfare facilities in neighboring districts. Rice sales reached ¥12 million in 2011, and are becoming a major revenue stream. Vegetables grown outdoors in the village are also marketed directly to cultivate demand in other regions. In this and other ways, Omiya Sangyo continues its efforts to “earn foreign currency.”

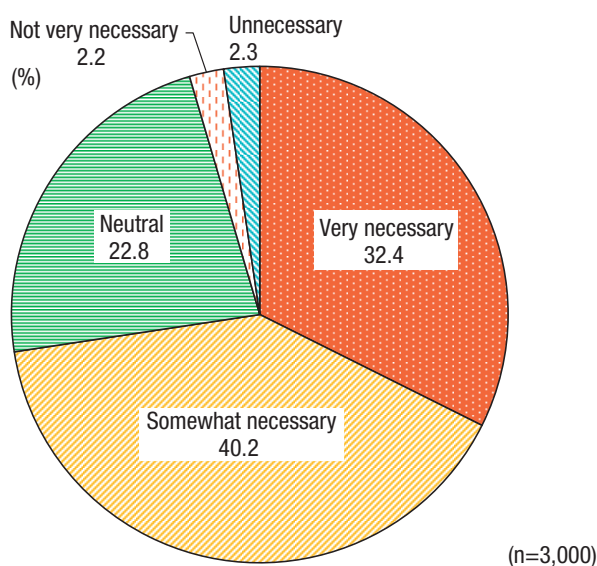
2 Roles of micro businesses in local communities

Case 1-4-2 above described a community whose residents are working together to run a small company and preserve their local way life. In some cases, however, activities like these may require the presence of a “local leader,” i.e., someone who can take the initiative in planning and implementing activities to revitalize the community and solve local issues. The following sub-section concludes this chapter with

a discussion of the role of small businesses in local communities, including as local leaders.

Fig. 1-4-20 shows the extent of the need for local leaders to revitalize communities and solve local issues. It is apparent from this that, if “neutrals” (22.8%) are excluded, almost all local residents believe that there is a need for local leaders to revitalize communities and solve local issues.

Fig. 1-4-20 Need for local leaders to revitalize communities and solve local issues



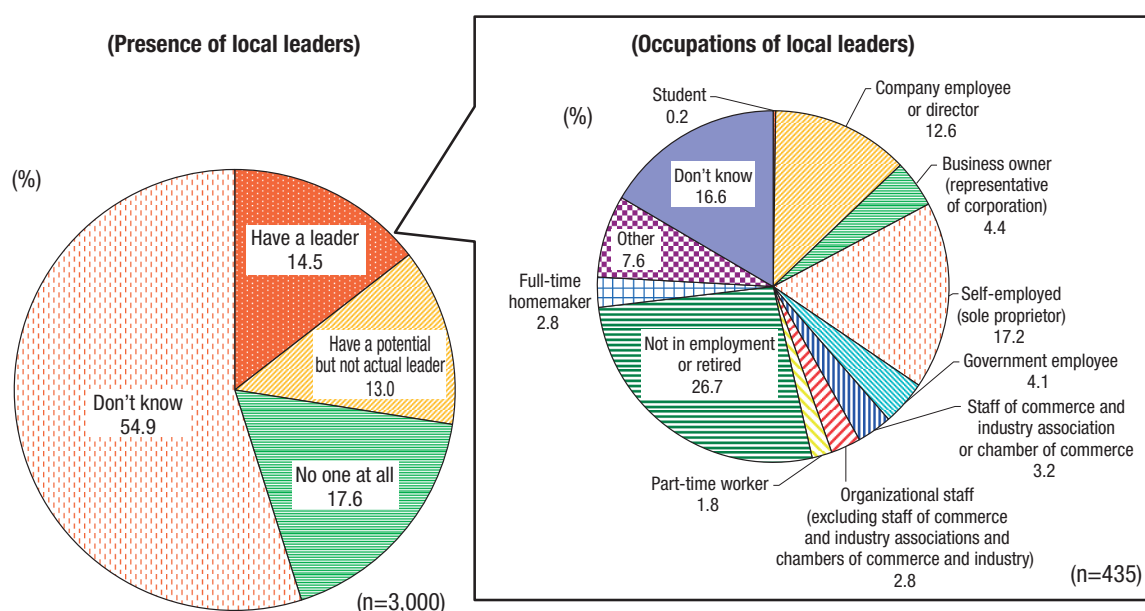
Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Note: A “local leader” here means someone who can take the initiative and lead the planning and implementation of activities to revitalize communities and solve local issues.

Given this perceived need, we next consider the proportion of local communities that have such leaders. As shown by Fig. 1-4-21, while fewer than 30% of respondents said that their communities “have a leader” (14.5%) or “have a potential but not actual leader” (13.0%), the majority did not see their communities as having any such leader at all. Further, when residents who reported that their communities did have local leaders were asked what the occupations of those leaders were, the commonest responses (excluding the 16.6% “don’t know” response) were: “not in employment or retired” (26.7%), “self-employed” (26.7%),

“company employee or director” (17.2%), and “company employee or director” (12.6%). From this it may be observed that not only do retired senior citizens play an active role in activities to revitalize their communities and solve local issues, but also they are indeed expected to serve as the local leaders in implementing such activities. Further, many residents consider the sole proprietors who account for the bulk of micro businesses to be local leaders in their communities, indicating that micro businesses are perceived as playing a leading role in community revitalization in addition to carrying out the business activities that are their main vocation.

Fig. 1-4-21 Presence of local leaders and their occupations



Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

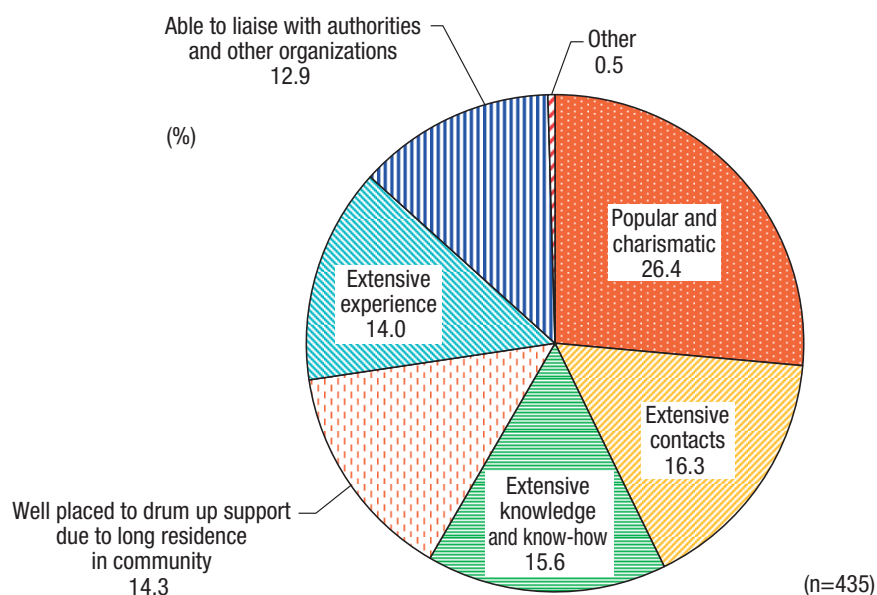
Notes: 1. A “local leader” here means someone who can take the initiative and lead the planning and implementation of activities to revitalize communities and solve local issues.

2. Respondents who replied that their community had a local leader were further asked about the leader’s occupation.

The qualities of these local leaders are considered next. In Fig. 1-4-22, it can be seen that individuals viewed as local leaders are rated highly on personality factors, such as being “popular and charismatic” (26.4%) and having “extensive contacts” (16.3%). Local micro businesses’ interactions with business

customers and local consumers are built (to a greater or lesser degree, depending on industry) on trust and face-to-face contact. The above findings suggest that this is what makes them highly regarded for their popularity, charisma, and extensive contacts, and so often causes them to be viewed as local leaders.

Fig. 1-4-22 Qualities of local leaders



Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

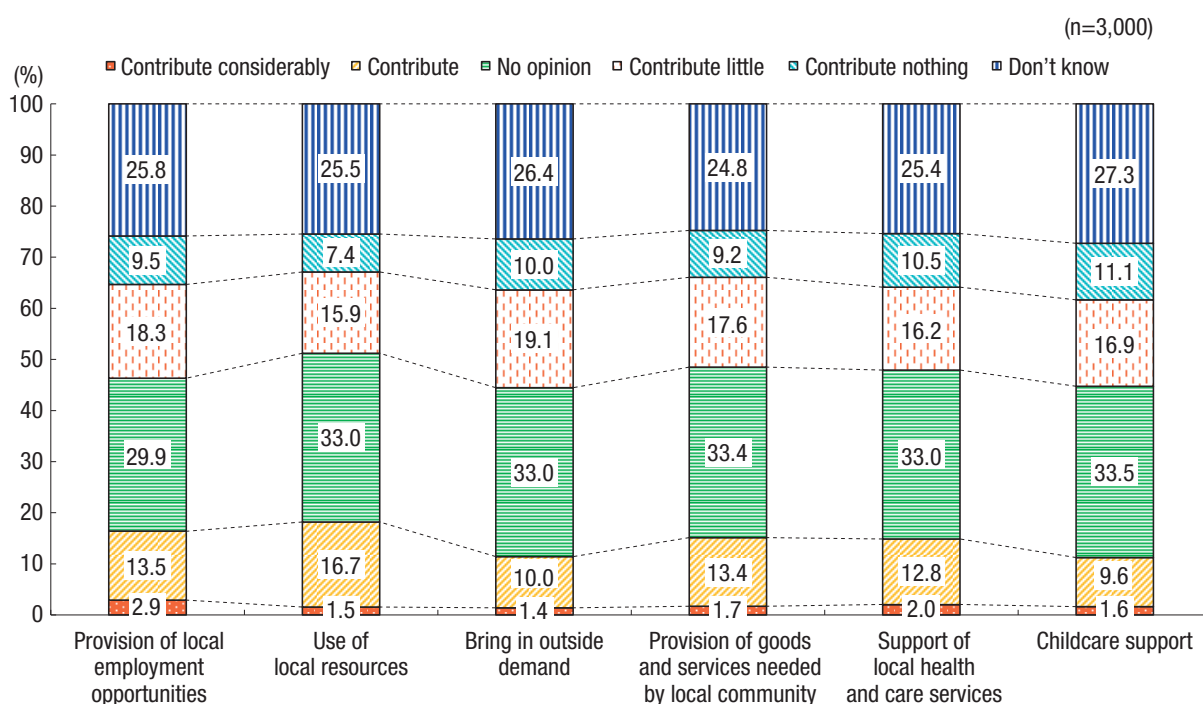
- Notes:
1. A “local leader” here means someone who can take the initiative and lead the planning and implementation of activities to revitalize communities and solve local issues.
 2. Respondents who replied that their community had a local leader were further asked to choose the quality that best described the leader.

Having considered local residents' expectations of local micro business proprietors as local leaders, we next examine micro businesses' contributions to the community beyond their regular business activities.

Beginning with the extent of micro businesses' contributions to local economies, as shown in Fig. 1-4-23 it can be seen that local residents who feel that micro businesses contribute are outnumbered in every

category by those who feel they do not. Various factors may be behind this result. For example, local residents may feel this way because they have more opportunities to buy goods and services from major franchise chain stores and major supermarkets, and micro businesses may simply be seen as making a smaller contribution due to their small scale.

Fig. 1-4-23 Micro businesses' contribution to local economies

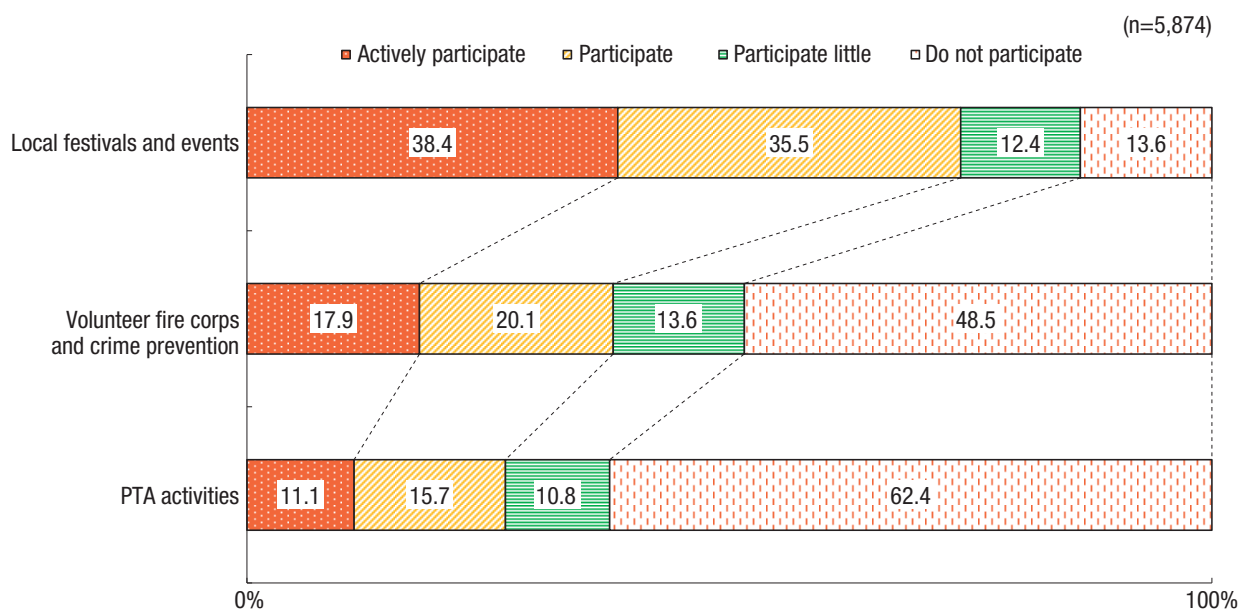


Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

Fig. 1-4-24 shows the state of micro businesses' involvement in local community activities. Approximately 70% of micro businesses participate in "local festivals and events," and in smaller though

still significant proportions "actively participate" or "participate" in "volunteer fire corps and crime prevention" (38.0%) and "PTA activities" (26.8%).

Fig. 1-4-24 State of participation in local community activities by micro businesses

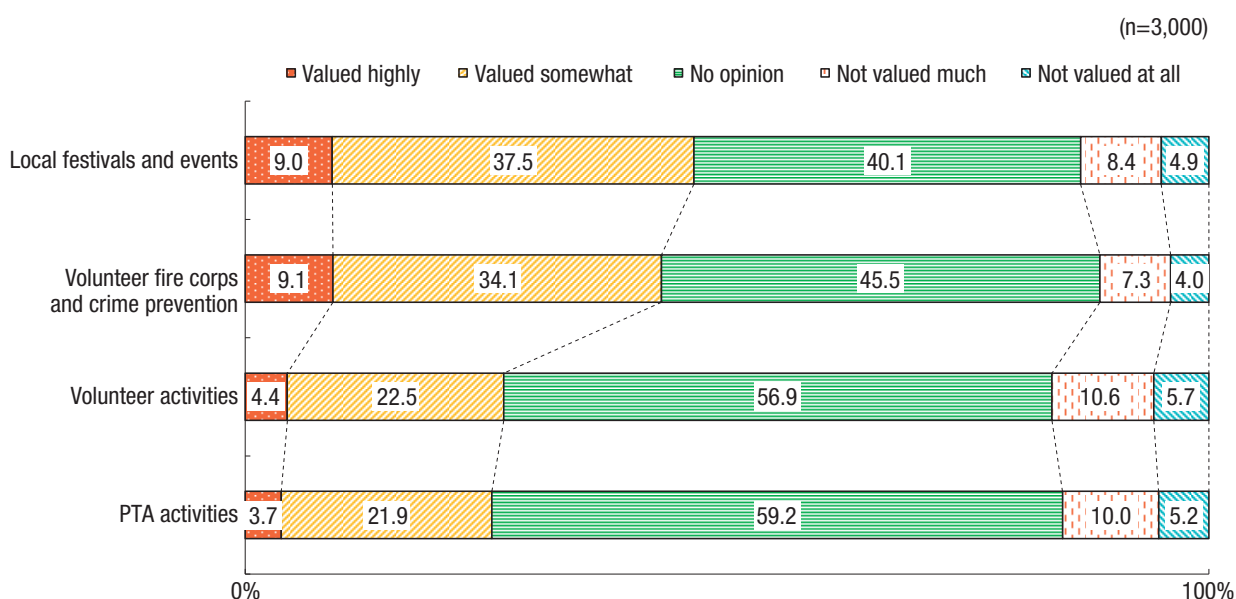


Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Local residents' opinions of micro businesses' involvement in local community activities, on the other hand, are examined in Fig. 1-4-25. From this it can be seen that local residents do have a certain regard for micro businesses' local community activities, and that they rate their involvement in local activities such as

“local festivals and events” and “volunteer fire corps and PTA activities” particularly highly. A probable reason for this is that – just as in their everyday business dealings – micro businesses participate in local community activities in a community-based, face-to-face manner.

Fig. 1-4-25 Residents' assessment of participation in local community activities by micro businesses



Source: Land Brains Co., Ltd., *Questionnaire on Relations between You and Your Local Community* (January 2015), commissioned by SME Agency.

The focus of this chapter has been on local residents' perceptions of the micro businesses with which their communities are inextricably linked. An examination of the state of local consumption reveals that population decline is advancing in regional Japan, and especially in hilly rural areas, and as a result local demand, too, is declining. Looking at local residents' perceptions of consumption from micro businesses in this environment, it was found that a relatively large proportion take a harsh view of micro businesses' business activities.

On the other hand, it was also shown that micro businesses play a variety of roles in their communities that extend beyond their regular business activities,

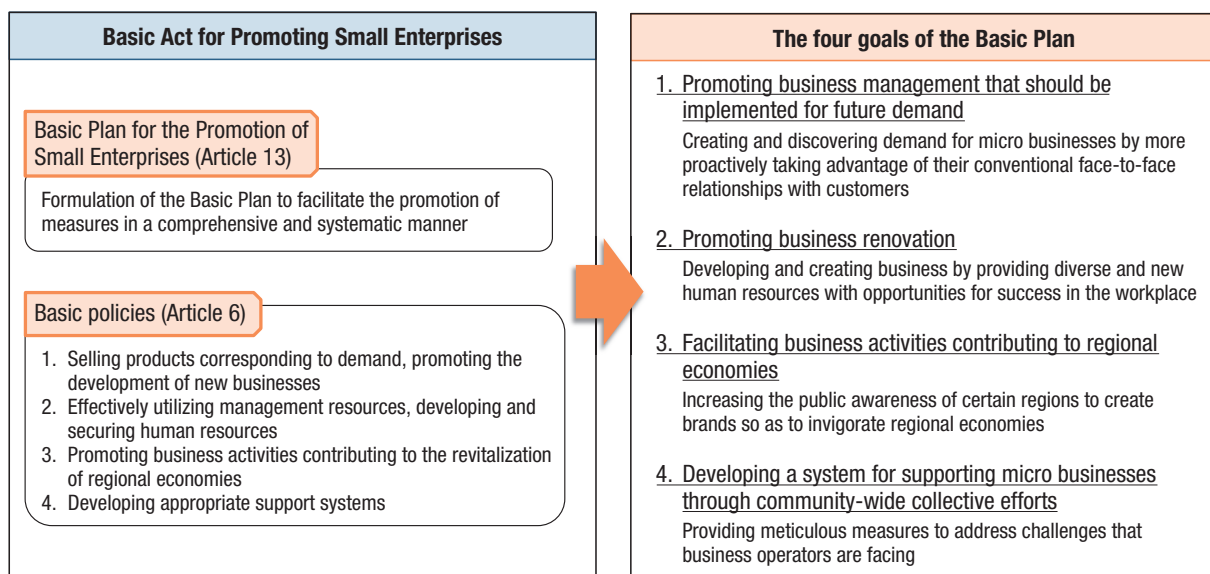
including by contributing to communities through their participation in local festivals and events and by acting as local leaders of local revitalization activities. Reflecting the fact that their business activities are rooted in face-to-face, trusting relationships, micro businesses enjoy the deep trust of local residents and are perceived to be dependable contributors to community revitalization as well. With many regions projected to experience further population shrinkage, birthrate decline, and aging, micro businesses will have a more essential to play than ever before. It is to be hoped that they will meet the challenge, and further broaden the range of their activities and contributions.

Part II

Challenges of running micro businesses – Opening up 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 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, Part II introduces 42 examples of various efforts, including human stories regarding the actual situations of micro businesses and supporting organizations that are vigorously working with local communities while being buffeted by the changing of the times.



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

From the point of view of promoting micro business management that should be implemented for future demand, in this chapter, we introduce 11 case studies of micro businesses in the following three categories: “Cases of uncovering and creating new demand through recognition of own strengths”, “Cases of management plans achieving specific results,” and “Cases of uncovering local demand rooted in trusting mutual relationships.”

Section 1 Cases of uncovering and creating new demand through recognition of own strengths

In this section, we introduce the following four examples of micro businesses that have uncovered and/or created new demand by recognizing their own technological and other strengths, together with their own special characteristics.

- Case 2-1-1 Sakata Tekkosho Co., Ltd. (Taku City, Saga Prefecture)
Representative Director: Yoshito Sakata
Executive Director: Kenichi Sakata
(Steel structure manufacturer, machine and equipment installation work)
- Case 2-1-2 Green Mouse Inc. (Kamagaya City, Chiba Prefecture)
President: Atsushi Hiwasa
Vice President: Shin Yanagidaira
(Manufacturer and seller of hairdressing scissors for barbers and beauty salons)
- Case 2-1-3 Enda Rice Shop (Yuzawa City, Akita Prefecture)
Representative: Yoshihiro Enda
(Rice cargo collection and sales/fertilizer/agriculture chemical/agricultural material sales)
- Case 2-1-4 KSK Co., Ltd. (Anjo City, Aichi Prefecture)
President: Kenjiro Kusu
Executive Director: Shinji Kusu
(Plastic and metal parts precision cutting)

Case

2-1-1: Sakata Tekkosho Co., Ltd.

(Taku City, Saga Prefecture)

(Steel structure manufacturer, machine and equipment installation work)

<Employees: 12; capital: ¥3 million>



Yoshito Sakata, Representative Director
(Front row, second from left)
Kenichi Sakata, Executive Director
(Front row, second from right)

A company “raised through work” continues onwards with unwavering technological strength and knowledge

◆ Background and turning point for the business

Starting out with casting when coal mines were still thriving, taking on new tasks to acquire new skills

Formerly, the coal industry flourished in prewar Japan, with many coal mines established in Kyushu, including the largest, Chikuho Coal Mines. It was a time when not only local industries but capital interests from Japan’s financial center entered the market, and coal flourished as the center of industry. It was in this environment that Arata Sakata, the founder of Sakata Tekkosho Co., Ltd., first learned casting skills at a training school established in the Taisho period by Fukuoka’s famous businessman and coal mine king, Denemon Ito. Today it is his son, Yoshito Sakata, who is the company’s representative director.

“In coal mining, you must draw up water from underground,” explains Sakata. “My father began manufacturing pumps, winches and wheels for trolleys for this purpose in 1950. My father passed away, and I inherited the company in 1964. With influences such as the Tokyo Olympic Games and Japan’s period of rapid economic growth, the number of major firms increased in Kyushu as well. However, coal mining itself was on the decline, and thinking there would be no future if we just stuck with casting, we decided to polish other skills like welding and construction.”

This was a natural progression given the times. Instead of their coal mining-related work which had started to dwindle, they began handling things such as pumps for farmers, but found they also had to do the construction work for installing the pumps themselves. That called for welding skills. Once they established a successful track record doing that, new business discussions came pouring in. In order to meet the demands of their customers, the company studied and cultivated new skills. Through repetition of this cycle, a company which had started out with casting acquired new skills and knowledge by seriously addressing its customers’ needs until it was not only doing iron work but also installation and other work as well. What allowed the company to take its next big leap forward was incorporating in 1983. The reason for taking this step at the time was “securing stable human resources,” but it also resulted in strengthening the company’s welding and ironworking, which could be called the firm’s foundation.

◆ Leap forward for the business

Expanding business content and improving the quality of the work by cultivating skills and knowledge

“At the time, companies without guarantees like pension and insurance were not given a second glance. In other words, by incorporating and providing employee health and pension insurance, we were able to gather outstanding human resources such as craftsmen who had won awards at welding competitions and workers who displayed their skills through dismantling large ships. Then young men who were seeking to acquire these skills began to join our company, too. The craftsmen that were already present, who before could only weld iron sheets, now learned to weld pipes and stainless materials, allowing the entire company to tangibly move to the next level..”

For example, when one says “welding,” you might think of simply joining two pieces of metal. However, depending on the materials, shapes and where one is attaching the piece, the necessary skills and their difficulty will vary. Of these, the most difficult is welding stainless pipes, which requires extensive knowledge and experience, such as knowledge of welding currents, working speed and posture. In the same way, knowledge of wiring is necessary when installing machines, and at times, one also must adjust to the circumstances of the site itself and design and manufacture new parts and install them. In this way, by making the most of the skills and knowledge “cultivated through requested jobs,” the company expanded its business content to include categories such as heavy weight steel frames and steel structure manufacturing. Moreover, the company obtained Minister of Land, Infrastructure, Transport and Tourism certification as an M-Grade factory, the evaluation criteria for companies which manufacture iron frames, proving the quality of its work and winning the trust of the clients. This technological strength caught the eyes of many, and the company received numerous highly demanding requests, but overcoming such challenges became its flesh and blood.

“At present, we handle a broad range of work, such as heavy and light weight steel frame engineering, sewer maintenance machinery manufacturing and installation, machine installation work, and steel frame truss manufacturing,” says Sakata. “But the core of the company is public works, specifically, the installation of sewer maintenance pumps. While this isn’t flashy work, we consciously put serious

effort into it, striving to deliver more than what the customer expected, aiming for 105 out of 100. The human eye is surprisingly accurate and can feel an incongruity if something that is supposed to be straight is even slightly bent. This is why the precision of the parts is so essential. Furthermore, we minimize the number of welding points and strive for it to look good when installed. The important thing is the planning. The machinery we use is all from the different makers, but we make the parts we need for smooth processes at installation site itself in-house. The reason we can make these kinds of preparations at the factory while visualizing the installation site is because we have confidence in our skills and knowledge of welding and ironworking.”

◆ Future business development

Working with designers to develop a new business, and publicizing its skills as the shop that introduces new products just to test the market

While the company has been impacted by the economy, since its establishment to the present it has never once fallen into serious financial difficulties. Nonetheless, since most public works projects are carried out in the winter, viewed over the entire year the summer tended to be a period of inactivity. Says Yoshito's eldest son, Executive Director Kenichi Sakata, “It is true that our company transforms and grows through receiving orders. However, when I was applying for financial support for business innovation, the thought suddenly occurred to me: “We can't expand our company's possibilities if we don't generate new activity during these down periods as well, or if we can't grow without new customer needs. From now on, we can't simply be 'receivers' but have to 'evolve' ourselves into being 'transmitters' by launching our own initiatives.” One of these initiatives is the business that Sakata Tekkosho started jointly with architectural designer Satoru Inoue of Satoru Inoue Architects, whom Sakata met through their activities in the youth league of the local society of commerce and industry. It is an initiative where the company manufactures and installs steel products designed together with Mr. Inoue.

“Although we have worked in a wide variety of fields, oddly enough, we rarely received orders related to housing,” says Kenichi. “The reason is simple – there are few builders and owners that are particular about welding and that spend money on residences. However, with our firm's skills we can meet any demand of the designers and have confidence in the finished product. Through our initiative with Mr. Inoue, we hope to 'demonstrate welding.' We've already established a separate corporate entity, Steel Laboratory, Inc., and begun operations. We hope this company will carry out the role of a company which introduces new products to test the market which in turn advertises the skills of Sakata Tekkosho Co., Ltd.”

At one individual's residence that the new business dealt with, they used bolts for the stair construction where they could have just used welding because they were particular about the design. A high level of precision was required,

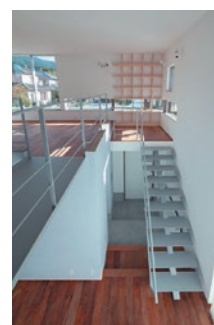
and even a one millimeter mistake would have been unforgivable. The new business has only just begun and so far has received only three orders, but they are already planning to handle orders for custom-made furniture such as steel shelves and desks in the future.

Ultimately, Kenichi dreams of going global. “As a matter of fact,” he says, “we've set up a martial arts gym called 'Iron Gym' on the second floor of the factory. We hire young people from Thailand and the Philippines where martial arts are popular, teach them welding and manufacturing skills, and after work they use the gym to teach Muay Thai and kickboxing at the local middle and high schoolers. For our foreign workers we're providing a place for communication, and for the middle and high schoolers we hope that we can go a way toward erasing the image our trade has of being a '3D' (dirty, dangerous, and demanding) job.”

The reason Sakata Tekkosho uses foreign labor is to enable them to master welding and ironworking skills and start up businesses in their home countries. If this happens, the Sakatas say they will provide them with machinery the company is no longer using, and would like to establish cooperative business relationships.

“The goal of this vision is not only to establish a foothold for our company to go international, but also to pass on skills and to contribute to our community,” says Kenichi. “We want to prove that 'those country folk from Taku' can be recognized globally, and give courage to local people.”

Sakata Tekkosho is achieving its transformation from “receiver” to “transmitter.” It is precisely because they have such resolute confidence in the skills and knowledge they have cultivated that they are able to go on the offensive today.



Steel stairs produced together with an architectural designer



Welding at the factory

Case

2-1-2: Green Mouse Inc.

(Kamagaya City, Chiba Prefecture)

(Manufacturer and seller of hairdressing scissors for barbers and beauty salons)

<Employees: 4; capital: ¥3 million>

Manifesting the “craftsman’s heart” that permeates the product. Generating new value by creating a system where professionals can communicate

◆ Background of the business

Confident in our products, but why won’t they sell? Three years of continuous trial and error

While there are many strategies for fighting against competing companies, there is one method in particular called “high value-added.” Even if your product is similar to that of other companies, if you can offer a clear difference to the consumer in an easily understood way, your competitiveness should soar. However, the more confidence a business has in its products or services, the more likely it is to be captivated by that pre-existing image, and the more difficult it will be to give birth to new ideas. For this reason, it is sometimes said that it is harder to add new value to an existing product than it is to develop a completely new product.

Green Mouse Inc., a barber and beauty salon scissors manufacturer from Kamagaya City, Chiba Prefecture, struggled with this conundrum for years after its establishment. President Atsushi Hiwasa, Vice President Shin Yanagidaira, and Sales Manager Noriaki Marui were all colleagues at a major barber/hair dressing and beauty salon scissors manufacturer, were all the same age, and had built their relationship through shared experiences of joy and sorrow since their first year together. It was 12 years ago in 2002 that these three, approaching their 30th birthdays, took that as an opportunity to set a higher ideal and establish their own independent company.

Before expounding on the company, however, let us touch first on the “B to B” business model prevailing in Japan’s hairdressing/beauty industry. In this industry, be it appliances such as barber chairs or supplies such as shampoo and scissors, there is an established system where a sales agent sells the product to stores, and without the agent’s cooperation a professional scissor manufacturer cannot sell even one pair of scissors.

In this kind of business environment, companies which aim to manufacture high quality scissors, as well as provide repairs and maintenance at a high level come to a standstill, extremely quickly. Non-brand scissors without a history are not even considered by sales agents or wholesalers, and the development of sales channels has lagged. In other words, regardless of how high the quality of the scissors is, they just will not sell.

“Thinking back on it now, we acted recklessly,” recalls President Hiwasa today. “We started the company with the momentum of our youth and the naïve outlook that it would work

out so long as we could bring together craftsmen who burned with the passion of ‘wanting to make better scissors’ and a salesman with a track record, but the framework of the industry was already established much more solidly than we had anticipated.”

President Hiwasa fully realized his own naivety, but the three were not about to give up. All of them, novice salesman president and vice president included, began their daily routine of walk-in sales to barber shops and beauty salons, primarily in their own local area. However, the results remained unsatisfactory for three years, with 90% of their walk-ins resulting in them being turned away at the door.

◆ Turning point for the business

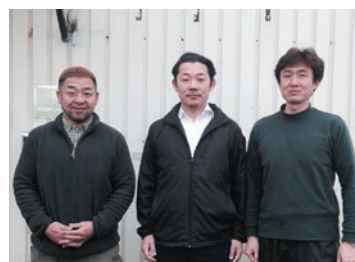
The opportunity to make a turn for the better came unexpectedly. The “handwritten comments” that changed everything

“Why can’t we sell anything?” “Why won’t they ask for repairs from us?”

While they had gotten in a small amount of sales and repair requests, during the period that the business refused to get on track the three debated this question after work at the factory every day. Vice President Yanagidaira recalls his own state of mind at the time in the following way.

“Even when I was alone, I would keep asking myself, ‘Why can’t we sell anything?’ And once I started thinking, I couldn’t sleep. Even if I did manage to fall asleep, I would suddenly jump awake in the middle of the night, and be distressed. That was the state I was in. But, it’s said that if people are pushed to the limits they will think of something. That was true in our case.”

The “idea” Mr. Yanagidaira hit upon was so simple it was completely unanticipated, and it was a service that no manufacturer was putting into practice at the time. It was to simply attach a small comment when returning the scissors



Atsushi Hiwasa, President (center)
Shin Yanagidaira, Vice President (right)
Noriaki Marui, Sales Manager (left)



Repaired scissors are delivered with handwritten comments

requested for repair. They would deliver the pair of scissors that had been repaired together with a note like a medical record, noting things such as the state of the scissors and the problems prior to repair, any quirks the scissors might have, as well as the details of the repairs, things to consider when using the scissors, and daily maintenance methods. While the idea is truly simple, the three were only able to come up with it because they had wholeheartedly established their business with the thought that ‘we want to deliver products that our customers will be satisfied with from the bottom of their hearts.’ Eventually, the barbers and hairdressers who were moved by the professional scissor manufacturer’s accurate comments advertised by word of mouth, the company’s fans increased, and starting from repairs and maintenance, product sales gradually increased, too.

◆ Leap forward for the business

Thoroughly pursuing the strengths of direct sales, and heightening products/services value through the Regional Scissor Total Support System

Once the first bright signs appeared, the nimble company moved quickly. Sensing a weakness in their sales structure despite their skills, they attended a management innovation seminar at a local commercial and industrial association. With the support of a specialist, they devised a business innovation support plan for advancing the reconstruction of their sales support structure in 2008, and received official approval. Of course, the core of the plan was the “provision of medical record-like notes” that had received such a positive response. The company’s Regional Scissor Total Support System created by fleshing out this practice functions as a strength which differentiates the company from rivals, to this day.

Specifically, they offer potential customers a free three-day trial before purchasing the company’s original scissors, and after the decision to purchase they customize the scissor to the customer’s liking and habits as ascertained through a “hearing” with the customer. This way they can give the user his or her own unique product in no way inferior to a custom made product. They incorporate the customer’s perspective even more in their maintenance service, polishing and adjusting scissor within three days of receiving them and lending a temporary pair of replacement scissors for free. Furthermore, they deliver the repaired scissors together with the medical record-like notes touched on earlier.

The direct sales path that they were forced to take because they could not conduct sales through a sales agent, the standard pattern in this industry, had in fact turned into a strength. With the construction of this system, they were able to achieve shorter delivery times and lower costs thanks to the absence of a middleman. By tapping user’s voices directly, they succeeded in securing more customers. Moreover, with the subsidy obtained through the approval of their business innovation plan they were able to realize their desire to hold an exhibition overseas, and the company’s scissors embodying the “Made in Japan” ideal eventually grew in reputation in countries

such as China and Taiwan. Today, overseas sales account for almost 60% of the company’s sales. Fame continued to lead to more fame and growth, to the point that they have single-handedly received contracts for the manufacturing and maintenance of all the scissors used by some of the representative beauty salon chains of London and Japan.

◆ Future business development and tasks

Adapting to a tightening business environment comes next. One answer? A scissor for trimming pets!

That said, Japan’s barber shops continue to decrease in number, even as more and more beauty salons have recently begun to lower their prices. For beauty industry suppliers it is not a reassuring situation. Reading the future of the industry, the company last year began developing a new kind of scissor: for pet trimming.

“The finish for scissors that cut human hair and for scissors that cut pet fur is completely different,” says Green Mouse Vice President Yanagidaira. “Listening to the opinions of a trimmer, we trial manufactured scissors and finally arrived at a level which was satisfactory for sale, but we’re continuing to refine the product with the trimmer who gives us advice.”

As you might expect, whenever this company approaches a new business they listen sincerely and earnestly to the opinions of the users, then actualize them by pouring into it all the skills they possess. And one more thing. They never neglect to communicate directly with their users. While there is a traditional way of thinking in Japan that says talented craftsmen should communicate fluently through their skills alone, the three founders of Green Mouse transform everything with the “power of words,” adding higher value to their products. Even if the type of business differs, they should be an example for many companies.



Manufacturing scissors by hand, relying on both experience and intuition



Company booth at an exhibition in Guangzhou, China

Case

2-1-3: Enda Rice Shop

(Yuzawa City, Akita Prefecture)

(Rice collection and sales/fertilizer/agriculture chemical/agricultural material sales)

<Employees: 4>



Yoshihiro Enda,
Representative

A passion for popularizing delicious rice, and for thoroughly managing cultivation methods supported by numbers

◆ Background of the business

Playing a role in the popularization of “Akitakomachi” rice, and working with specialists to teach cultivation

Land with plentiful water and a wide temperature differential between night and day is said to be ideal for the cultivation of delicious rice. Now part of Yuzawa City following an administrative merger, the former Ogachi Town in Akita Prefecture is a prominent rice-producing region that is both the birthplace of the famous 9th century Heian Period poetess Ono no Komachi and a place where many farmers now produce a popular rice brand called “Akitakomachi.”

Enda Rice Shop, which opened in 1926 in the first year of Japan’s Showa Period, has a long and honorable history, including having been the designated food distribution center for the former Ono Village before the World War Two. The present proprietor, Mr. Yoshihiro Enda, is the third generation owner, and ever since the development of “Akitakomachi” rice in 1984 he has gone far beyond the normal bounds of retailing to cooperate with local farmers in growing delicious rice together.

“In order to spread the ‘Akitakomachi’ brand I figured it would be faster if I took the initiative myself,” recalls Mr. Enda. “First we stabilized the quality of the rice because it was important to ensure that customers could always be sure of eating delicious ‘Akitakomachi.’” I was already qualified as a fertilization technique instructor and pesticide management instructor so, together with the workers of the then Akita Agricultural Experiment Station, I guided the farmers on planting and advised them on the use of pesticides and fertilizer.”

However, Mr. Enda’s “initiatives” did not stop at just explanatory sessions on cultivation methods. In September, immediately preceding the harvest, he would hold workshops on the harvesting season. Moreover, because the growth of rice depends heavily on the climate, in July he would go



A “paddy-side lecture” starting at 5 a.m.

visit the rice paddies himself to check on the growth before determining how much fertilizer should be used and the best timing for adding more.

In this way, he put great care into improving the cultivation of “Akitakomachi,” but one day, he began to have doubts.

◆ Turning point for the business

I want to sell rice where you can ‘see the producer’s face.’ Selling original brand rice polished at his own store

“Back in my father’s generation we polished rice at our own store, but after our rice polishing machine wore out and following discussions with the other rice shops in and around old Ogachi Town, we turned that work over to the local rice polishing center. Consequently, even our shop was a retail store that just sold polished rice procured from a wholesaler. That way, though, I couldn’t know where or who had produced the “Akitakomachi” we were getting from the polishing center. It was even possible that other rice was being mixed in with the rice that I had personally helped oversee the production of. In that sense, it was rice where you couldn’t see the producer’s face.”

It was just when Mr. Enda was feeling so frustrated that the Japan Rice Retailers Association held an explanatory session on leasing rice polishing machines. Mr. Enda participated, and learned that it would not cause any problems with the rice polishing center if he chose to polish his own rice. He decided to install his own rice polishing machine. Thus it was that in November of 1996, he installed a rice polishing machine that had functions just as good as those at major rice polishing centers. The leasing fees and installation expenses cost him some 15 million yen.

“There is one more reason why we set out to polish rice at our store,” Mr. Enda explains today. “The old Ogachi Town is the birthplace of Ono no Komachi, and I wanted to bring an original brand to market that had the appeal of being



“Akitakomachi” rice, known for its stickiness and large grains



A rice polishing plant as functional as those at large firms

‘Akitakomachi’ produced in that town.”

In 1999, his first product reflecting that sentiment – “Ono no Komachi no Sato, Tokusenmai, Akitakomachi” (Ono no Komachi Homeland Special-grade Akitakomachi) was ready, followed in 2009 by the even higher grade “Ono no Komachi no Sato, Tokubetsu Saibaimai, Akitakomachi.” The packaging for the “special-grade Akitakomachi” bore a poem filled with affection for their region, and a photograph of Mr. Enda’s sister who had been selected as Miss Komachi at the “Komachi Festival” held there every June, conveying the confidence and pride that old Ogachi Town has for rice farming.

◆ Business development

Managing cultivation data and quality inspection results, and conducting agricultural product inspections himself

What was the source of such confidence? At first, Mr. Enda had just short of 70 contracted farmers, but such numbers were meaningless if the quality of the rice they produced was uneven. The new brand required more cooperation among the farmers than ever before.

“While I respect the experience and intuition that the farmers have built up over many years, you also need numerical data to cultivate delicious rice,” Mr. Enda explains. “Accordingly, we analysed the cultivation data from each year and shared this information with the farmers. For example, the harvest season. During “sprouting season,” when all the ears of grain appear, you add up the average temperature of every day, calculating the timing for producing the best tasting rice based on the accumulative temperature. The best accumulative temperature for reaping “Akitakomachi” is 1,000 degrees, so once the total goes over 950 degrees, we begin the harvest.”

Because the later the harvest, the greater the yield, the farmers had previously waited until the rice plants sagged under the weight of the ears. However, once you exceed the optimal accumulative temperature, the rice’s gloss and luster degrades and product quality declines. The farmers say that ever since they began calculating accumulative temperature, the harvesting season has begun a little earlier. Furthermore, they now also conduct quality inspections on the rice they harvest. It is said that the higher the water content the tastier the rice, and the appropriate water content level for the rice Mr. Enda manages is between 14.5% and 15%. Because the quality of rice is now displayed using these figures every year, the farmers themselves have begun to care about the numerical values of the rice they harvest.

In addition, Mr. Enda’s company now has each farmer

submit a cultivation management record, and manages this information on a computer. As a result, they can now verify seeds, seedlings, soil inspection results, and more in an instant. At the same, this puts them in compliance with the Ministry of Agriculture, Forestry and Fisheries’ “Rice Traceability System” which can provide information on distribution channels and the production area when issues with rice arise.

But this is not all. The inspection details are classified into moisture content, extraneous materials/damaged grains/foreign grain and immature grain contamination rate, form quality, ratio of perfect grains, germination rate, volume rate, and more. It is the agricultural products inspector’s duty to inspect these things. Before, Mr. Enda entrusted this to the representative of the Local Food Agency Office, but in 2004 he obtained qualifications as an agricultural product inspector himself. Because he does the inspections himself, he can give farmers detailed feedback on the data.

Thus it was that a variety of initiatives bore fruit, and the “Akitakomachi” produced in southern Akita Prefecture received the highest rank of “Special-A,” which is established separately from the class of the rice, three years in a row in the “Rice Taste Ranking” flavor evaluation test, conducted by the Japan Grain Inspection Association.

◆ Future business and tasks

While fearing the sudden increase in farmers who are leaving the business, the single phrase “it tastes good” uttered by the customers is my joy

Wanting to get out the word about the original brand he had cultivated to as many people as possible, Mr. Enda started engaging in business activities one step at a time, from handing out rice samples to exhibiting at food and produce fairs. His efforts were rewarded and by 2003 and 2004 many people knew his name and orders were coming in from all over Japan by phone and fax. To further expand sales, beginning in 2010 he made it possible to order directly from the company’s website.

“Sometimes we receive messages written on the faxes we received saying, ‘We’d like to order again this year,’ or on the payment sheet from the post office saying, ‘It tastes really good,’” says Mr. Enda. “When I see these messages I feel really happy.”

Mr. Enda turns 60 in September this year, but his wife, Akemi also supports him on busy days by taking charge of the accounting. With guidance from the Yuzawa Small Town Society of Commerce and Industry since 2010, she has been managing the data using “Netto de Kicho,” an internet-based bookkeeping service. Surrounded by his family, with an aunt and his son’s family as employees, he pours more and more of his passion into making rice.

“At present, the price of rice is dropping, and the lack of successors for farms due to the aging population is becoming a serious problem. We used to have just under 70 farms under contract, but now we only have about 50. Just last year another farmer stopped growing rice. I’m worried about the increasing number of farmers that are shutting down their operations.”

In that, Mr. Enda is sounding an alarm bell for the future state of agriculture in all of Japan. Yet at least for the moment, he is utterly absorbed in delivering delicious rice to consumers.

Case

2-1-4: KSK Co., Ltd.

(Anjo City, Aichi Prefecture)

(Plastic and metals parts precision cutting)

<Employees: 12; capital: ¥10 million>



Kenjiro Kusu,
President

Shinji Kusu,
Executive Director

Escape from subcontracting. A subcontractor's corporate DNA for ceaselessly innovating to create one-off items bears fruit in its own unique product

◆ Background of the business

A craftsman who saw the future of small factories in numerically-controlled lathes singlehandedly contributes to the growth of Japan

Aichi Prefecture, home to Toyota Motor Corp., the largest auto manufacturer in the world. In the area immediately surrounding this manufacturer with its overwhelming power lies an ample company town, while within Aichi Prefecture itself are crowded some 6,000 other companies, even counting just primary and secondary subcontractors. As these numbers show, the prefecture's manufacturers are highly dependant upon the automotive industry and during the period of rapid economic growth, many subcontractors sang the praises of prosperity. However, the times changed. The automotive industry's cost reductions through "selection and concentration" have been extreme, and subcontractors are in a fight for survival, with their very existence on the line.

KSK Co., Ltd., founded in 1971, is one of those subcontracting companies, supporting the automotive industry with its precision metal cutting technology. While he was still working at an electronics manufacturer as a salaried employee, KSK President Kenjiro Kusu went to college and studied the principles of numerically controlled (NC) lathes, which were not yet being utilized in Japan at the time. He fell in love with the new devices, thinking, "this is a dream machine which can put large corporations and small factories on the same level." Feeling an irresistible impulse, he changed jobs at the age of 27, and after studying lathe technology night and day for three years at a small factory, he established his own company at the age of 30.

"There was no way I could buy a high quality NC lathe, though, because a single one cost about ¥18 million," remembers President Kusu today. "In the end, it took us 10 years to actually get one. However, even then there were still few engineers who knew how to use NC lathes efficiently, and many complicated machining orders came to us which had been rejected elsewhere. This was probably because I was part of the last generation who knew how to use both the old fashioned general-purpose lathes, which required intuition and skill, and the NC lathe, which requires a knowledge of mathematics."

Mr. Kusu's reputation for accurately crafting the complicated trial parts used in new automobile development

rather than in mass production gradually spread. Unable to find engineers elsewhere who could manufacture high precision metal parts, more than a few famous auto manufacturers and leading trading companies found their way to KSK.

◆ Transition of the business

Is there still a future for subcontractors in the automotive industry? Recognizing the changing times, and taking on the challenge of precision plastics cutting

"In the past, when trial manufacturing automobile parts, you had to make quite a few pieces because you couldn't use computer simulations like they do now. Nowadays, however, we're trial manufacturing parts that have already been highly refined using computer simulations, so the order might only be for two pieces. On top of this, this is an age where speed matters, so oftentimes the mass production companies themselves are asked to do the trial manufacturing in-house so they can put the part into mass production immediately. In short, it's become a lot harder for a 'trial manufacturing shop' like us to survive. This all started happening about 20 years ago, so it was a period where we, too, were required to transform ourselves."

This is when President Kusu changed course, switching over to making parts through the precision cutting of plastic materials. Competition in metal parts manufacturing was intense, and there were more and more firms in the field with high-level technical skills. But plastics were a different story. While there are many plastics manufacturers out there, most of them just mass produce molded products. To this day, there are few companies who have the technology necessary to execute the complicated processing of large plastic materials using lathes and machining centers that KSK does.

It wasn't long before President Kusu received an order to make a nozzle for spraying paint from a manufacturer in eastern Japan that produced industrial robots for automobile painting, and had heard rumors about his company.

"Although it just looked like a tubular object with a diameter of 100 millimeters, it actually had to be cut from a chunk of plastic that was one size larger," says President Kusu of the part they were asked to make. "We also had to open lots of holes in its interior. Their demands were even more challenging because those holes had to pass through the object in a perfectly straight line, and their surfaces had to be finished to be very smooth, in order for the machine

to spray paint efficiently. Plastic is a soft material, and a drill blade can get out of control. There's no comparison between how hard it is to precisely drill a 'perfect circle' in plastic compared to metal."

In the end, they couldn't meet the client's demands with their existing drills, so they designed and built a whole new drill for the express purpose of boring a perfect circle and were finally able to complete the order. With this, KSK's share of nozzle manufacturing for this manufacturer expanded immediately. And at the same time, they became a top player in the precision cutting of plastics.

◆ Leap forward for the business

From the familiar automotive industry to the unknown world of "firefighting." The first step to becoming an independent manufacturer came from a deceptively simple idea

"By grabbing hold of a new technological field, the range of our work expanded, but we were not yet at a place where we could feel at ease. First of all, in this day and age it's extremely dangerous to put yourself in the position of being a 'subcontractor.' This is because you can't predict the future of your own company. Everything depends on conditions at the companies who order from you."

That was KSK's Executive Director, Shinji Kusu, speaking. He returned from training 10 years ago and now leads the company as President Kusu's right-hand man. Today their goal is to slough off subcontracting. For this, the company's distinctive product development based on the craftsman spirit that they have always strived to embody is indispensable. Around the time that they were drawing up their company blueprint for the future, opportunity knocked. Having heard rumors of KSK's plastics processing skills, a firefighting apparatus company approached them with an idea for developing a device that could be used for initial fire extinguishing before firefighters arrived, just by attaching it to a household tap.

"Although we completed the task, in the end they didn't get government permission to market it, and the product never saw the light of day," says Executive Director Kusu. "But, it led to a relationship with the firefighting industry which we did not have any point of contact with before, and that created the opportunity for us to start developing our own company products based on completely original ideas."

Saying this, Executive Director Kusu pulled out an apparatus which evoked associations with an extremely

large scale shower faucet. This variable nozzle firefighting apparatus, – which KSK has named the "*karakuri* (mechanical) nozzle," – is the company's own original product created in response to needs they became aware of through sharing information with a person associated with the firefighting industry. Since the water shot out of a normal nozzle to extinguish a fire travels in a straight line, it is difficult to put out the flames over a wide area all at once. For this reason, firefighters on the ground have long wanted a nozzle that can easily switch between shooting water in straight lines and discharging it over a broad area. Learning of this need, KSK developed a nozzle with eight straight, 6.8 millimeter holes as shown in the photograph. When water is discharged in a straight line, the eight streams merge together in a single stream, but if you turn the outer casing, a cogwheel within the nozzle tilts all but the middle hole outward, so the water will cover a broader area of the fire. The holes are sufficiently large that even when set at a wide angle each stream of water flies straight and can shoot as far as a regular straight water column does to put out fires from a distance.

◆ Future business development and tasks

The reason we can move forward without fear of change is because we have our own unchanging DNA that should be passed on

"We had the '*karakuri* nozzle' tested at places like our local Anjo City fire station, and received very positive evaluations from people actually involved in firefighting," says Executive Director Kusu. "Next we intend to put it through official performance testing to prove it can hold up in even the toughest fire situations, and start promoting its capabilities at disaster prevention exhibitions."

KSK Co., Ltd. is a company which took on the challenge of the processing of new materials, and today seeks to evolve from a subcontractor into an independent manufacturer. It is a company which put its existence on the line and has continued to transform itself with the goal of passing on its own unchanging DNA, which President Kusu fostered and which Executive Director Shinji Kusu will carry on. That DNA is their will to take on challenges before which anyone else would falter, and their will to create new things which no one has ever thought of before. So long as this DNA lives on, new things will continue to burst forth from this small factory in Anjo City.



"Karakuri Nozzle" variable firefighting nozzle



The factory floor

Section 2 Cases of management plans achieving specific results

In this section, we introduce the following three examples of micro businesses that formulated business plans for the first time when applying for grants or other support, and as a result achieved concrete results.

Case 2-1-5 Gourmet-kongers Co., Ltd. (Utsunomiya City, Tochigi Prefecture)
President: Masayo Yamagata
Vice President: Hirobumi Mugishima
(Production and sales of processed foods)

Case 2-1-6 Kuroshio-do (Shingu City, Wakayama Prefecture)
Shop Manager: Hiroshi Wada
(Production and sales of confectionaries)

Case 2-1-7 Ryokan Sekiya, Inc. (Beppu City, Oita Prefecture)
Executive Director: Akihiko Hayashi
(Hotel industry)

Case

2-1-5: Gourmet-kongers Co., Ltd. (Utsunomiya City, Tochigi Prefecture)

(Production and sales of processed foods)

<Employees: 0; capital: ¥4 million>

Shooting to join the “Big Three” of Kanto’s green onions, *Nissato negi* take a “Sixth Industry” path to nationwide markets



Masayo Yamagata, President (right)
Hirobumi Mugishima,
Vice President (left)

◆ Background of the business

Taking responsibility for passing on agricultural products and foods which reflect the characteristics of the local community to the next generation

A new enterprise model proposed in Japan some 15 years ago called “Sixth Industry,” (an industry integrating primary, secondary, and tertiary industries) has drawn attention in recent years among people concerned for the future of Japan’s traditional primary industries. “Sixth Industry” is a model wherein workers in a primary sector industry, such as agriculture and fisheries, concurrently also conduct both product development and processing, usually considered secondary industries, and distribution and sales, traditionally considered tertiary industries. The name “Sixth Industry” comes from adding up the numbers “1” (for primary industries), “2” (for secondary industries), and “3” (for tertiary industries). Ergo, 1+2+3 equals 6.

In the winter of 2012, a “Sixth Industry” sector collaboration was launched by just three people in Utsunomiya City, Tochigi Prefecture, in the heart of the Kanto region. Kanto is known as the “onion heartland” of Japan, and this bold experiment has succeeded in taking a practically unknown variety of green onion and turning it into a national brand.

The man who created the opportunity for this all to happen was Mr. Hirobumi Mugishima, the vice president of Gourmet-kongers Co., Ltd. and the owner of Mugishima Noen farms. Ever since Japan’s pre-modern Edo Period, the Mugishima family has grown “*nissato negi*” green onions in the Nissato region located on the way from Utsunomiya to Nikko. Mr. Mugishima helped work the fields himself as a kid and had always thought he would take over the farm until – with a single phrase uttered by his father, “Go to university” – he went off to college instead. Upon graduating he



Harvested *nissato negi*

joined a local specialty manufacturer of food production machine as an engineer and supplied production machines that he himself had designed for various food products around the world, such as Russian pirozhkis, German knaidels, Mexican tacos, and of course, Japanese foods as well. It was during these days that Mr. Mugishima became strongly aware of the great importance of what he calls the “unique foods of local communities.”

“When you travel around Japan and the world and interact with foods with local history, it intensifies the feeling that you must protect these things and pass them on to the next generation.” says Mr. Mugishima “It made me realize that the *nissato negi* of this land, which I have been intimate with since I was a child, is in the same situation.”

◆ Turning point for the business

Agricultural, machinery and recipe professionals gathered together to take on the challenge of “*nissato negi*”

Among the numerous species of green-onions, the *nissato negi* is a species where you can eat the green leafy section and which has a high level of sugar content, but besides the extreme labor required for harvesting, the cultivation period is 14 months long and, in comparison to the general green-onion which can be harvested more than twice a year, it is less efficient to grow. Due to the unique method of cultivation adapted to the nature of the land it is called the “bent green-onion.” It is not popular in the market and has even been called the “phantom green-onion.”

In days gone by, many farmers cultivated *nissato negi* in the Nissato district but their numbers are now on the decline. Upon resignation from the manufacturer where Mr. Mugishima was working out of worry about this situation, he began concentrating on farming while contemplating how to convey the charm of *nissato negi*. The conclusion he came to was the development of processed food ready for consumption. He thought that even if it was difficult to get raw green onions into the market, the hurdle would be lowered to deliver them to consumers if they were processed.

But what kind of processed foods can you produce with green onions? Mr. Mugishima did not have the slightest idea. The person who came up with the idea was a customer who would come to the farm to directly purchase the onions, Masayo Yamagata. Yamagata was a passionate green onion fan prone to saying “my favorite vegetable is green onion” who arrived at Mugishima Nojo after hearing about *nissato negi* by

word of mouth from a friend. After meeting Yamagata every winter when she was buying green onions, Mugishima found out Yamagata was a professional restaurant consultant and a product and recipe planner. He proposed the idea to develop a processed food product using *nissato negi*. While it was not a formal business request, Yamagata immediately accepted.

“The first thing I thought after hearing Mugishima’s story was, when thinking of Kanto’s green onions, *shimonita* and *fukaya* green onions are famous, but the third “most famous green onion” is not so clear. So I wanted to place *nissato negi* on the last open seat of the big three green onions of Kanto.”

The project began in earnest in February 2013 with the decision to participate in the project by Mugishima, Yamagata, the executive director from Yamagata’s company and Tsuneyoshi Suzuki, CEO of Suzuki Precion Co., Ltd., who worked on developing the local community on a regular basis.

◆ Business development

Don’t use not having enough time as an excuse! Seizing on chances for business development by emphasizing speed

Immediately after beginning operations, the chance in a lifetime arrived. Mr. Suzuki, with the best personal connections among the three members fostered through his lengthy contributions to Tochigi Prefecture’s economy, came with talk of Tochigi Prefecture’s subsidy project. This fund coined “Food valley Tochigi agriculture, commerce and industry fund” was for businesses where the producers of agricultural products cooperate with other businesses to trial produce and develop new products, which made it ideal for them as they planned to create processed products using *nissato negi*. The deadline for applying for the subsidy was the end of the fiscal year and at that point there was only a month left. On this harsh schedule, Yamagata made trial after trial and in about 10 days, she completed a trial production plan for three recipes such as a salad dressing, as well as the fund application itself.

The plan was selected for a subsidy under the fund based on its high level of completion and the trial products were completed by the end of November (the actual deadline was March the next year). In December they established Gourmet-kongers as a “Sixth Sector” company and began preparing for commercialization. Yamagata explains the reason why she was in such a hurry as follows: “The harvesting period for *nissato negi*, November to December, was drawing near

and if we missed this period we would have to wait a whole year before commercialization, in order to produce the best products possible using fresh green onions.”

Among the recipes that were completed, they first commercialized three types of dressings fully utilizing *nissato negi*. The first lot of 2,000 quickly sold out at roadside stands and Tochigi Prefecture’s stores testing sales of new products. It was so popular that they needed to begin their second production run. For their first commercialized product they were off to a superb start.

◆ Future business development and tasks

The first step to developing a large business? “I want to bring *nissato negi* to market as a first grader”

While they felt they had received a fairly good response so far, everyone sensed that it was still just one step along the road. Their thought after having run at full speed to commercialize their product was the harsh realization that it is “hard to say that we have truly debuted in the market.” Thus Yamagata and company drew up a management plan titled “Entering *Nissato negi* Processed Products into the Market as a First Grader” and utilized Subsidies for Sustainable Micro Businesses. They further strengthened their offensive by setting up a website which would broadcast their products’ charm to the entire country, and designed attractive gift packaging to increase their appeal.

“Although it is regional development, we do not plan on selling just a small amount to the local community,” says Yamagata. “Our goal from the beginning has been to grow this into a big business which will prevail in both the Japanese and the world market.”

Chimes in *nissato negi* producer Mugishima, “Only when the charm of *nissato negi* spreads widely and is branded so it is called one of the big three green onions of Kanto can we say that this is a success. The number of producers is decreasing and the population continues to age but we should be able to protect the culture of *nissato negi* if we are able to generate worth by producing these green onions and passing it on to the younger generation. When we have accomplished that much, we think it will lead to regional development.”

Gourmet-kongers is a company that was able to work toward a large goal, and is now off to a great start because it moved forward with an emphasis on speed with a small number of people. Thanks to the teamwork of three companies and four people, it may not be long before *nissato negi* is spoken of as one of the “Big Three” green onions of Kanto.



“Nissato Negi Dressing” and the original “Nissato Negi Salted Pickles”



Cultivating *nissato negi*

Case

2-1-6: Kuroshio-do

(Shingu City, Wakayama Prefecture)

(Production and sales of confectionaries)

<Employees: 0>



Hiroshi Wada,
Shop Manager

Proactively proposing new products to meet diversified needs

◆ Background of the business

Starting operations with rice crackers and Western confectionaries after being entrusted with the shop as its second generation owner

Kuroshio-do, located on the Tankaku-cho shopping street in Shingu City, Wakayama Prefecture, is a confectionary shop which first started operations in 1951. In part because of its excellent location along the way to the famous Kumano Hayatama Taisha Shrine, it has endeared itself to tourists and locals alike as a rice cracker specialty shop which carries “Kumano sweetfish rice crackers” – made in the shape of a sweetfish, a local specialty – and “Yatagarasu rice crackers” branded with the symbol of the three Kumano Grand Shrines as its staple items.

Hiroshi Wada, the second son of the founder, decided to take over the reins of the company after his father fell ill during his third year of high school. Receiving the parting words of his ailing father on his sickbed, “You will be left behind with the times with only rice crackers,” he began training at a Western confectionary shop in Osaka. During this period his mother ran the shop, but each time he came home for New Years and *Obon*, the Festival of the Dead, he was bothered by the shop’s timeworn look while the surrounding stores were all being refurbished with the makeover in the generations.

“For this reason, in 1984, the year after I was entrusted with the shop, we refurbished it, and reopened after renovation as a shop selling both rice crackers and western confectionaries,” recounts Wada. “At the time, the population of Shingu was large and it bustled with people on the holidays, making for a smooth start.”

The situation started to deteriorate as Japan entered the present Heisei Period in 1989. Following deregulation, large commercial stores began opening up in the suburbs and the flow of people changed entirely, further exacerbated by population decline in Shingu City itself. Kuroshio-do’s sales started falling year by year.

“Even then,” remembers Wada, “by selling both the rice crackers supported by older people and our regular customers and the Western confectionaries which drew in new customers, we somehow managed to keep the business going.”

◆ Turning point for the business

Endeavoring to increase the value of the products by emphasizing “Kumano confectionaries”

Nonetheless, overall sales did not increase significantly, and they soon began to feel a sense of crisis. It clearly could not stay this way. The final trigger was a drop in daily orders for children’s birthday cakes, which previously been averaging three per day. Wada re-examined the shop’s product portfolio, and began to search for a product with greater appeal.

“The first thing I wondered was, if I used local ingredients, would I be able to get more attention as a store selling ‘Kumano’s own confectionaries’? So, I started ordering eggs and milk from within the prefecture and looking for other local produce I could use as ingredients.”

The products Wada created based on this concept were pudding made with Kumano milk and eggs and madeleine and financier made using Kumano honey. The products that turned out to generate the greatest response were the ones using honey. Going around to visit apiaries within Wakayama Prefecture, he discovered the Nakamura Apiary in Wakayama Prefecture’s Nachikatsuura locally produced honey, which is neither heated nor uses additives. The products Kuroshio-do sold using this as an ingredient received customer reviews that “They’re delicious.”

“Apparently people found not just the characteristic flavor and fragrance of honey but also the abundant nutrition – vitamins, amino acids and polyphenol – attractive. Honey is an ingredient which can be used in any type of sweets, and because it has the effect of giving baked goods an attractive honey brown look, it is perfect for baked sweets



“Kumano honey madeleine and financier”

like madeleines and financiers. Moreover, because these sweets keep longer than do raw cakes, the number of unsold items also decreased, creating other merits for us from a management perspective.”

Stimulated by the superb ingredients produced locally, the products he produced using these ingredients gave Wada confidence, as well as a sense that he was engaged in a job worth doing. Furthermore, his increased motivation to engage in further product development proved another a great harvest.

◆ Leap forward for the business

Learning the importance of the consumer's point of view by participating in events

Wada reminisces that his participation in The Shingu Chamber of Commerce and Industry's annual “Shingu Gem Fair” proved highly significant. In this fair, each of the participating shops from the different shopping streets in Shingu City select their own “recommended gem” of a product, and sell them over-the-counter during the event's two-week run. In addition to a “shop tour” and the “Shingu gem presentation” held at an outside venue, there is voting for the best “gem” in different categories, such as gourmet products & foods, fashion, life & variety. The participating shops unreservedly exchange opinions and seriously consider which products to select for display during the half-year period leading up to the exhibition.

“When I participated in 2011, I thought of creating a shortcake using a locally grown strawberry called ‘*marihime*.’ However, when I started thinking about ingredient costs, I was dismayed to find out that would make it about ¥100 to ¥120 more expensive than the other shortcakes I sold at the store. But this is when people from other participating shops backed me up, saying, ‘I’m sure it’ll sell even if it’s expensive,’ and I decided to exhibit the product at the fair.”

That is how the “Kuroshio strawberry mille-feuille shortcake” was invented. In the end, it won high praise and became a staple “seasonal item” at the store from the next year forward.

“When I was thinking of new items for the menu I had often incorporated professional points of views as references, such as cutting-edge crazes and skills I learned

at training sessions held by confectionary associations,” says Wada, “but because I participated in this fair I learned that the opinions of people other than confectionary specialists are also important.”

◆ Future business development and tasks

Uncovering new needs. Refurbishing the shop from the customer's point of view

In September 2014, Wada refurbished the shop using funding from the Subsidies for Sustainable Micro Businesses system. The key point was to improve the shop's layout from the point of view of the customer.

“Previously, we had the cash register facing the wall, so when I was ringing up an order I had to turn my back to the customers,” remembers Wada. “I moved it to where I can face the customer while ringing up, and I placed the table in the center of the room so customers can select products by walking around the shop.”

The customer point of view did not end there. He also changed the floor material to make it less slippery and painted the walls and the ceiling with bright colors which made the products look better, producing a pleasant environment which makes one feel cheerful and comfortable just being in the shop. Moreover, on the shelves he installed on the walls he's put gift packages that stir an urge to purchase.

“By its very nature, there is a need for gifts at a confectionary shop, but I also think that it is important to suggest different products that customers might want to buy for different special events during the years like Valentine's Day, Japan's Dolls' Festival, White Day, Father's Day, Mother's Day and Christmas. They can serve as souvenirs both for tourists visiting here, but also as presents for people originally from here who are returning to their hometown for holidays. At the same, though, you also have to answer the needs of people who just want to buy sweets they enjoy themselves. When you've been in a business like this for a long time, it is easy to get complacent, and start thinking that as long as you make something that tastes good it will sell, but I think it is necessary for the future to continue to put effort into meeting diversified needs.”



“Kuroshio strawberry mille-feuille shortcake”



The refurbished has with a brighter ambience

Case

2-1-7: Ryokan Sekiya, Inc.

(Beppu City, Oita Prefecture)

(Hotel industry)

<Employees: 7; capital: ¥3 million>

Working to attract foreign tourists, a remodeled website anticipates the times



Akihiko Hayashi,
Executive Director

◆ Background of the business

A century-old *ryokan* changes its business to reflect a change in generations

In Beppu Onsen, one of Japan's foremost hot spring towns, there is an old *ryokan* Japanese inn with a traditional Japanese restaurant which has survived for 100 years in this place which draws more than eight million tourists every year. It is called "Ryokan Sekiya," and it welcomes its guests with the fresh bounty of the Bungo region.

Sekiya was established in 1925 by the grandmother of the present Representative Director Taichiro Hayashi, close by to the Takegawara Onsen public bath, a famous tourist spot. Hayashi's father succeeded her, re-establishing it as a company in 1965 and relocating it to its present location near Beppu Tower in 1977. It is a quietly elegant building with nine guest rooms and four banquet halls.

Taichiro Hayashi succeeded as the *ryokan*'s third-generation owner in 2005, and that same year he opened a high-class inn called "Bettei Haruki." Because Taichiro, now 39, manages "Bettei Haruki," at present it is his younger brother Akihiko Hayashi who oversees both management and services as the person in charge at Sekiya.

"During my grandmother's era, the first floor was a public restaurant and the second floor's big hall was used for banquets and for lodging," says the younger Hayashi. "From the mid 1950s to the mid 1960s, we had a TV, a rarity at the time, on the first floor, and in the evening the local people would come and eat there while watching TV. When my father was still in training he polished his skills in a traditional Japanese restaurant, so when he inherited the *ryokan*, it became more like a travelers lodge which emphasized the food more than the overnight stay. For this reason, many guests came to use our inn for banquets with the food in mind."

Upon graduating university, Taichiro Hayashi had found a job with a large general contractor, but at the age of 28 he returned home and learned the knowhow of the *ryokan* business from his father. He had been interested in the lodging industry from the beginning, and started transforming Sekiya into "a *ryokan* where you can eat delicious food" after becoming its representative at the age of 29.

◆ Turning point for the business

An encounter with the manager of a Kyoto *ryokan* stirs an interest in attracting foreign tourists

Meanwhile, Akihiko, who had graduated from his university in Tokyo, decided to stay on into graduate school

and was studying accounting.

"There are many small and medium enterprises in Beppu," says Akihiko today, "so I had been thinking of supporting the management of some small company in my hometown on the accounting side. However, my older brother began to spend all of his time on Bettei Haruki and was neglecting the management of Sekiya. Our parents were still doing most of the administration, but in an age where it had become the norm to make travel reservations on the internet, they were having trouble keeping up. My brother and I consulted, and five years ago, at age 27, I also left Tokyo to come back to Beppu, and our family's *ryokan*."

The first year after he came back Akihiko took a part time job at a local pub to study the hospitality industry. Then, after taking on responsibility for Sekiya itself, he got affiliated with the youth division of a *ryokan* association and, absorbed reception, service, management, and other techniques from other managers while participating in committee activities. And then, three years ago, he met a certain Kyoto *ryokan* manager who was targeting foreign lodgers, and posting high revenue.

"Our *ryokan*'s sales were stable, but the business being the business it is, they would rise and fall by the season. When I was pondering what I could do to stabilize sales, I heard this talk about foreign tourists, and it piqued my curiosity. I was concerned about cultural and religious differences, and honestly, I didn't feel very confident about hosting foreigners myself. But listening to the manager from Kyoto, I began to think that while countries and cultures may differ, the pleasures of travel are still the same for people from foreign countries and Japanese alike. More and more foreign tourists were visiting Beppu, and the 2020 Tokyo Olympics are just a little way off. I figured that there were going to be even more foreign guests in the future, and proposed to my brother that



Rooms with beds have been added to meet the needs of foreign guests

we start bringing in foreign guests.”

However, his elder brother Taichiro was more skeptical. “If you can’t communicate, then service deteriorates,” he argues. “But even more than that, I think we should be prizing the Japanese customers we already have.” Akihiko persisted, however, and in December 2013 they began to take foreign guests on the condition that it be within limits that “don’t interfere with our service for our Japanese customers.” At a provisional first step, they held their initial foreign reservations to one or two reservations per week.

◆ Leap forward for the business

Using a government subsidy to redo their website to accommodate foreign tourists

In the end it turned out that – just as the Kyoto *ryokan* manager had advised Akihiko – there was no reason to get all tense simply because they had foreign customers. Once it was clear it was going to work, Akihiko began full-fledged operations. The first thing required was to register with Booking.com, a lodging reservation site used worldwide, in order to attract foreign tourists. Next, redesign the website, the lifeline of the modern *ryokan* industry. Following the advice of the Beppu Chamber of Commerce and Industry, they utilized the “Subsidies for Sustainable Micro Businesses” system, and redid their website, adding English-language pages. They found a way to make sure that foreign guests would know what was in the traditional food the *ryokan* served. They even created an English-language pamphlet and placed it at tourist information centers and other locations within the city. This year they even started a website designed for smartphones.

“At first, we just needed to gather information one way or the other,” says Akihiko. “We received advice from ‘Booking.com’ on what kinds of establishments foreign travelers choose. Furthermore, we always listened to the customers own requests, and used those as a reference for deciding what services and facilities we needed. At present, all of our locations are fully equipped with Wi-Fi, but that was only because of a brief comment from one of our customers when he asked, ‘Don’t you guys have Wi-Fi here?’ We told him, ‘Please wait a minute,’ and ran to an electronic shop in the neighbourhood, bought a Wi-Fi router on the spot, and staved off an emergency. The reason we have drinking water in the fridge and a lending service for guests who want a humidifier in their room are the requests we’ve received from our customers.”

Sekiya also confirms what its guests can and cannot eat at the time they are making their reservation. While English is not one of the staff’s strong points, when guests arrive they make a point of asking where they would like to tour in the area and explain how to get there. Whether guests can ascertain Akihiko’s ‘hospitality heart’ from these trivial things or not, the fact is that at present some 20 or so foreign groups of all nationalities come to the *ryokan* every week.

◆ Future business development and tasks

Even if new blood comes in, the traditions of the old *ryokan* shall live on

“The reception and service we give our Japanese guests is just as good as it was before and there have been no troubles

or customer complaints with regards to the foreign guests,” says Akihiko. “While the structure of our business may have changed completely, we want to continue to maintain the traditions we have inherited from the time of our grandmother, even now when the inn has been passed down to us from our father. That culture is ‘Sekiya’s spirit of service for our customers,’ and above all else, ‘The Sekiya taste.’ When I was still living at home, I liked meat more than I liked fish. However, when I came back to my parent’s home from Tokyo and ate my father’s *sashimi* again, I was deeply moved by its taste, and at the same felt pride in my father’s profession as a chef. I want our guests to experience the same sense of being deeply moved that I experienced then. I hope to continue operations with this in mind.”

The brothers’ father is still the head chef, and to this day he goes to the marketplace himself to buy fish, uses local meat and vegetables, and displays his cooking talents. It is said that many of the *ryokan*’s patrons of old still come there to eat, in search of the “Ryokan Sekiya” flavor.

This *ryokan* which has continued in business from the days of old has been completely transformed, even reaching out to take in foreign tourists. At the end of this year, the owners will newly open a third *ryokan* targeting the younger generation. By bringing in young blood, they are establishing a management system in keeping with the times, while continuing to carry on the traditions of the past.



Taking pride in dishes made using local ingredients



The head chef picking out ingredients at the fish market

Section 3 Cases of uncovering local demand rooted in trusting mutual relationships

In this section, we introduce the following four examples of micro businesses that are uncovering local demand rooted in trusting mutual relationships with the clients they interact with daily and by listening to the voices of their customers.

- Case 2-1-8 Yamato Foods Co., Ltd. (Izunokuni City, Shizuoka Prefecture)
Representative Director: Junko Naganuma
(Confectionary production and wholesaling, side dish production and catering)
- Case 2-1-9 Kyoei Toso (Kurashiki City, Okayama Prefecture)
Representative: Hidetoshi Hashimoto
(Building painting)
- Case 2-1-10 Culesuco Co., Ltd. (Anan City, Tokushima Prefecture)
Representative Director: Tomoko Mori
(Manufacturing of wooden construction products)
- Case 2-1-11 Triple Like Co., Ltd. (Hayamigunhiji Town, Oita Prefecture)
Owner-chef: Shinsuke Miyoshi
(Restaurant and mail-order business)

Case

2-1-8: Yamato Foods Co., Ltd.

(Izunokuni City, Shizuoka Prefecture)

(Confectionary production and wholesaling, side dish production and catering)

<Employees: 2; capital: ¥10 million>



Junko Naganuma,
Representative Director

Making snacks I would want to give my own children. How unwavering principles can influence those around you, and create new opportunities

◆ Background of the business

Yamato Foods milk pudding. A mother's thoughts for her children in even her busiest hours, transforms a traditional snack

When businesses expand, sometimes it is the leader who takes the initiative and rapidly draws in the people around her. Other times, however, it is conversely by meeting the needs of the people around you that naturally makes your business grow. That was the case with Yamato Foods Co., Ltd., which operates a confectionary and side dish production and catering business in a residential district of Izunokuni City, Shizuoka Prefecture.

Yamato Foods was launched as a tofu maker back in 1952 by the father of current president Junko Naganuma. At first they sold their tofu door to door, but in 1975 they started dealing directly with large supermarkets. Ten years on, the business had expanded to include side dish sales, and the person selected to produce those dishes was President Naganuma herself, who at the time was a full-time housewife raising three children.

"At first we made only three types of side dishes – boiled *okara*, a tofu dish, boiled *hijiki*, a kind of seaweed, and boiled strips of dry *daikon* radish. I only needed to work two hours a day, so I took on the job immediately, thinking there couldn't be anything easier."

However, the delicious flavors of President Naganuma's handmade dishes quickly garnered a reputation, and before a year had passed she could no longer handle the work all on her own. Bringing in more employees and developing new items along the way, they expanded to include catering for ceremonial occasions as well. Before long they were being called upon to cater for all the local funerals, and were operating full bore from early morning to late at night.

During these incredibly busy days, says President Naganuma, the "only thing" she refused to waver on was her commitment to "only give handmade snacks to my own children." The most popular snack was *gyunyu kanten*, a milk pudding made with agar. Once she started giving it to her children's little friends when they came over to play, its reputation also soared, and

people started urging her to commercialize it, too.

President Naganuma listened to the call, and resolved to find a way to commercialize her *gyunyu kanten*, too. Since her basic principle was that it would be a sweet for "my children," she was rigorous about ingredients, and the keywords "homemade/peace of mind/safety" at the forefront of her mind. She limited the ingredients to fresh milk from the Tanna Basin in Kannami Town in eastern Shizuoka Prefecture, and to high quality agar, and perfected a product that was handmade from beginning to end without using any additives. However, at first she could only make 20 helpings per day. She never dreamed that it would someday become the company's flagship product.

◆ Turning point for the business

The chance for victory lies in adversity. Growing a flagship product with backing from those around you

At present, Yamato Foods' sales are 70% *gyunyu kanten*-related products and the remaining 30% lunch boxes and side dishes. During the peak season for *gyunyu kanten* from April to August, they produce a maximum of 4,000 helpings per day, which are sold from Saitama Prefecture to Kyushu. However, getting to this point was not exactly smooth sailing.

"Just when they built a new funeral hall in town and our own funeral catering business plunged, we got new inquiries from hospitals and supermarkets for lunch boxes, allowing us to bounce back. But then our employees started saying, 'I want to move to a workplace where I can work longer hours and earn more money.' That was because we only produced our lunch boxes in the morning."

Well, she thought, in that case, let's create work in the afternoon, too. She decided to start mass producing her *gyunyu kanten* which was growing in popularity, and sell it wholesale to neighbourhood stores. This soon caught the eye of the president of a large supermarket. "This will sell because it tastes good!" he said, and proposed a deal. The woman staffer he put in charge was completely charmed, saying, "I am going to grow this product!" As a result of her efforts to secure good sales locations in the store, transactions soared, from 50 per day at first to 100 the next week, and 200 the week after that.

Now the increased shipments created new problems. Because President Naganuma's *gyunyu kanten* had no additives depending on the shop environment, sometimes little spots of mold would grow on it on the rare occasion that it was close to its expiry date. Normally, once this kind of problem crops up several times, a supermarket cancels its contract. But in this case, the woman on the supermarket side was also so committed to "growing" the product that she worked together with President Naganuma to find a solution. She reset the expiry date during summer months, and



The well-received "gyunyu kanten"

even introduced President Naganuma to a food hygiene specialist.

“After they took such good care of us, we had no choice but to persevere,” remembers President Naganuma. “Improving the product so it would last longer and still not need additives, we somehow overcame the issue. I’m sure it was because I was so ignorant about business that she somehow felt she couldn’t leave me on my own. Without her, this product wouldn’t exist.”

◆ Leap forward for the business

Growing the market by exhibiting at the “All Nippon Product Exhibition.” Developing products that customers enjoy by faithfully listening to their voices

The next big turning point came in 2002. Exhibiting at the “All Nippon Product Exhibition” recommended by the local commerce and industry association, *gyunyu kanten* garnered surprising popularity and many deals were struck. The best outcome of all, however, was the sentiment of the company’s employees. Standing in the actual sales area themselves for the first time, they experienced the popularity of the product they were creating for themselves and started thinking, “let’s sell more and more!” In 2003, she became the company president. Applying for the association’s “Small and Medium Enterprises Business Innovation” support, she furthered new product development. She also took advantage of the association’s system for dispatching experts to help its members and began studying such subjects as generating management principles, business optimization and sales management together with her employees. Employee awareness also improved and by setting good examples, they began working to improve work efficiency and other problem areas.

And still they continued to grow. Around 2006, with the arrival of a sweet agar pudding boom, they introduced new varieties and orders kept shooting up. They also received offers to “mechanize” their operations and sell larger quantities. However, out of concern over using loans to expand the plant and in line with the president’s own principle that “we cannot create our company’s flavor with machines,” they turned all of them down.

The boom continued on for a while longer but at the same time there was a rapid increase in the number of manufacturers supplying inexpensive *kanten* puddings. Gradually the company’s sales fell to the point that it was not clear if they could survive. However, this was one company that could not go down without a fight. They had to continue for all those customers telling them things like, “the first thing I do when I come back to visit my home town is eat your *gyunyu kanten*,” or “This is the only thing I can eat when my health is bad.” They

also had to fight for their own employees, who volunteered to switch from fixed salaries to hourly wages.

“During the boom period, we were told we needed to increase the strength of our company brand, so we thought of only that,” says President Naganuma today. “However, what was really important was to make an effort to increase the ‘product’s’ own brand strength.”

Protecting that tasty, healthy, homemade flavour. Providing new products the customers would enjoy. Impressed by their earnest pursuit of the right flavour and their commitment to continued new product development, the commerce and industry association invited them to participate in events like the annual Supermarket Trade Show. The company was able to create new sales channels, and little by little, its performance recovered.

◆ Future business development and tasks

Capitalize on the regional community and grow the company itself. Aiming for product development utilizing local ingredients

At present, Yamato Foods is actively engaged in regional revitalization. As a town renewal project, they developed a product called “*gyunyu kanten* salt milk candy” which uses Tanna milk and deep-sea sea salt from Suruga Bay. They cooperated with a farm which harvests blueberries locally to put “blueberry candy” on sales. These products, together with their classic *gyunyu kanten*, are all authorized to use the Izu Peninsula Geopark logo for product promotion. Furthermore, they have supported the commercialization of a Japanese cheesecake using locally produced “new summer oranges” which received the Hamamatsu City mayoral award, devised by a high school food club. The cheesecake named, “Orenchi Izu Cake,” was exhibited at the “Third High School F Rank Gourmet Series,” a national competition event where high school students exhibit their original dishes made using local products from their hometowns. Proceeds from sales go to fund the club’s activities. The company says that nowadays they are developing more products based on suggestions coming in asking them, “Can you make something using this ingredient?”

“Maybe we can’t quite call it ‘contributing,’ but we want to do something that will help revitalize the region. And if we create more fans by doing that, our employees are also happy,” says President Naganuma. “We may be a small company, but we want to transmit that type of joy.”

By developing products which meet the hopes and needs of those around it, by naturally bringing together people who wanted to help, Yamato Foods was able to grow and eventually give back to those people. This is a model case of micro business management that set a different goal than simple business expansion.



Experienced staff nurture new products



“Orenchi Izu Cake”

Case

2-1-9: Kyoei Toso (Kurashiki City, Okayama Prefecture)

(Building painting)

<Employees: 2>

“Thorough work leads to tomorrow”. Gaining customer trust following principles learned from his father



Hidetoshi Hashimoto,
Representative

◆ Background of the business

Engraving both skills and work principles in his heart through an apprenticeship with his father

Kyoei Toso is a two-generation, father and son company that runs a painting business in Kurashiki City, Okayama Prefecture. Hidetoshi Hashimoto, who has been the company representative since 2009, continues to carry on the simple, honest policy of his father, who has the one-track mindset of an artisan. That policy is “thorough work leads to tomorrow.”

“It was after working as an office worker for three years before I asked my father to ‘teach me everything from scratch,’ and he consented,” says Hashimoto. “For the first year, he wouldn’t let me even hold a paint brush or a roller, and he diligently trained me in pre-treatment.”

Pre-treatment is the process of cleaning rust off the surface to be painted and filling up cracks. He told me, “Just because you won’t be able to see them once they’re painted over, doesn’t mean you can cut corners,” says Hashimoto. “Depending on how thorough the pre-treatment is, it can last three to four years longer,” but at the time all I thought was, “does it really matter?”

“Once you start painting for yourself, however, you truly understand the meaning of his words. If there is just a little bit of rust, the paint will not stick and will eventually fall off. When there are cracks, moisture infiltrates from outside and leads to damaging the building material itself. Painting is not just for making the roof or the walls look pretty, but also to reinforce the building material and help the house last for a long time. If you work thoroughly, it leads to trust and they will surely call on you again for the next painting occasion.”



Thorough work leads to tomorrow

Hashimoto’s father, Fumiaki Hashimoto, started the painting business in 1976 in Kurashiki City, and some customers from those days still request painting work to this day.

“Another thing my father often said,” continues Hashimoto, “was, ‘The only person you bow your head to is the customer.’ This means to not become a subcontractor for house manufacturers and engineering firms, but to come up with an estimate based on the customer’s requests as the prime contractor and take full responsibility for completing the job to the end. If you actually listen to the customer’s requests, you’ll find that they all have different things they want and you cannot accept work at a single set price.”

◆ Turning point for the business

Experiencing the limitations of walk-in sales, turning to the internet for PR

Fumiaki never scolded his son harshly, and would also explain things thoroughly if he asked about something he did not know, but he also never gave his son compliments.

“I only remember one occasion,” says Hashimoto. “He once told me on the way home from work about three years after beginning my training, ‘the swing of your arm was good today.’ When painting, you need to deal with not only flat surfaces but also have to evenly paint protruding and uneven surfaces. There are particular techniques in the angle of your arm and how you swing for the brush, the roller, and the sprayer. From that day onwards, he gradually started entrusting me with larger projects.”

After 10 years had passed, there was an event that made the father-son team rethink the way they managed their business. Fumiaki was in his late fifties when he suddenly was toppled by a stroke. Fortunately it did not lead to a serious illness and there were almost no after effects, but as the son, Hashimoto wanted his father to refrain from working as much as possible.

“This was when I started putting more effort into marketing in order to acquire new work, without relying on my father’s old customers,” says Hashimoto. However, it was hard to get results going door to door alone. I felt such futility when one time I was mistaken for being a fraudulent tradesman when I approached the owner of a home that I could see was due for painting. There were some days I couldn’t get a single job after knocking on the

door of dozens of houses.”

It was at this time, when Hashimoto was so troubled by how his desire to work diligently and thoroughly was not getting across to potential customers, that a senior member of the youth league of Tsukubo Society of Commerce and Industry with which the father-son team were affiliated gave them some advice.

“This is when we were advised to do PR on the internet,” remembers Hashimoto. “The Association had a track record of making a success of a portal site called ‘KibiKibi Square,’ as a project for nurturing young business successors. It was promptly decided that I would learn how to build a website under the guidance of an expert instructor. I already had a computer but it wasn’t even connected to the internet. He taught me everything, from how to contract with internet service providers to how to just connect to the internet itself.”

◆ Leap forward for the business

At first there was zero response. But as he kept on posting, business began to take off

It was the summer of 2007 when he finally had his own website up after endless struggles. Of course he used the site to present in his own words his father’s policy of “thorough work today leads to tomorrow,” but he also recorded in detail what kind of work he had done each day in a blog he launched at the same time that he started the website. His intent was to demonstrate his stance to work to his readers.

At first, there were not as many responses as he had hoped. Occasionally he was asked for an estimate, but it never led to a contract. But, the next year he started seeing some result, and the year after that his sales via the internet reached ¥20 million.

“Maybe I started getting results because the message I was trying to express became more and more concrete through the accumulation of all my posts. In fact, now customers who contact us using the internet already know our company’s principles and how we do work, so discussions about the jobs go very smoothly. My father is an “analog person,” so at first he misunderstood why I was going to the computer after coming home from work. He thought it was just play, but now that he has seen my

interaction with the customers, he recognizes that I have properly inherited his principles and am communicating them to the customers. As the end of that year, when we visited him with our children so he could see his grandkids, he asked me, “Hide (Hidetoshi’s nickname), can you be the president from next year?” I had been worried about my father’s health, so when he said that I felt both a little sad, but also relieved.”

◆ Future business development and tasks Succeeding in acquiring new local customers with regionally restricted leafleting

In 2013 Hashimoto prepared advertising flyers using a subsidy obtained via the governmental Subsidies for Sustainable Micro Businesses system, and posted them in an area within a 30- minute radius by car of the company, successfully acquiring new local customers. Recently, just as it was during his father’s generation, the company has begun getting recurring customers, and the yearly work volume has stabilized.

“At present, because I am both the president and the sole painter, my next task is to train staff that I can entrust work to. Because this new person or persons must properly understand the principles that my father has been so particular about and acquire the skills necessary to live up to them, just as I did, I know that it may not be easy. Nonetheless, I would like to foster new personnel and grow the business as much as possible while I am still in my 40’s.”



The “To-Kon Painters” to which Hashimoto belongs provide volunteer painting



Koyoe Toso's website

Case

2-1-10: Culesuco Co., Ltd.

(Anan City, Tokushima Prefecture)

(Manufacturing of wooden construction products)

<Employees: 14; capital: ¥3 million>



Tomoko Mori,
Representative Director

Constantly adapting to the unreasonable demands of clients. Taking on the challenge of processing the new fire-resistant material, “Dairaito”

◆ Background of the business

Contributing to forestry issues by using Japanese wood harvested from their own prefecture of Tokushima

Japan is blessed with abundant forestry resources that are not only used for making forestry products but that also help maintain the nation's natural environment and protect people's lives from disasters. However, according to Forestry Agency statistics on timber supply and demand, approximately 70% of the wood used in Japan today comes from abroad, and only some 30% is harvested in Japan. Due to the decline in forestry, the aging of forest owners, and other factors, the destruction of Japan's forests has become a major problem. Various countermeasures have been taken at both the national and local government level. One example is a funding mechanism called the “Acceleration of Forest Maintenance/Forestry Restoration Project” implemented at the prefectural level.

Culesuco Co., Ltd., a wood products manufacturer in Anan City, Tokushima Prefecture, used this funding mechanism to purchase new machinery. At the same time, they have cut back on the amount of foreign wood that they had been using previously, and have begun to procure MDF (medium-density fibreboard) made using Tokushima lumber from N&E Co., Ltd., in nearby Komatsushima City.

“The reason we did this was that it had become more difficult to acquire the foreign lauan plywood that we have been using previously. While it's still possible to get it, the price has soared, and there's no way to know the country of origin of the wood used. We decided to go with MDF instead with the thought that that way we could indirectly cooperate with Tokushima's own forestry industry.”

The person speaking is Tomoko Mori. She is the representative director of Culesuco, but she's more than that. She is also the person who founded the company in 2004 at the age of 46.

◆ Turning point for the business

Picking herself from rock bottom, and starting a company with support from those around her

When Representative Director Mori was growing up her father was a distinguished local figure who managed a wood products manufacturing company employing some 200 people. Upon graduation from an architecture-related university and before founding her own business Representative Director Mori also joined her father's company, working as its sales manager, but then everything changed...

“My father's business went bankrupt in 2003,” explains Representative Director Mori today. “My own marriage ended in divorce because of it, and everything else about my life up until that time was transformed as well. However, I already had two

children, and I needed to work. When I pondered what kind of work I might like to do, I realized I would somehow like to utilize all the knowledge and knowhow I had accumulated up to that point.”

Representative Director Mori says that her father vehemently opposed her starting her own company, because he knew only too well the harsh world of the wood products industry and the demands of management. She overcame his resistance regardless, but when she started preparing to start her new enterprise she discovered that there were no loans to be found from finance firms for a member of the family of a company owner who had just declared bankruptcy. There was no other option but to use her own personal funds.

“Because I didn't have much money, the number of machines I could procure was limited. When I considered how I could best use what machines I could get, I decided to make manufacturing wooden products for buildings, like fitting frames, interior materials and door parts, the primary focus of the company. I purchased a used machine from an acquaintance, but I couldn't even make the full payment on that one even though it was old. My friend let me pay for it in installments. Then I called upon a few former employees who had worked for my father's company, and we started up the company with just five people, myself included.”

At times she was treated harshly. She could feel the relentless gaze of people thinking, “Your father caused us so much trouble.” Yet Representative Director Mori herself must have won the trust of many people on her own account. The people whom she had interacted with back when she was sales manager still viewed her favorably. Seeing how hard she was fighting now, they couldn't help but give her their advice and support.

“Thankfully, we were able to rent the same factory building that my father's company had used, just the way it was,” remembers Representative Director Mori. “Moreover, while in the natural order of things we should be procuring the materials we used our own, when previous client companies



Just some of the products the company makes

placed orders with us they provided the materials as well out of sympathy for our plight. I am truly grateful for what they did.”

In the end, Representative Director Mori was able to make a promising new start thanks to the support of so many people.

◆ Leap forward for the business

We'll complete any order from our customers. Taking on the challenge of the new fire-resistant material, "Dairaito"

At times, complicated processing is required for making wooden fitting frames, window frames, and interior frames, depending on whether or not it is necessary to bend or glue together the cut materials. On top of the different construction methods required depending on the product being made, it is also necessary to change tool blades depending on what materials they are being made with. It is a profession with many layers.

“Not many companies specialize in manufacturing frames, so we get lots of orders,” explains Representative Director Mori. “In some cases, we get orders which make you think ‘that’s impossible’ the moment you see the blueprint. Yet we still use our accumulated knowledge to devise ways to make them, without ever giving up. On more than one occasion the high skill level of our employees has saved us when even the slightest millimeter deviation in the measurements would have been unacceptable. But at the same time, the sense of accomplishment when we’ve finally cleared a seemingly impossible order is an ineffable joy.”

Culesuco company has built up customer trust by always dealing with the tough conditions set by the clients, including delivery dates, unit prices and final finish. Now there are more and more cases where clients come in to consult about using new kinds of materials, saying, “Culesuco can manage it somehow.” One of those new materials was a fire-resistant material called “Dairaito.”

“I think it was about four or five years ago,” recalls Representative Director Mori. “They asked me, ‘Can you process with this material?’ and handed me a sheet of Dairaito. Dairaito is a new material made from hardened volcanic ash, and it is really hard, which makes it very difficult to process. I wasn’t sure whether we could do it with the machines we had on hand at the time, plus the quality level that the customer was demanding was so high that at the time I hesitated. But after talking it over with my employees afterwards, I felt a sense of curiosity, that challenging spirit, come welling up. I thought, ‘we don’t know if we can do it, but let’s try!’ And so we started handling Dairaito.”

In the end, we were able to process the material after switching our tool blade and using an advanced manufacturing technique. However, the laws regarding fire-resistant materials are very strict, and there are many cases where the authorities have denied permission to use them in buildings depending on how they were processed and the specific application. They loosen the regulations for you if your facility is licensed to handle fire-resistant materials, but then getting licensed is itself supposed to be really hard. Yet even despite these tough conditions, they say that orders for using Dairaito in facilities for the elderly and other buildings are on the rise.

◆ Future business development and tasks

The biggest concern is a lack of skilled craftsmen in the future. Taking risks for human resources development

“The work we do is just one little portion of one portion of

a building,” says Representative Director Mori. “We’re just the supporting cast’s supporting cast. But if the supporting casts aren’t rock solid, then the leading roles cannot shine. That is why I take such pride in our work.”

Yet there are times when Representative Director Mori and her people do shine like the lead roles. A few years ago, after they had supplied a religious organization’s facility with products, the client later sent them an illustrated pamphlet about the organization. The pamphlet included a magnificent photograph of the decorative elements that the company had manufactured all lined up in the facility. It’s not often that Representative Director Mori and her employees have a chance to see the finished product, and she says it made them truly happy.

Just once, five years ago, business conditions hit Culesuco hard and sales dropped, but other than that one time Culesuco has seen its results steadily improve. Yet when Representative Director Mori is asked about issues for the future, it turns out to be a problem that all enterprises today are facing.

“We operate our machines with computers, but for the final delicate adjustments it is still the craftsman’s hands that we rely on. But now no one is raising the next generation of craftsmen. For this reason, thinking of our future, we are undertaking the training of craftsmen. The youngest worker in the factory is 21 years old. Our average age is in the lower 30s. By switching their work responsibilities on a daily basis, we are helping them build experience. While that means there is a risk of not making a deadline, even a risk of failing a job, if we are afraid to take that risk and instead just keep each employee repeating the same tasks over and over again, we can never develop our human resources. I believe that it is only when you have built up experience that you can finally perfect your path.”

Representative Director Mori has experienced rock bottom once. Now she is determined to keep on pushing forward without ever forgetting her challenger’s spirit.



An employee works with practiced skill



Making a perfect cut, measuring as he goes

Case

2-1-11: Triple Like Co., Ltd. (Curry & Rice Omelette MIND'S)

(Hayamigunhiji Town, Oita Prefecture)

(Restaurant and mail-order business)

<Employee: 1; capital: ¥3 million>



Shinsuke Miyoshi,
Owner-chef

An unexpected television appearance brings a shot at resurrection on the brink of bankruptcy

◆ Background of the business

Opening his restaurant after a challenge from his wife, a wavering owner-chef finds confidence in thank you letters from elementary school students

In Hiji Town, a small community of just 28,000 people next door to Beppu City, Oita Prefecture, there is a bustling restaurant which also receives mail orders from all over Japan. This is Curry & Rice Omelette MIND'S (Triple Like Co., Ltd.), famous for its Japanese-style hamburgers served on platters and eaten with an exotic white wine-based sauce. There were many ups and downs before MIND'S finally prospered, and at one point it was even on the brink of bankruptcy. Yet it has lasted to this day after succeeding in a dramatic turnaround and resurrection.

Shinsuke Miyoshi, the restaurant's chef-owner, opened MIND'S in April 2002. It wasn't his first choice. In his high school days he had won a national bicycle racing championship and was expected to become a professional cyclist in Japan's commercial "*keirin*" track cycling circuit. However, he had to abandon that dream after failing the entrance exam for a *keirin* school five times. Having experienced failure, he searched for a new future for the next three years while working part-time jobs.

"My father was a fisherman, and I felt his self-made way of life was very manly," says Mr. Miyoshi. "Thinking about what I could do to become independent myself, I decided to take a shot at making the curry that I loved to eat. However, back then men weren't allowed in the kitchen in my home, and I had never even held a cooking knife myself. Thinking back on it now, I may have been reckless to think I could be a chef, but I'd been able to win the championship during my bicycle racing days by losing myself in practice. I had more determination than other people."

Mr. Miyoshi started working at a small western-style restaurant in Beppu City at the age of 23. He not only learned how to cook, but also how challenging it is to manage a restaurant as he saw the chef-owner struggle to make his payments and attract customers. He went on to further polish his cooking skills by training at hotels, department store restaurants and *yakiniku* grilled-meat shops.

"When I turned 30 I started feeling impatient, asking myself, 'is this all you want?'" remembers Mr. Miyoshi today "But I didn't know what to do specifically. I couldn't regain my equilibrium if I didn't do anything, so I set off to create my own original curry, making trial products on the weekends and

using various recipes as references. Before I knew it, six years had gone by, and the only reason I got off my behind were the words of my wife when she told me, 'you've only paid lip-service to starting a restaurant.'"

Mr. Miyoshi's crucial curry was almost perfected, but he was still anxious whether customers would receive it well, or not. Then an opportunity came along to make lunch for 40 elementary students. He served them the curry, and then thank notes arrived from the students praising it as "delicious!" With the children's praise, he was finally able to have confidence in his own flavour.

◆ Turning point for the business

Deciding to close the restaurant after even a new mail-order website fails to improve sales

At the time of the restaurant's opening in April, he started with a focus on curry and Japanese "*omu-raisu*" rice omelettes. The curry earned high praise, exceeding expectations and posting sales of ¥800,000 per month. After introducing a curry set with a dessert in November, sales per month increased to ¥1 million by March the next year, then to ¥1.2 million. After peaking at ¥1.6 million, however, customers traffic started dropping off, until by 2007 sales were sometimes less than ¥800,000 per month.

Mr. Miyoshi was baffled. "I wasn't cutting corners with my cooking and I didn't know the reason for the slump," he says today. Trying to recover, he changed things up by trial and error, altering his ingredients, changing his cooking methods, and finally coming up with a white wine-based hamburger sauce. Up until then, he had been offering homemade demi-glace sauce with the burgers, but now he resolved to develop a completely new sauce.

"For the hamburgers I use Oita's Bungo and Miyazaki beef. This is because people are attracted to local ingredients, and the beef from Kyushu is lightly marbled and well suited to hamburgers. When I was thinking of what kind of sauce would go well with beef, I asked myself, 'why is it always red wine with beef?' I decided I wanted to overcome that general fixation."

Because he was so particular about creating a white sauce, he was also limited in his choice of vegetables. It took half a year to complete the white wine sauce, and for a while its surprise value brought customers in and sales rose. However, even this rebound did not last long, and he resorted to other efforts to bring back customers through direct mail, handing



A MIND'S hamburger platter

out leaflets and opening a website.

In 2009, he attended an IT management seminar hosted by a commerce and industry association, and opened a mail order website so customers from around Japan could order his restaurant's hamburgers. His frozen hamburger deliveries were picked up by local TV in Kyushu and the magazines, but again the rebound was temporary. In his personal life, he had a divorce with his wife and he was forced to raise their two high school children and manage the restaurant by himself.

Sometimes bad things just get worse. Despite buying time on a home shopping network, spending ¥1.2 million on fees and material costs, his frozen hamburger sales came to a meager ¥25,000. That was the decisive blow that made him decide to close the restaurant.

"I still remember the things which happened at that time so vividly," Mr. Miyoshi says today. "It was October 18, 2010. I sat down the kids and said, 'I've decided to close the restaurant at the end of the year. It can't be helped. I want you to drop out of high school. We'll sell the house and the restaurant and start a secondly, just the three of us.'"

◆ Leap forward for the business and future development

Orders flood in with a TV appearance. A magnificent resurrection on the edge of the cliff

When change came, it came suddenly. Two days after the decision to close the restaurant, while he was idly watching a television program he had recorded called "ONE MINUTE! Deep, good speaking" (Nippon TV), some information popped up about recruiting participants for a part of the program on gourmet planning called "Uma Ii SP." It's a program where the guests taste test the participant's cuisine and judge whether it's good or not. Sometimes, though, they'll say it tastes bad. Mr. Miyoshi decided to apply.

"They must have somehow known that I was at my wit's end," says Miyoshi. "After writing up my own PR and applying, I was chosen to appear. The program's staff asked me, 'there are times when the food is criticized severely, but are you all right with that?' I didn't fear anything, though, because I was already planning to close the restaurant."

This is where it becomes a story of surging resurrection. Upon appearing on the program, Mr. Miyoshi's white wine sauce hamburger was deemed "tasty" by all ten guests. He received the only perfect score out of all the participants appearing that day. Immediately afterwards, his phone and the

fax machine started ringing off the hook. During the one week between the recording and the airing of show, people involved in the program and the studio audience put out the good word by word of mouth, and the 10,000 frozen hamburgers pre-prepared for the program's airing were already sold out. When the show actually aired, more orders came flooding in. Exceeding all expectations, within three days Mr. Miyoshi had 54,000 orders and within half a month it was more than 100,000.

Calling upon a computer specialist from the commerce and industry association for help they rebuilt the mail-order site so it could deal with the reservations, switched to a call center for phone calls, and brought in a logistics company for delivering the products and outsourced the production of hamburgers.

"Because the response so exceeded expectations, my response time lagged and I was even scolded by customers," says Mr. Miyoshi. Moreover, although customers poured into the restaurant, I had to start closing at night because I couldn't keep up with the preparations. This state continued for about a year, and all thoughts of closing the restaurant were off the table."

Beginning in 2013, Mr. Miyoshi was finally able to start opening the restaurant at night for dinner again. The mail orders, while continuing, also settled down, and now account for approximately 30 percent of all sales.

"In the end, the restaurant was saved by appearing on television," says Mr. Miyoshi today. "However, my purpose for appearing on television had never been to increase sales. I just wanted to show my final gallant father figure to my kids who had gone through so much pain because of the divorce and my plans to close the restaurant. I wanted to show them an image of trying, without ever giving up, despite all odds, to show strength through not quitting if there was even just a one percent chance left for success. While this part was not aired on television, during the filming my son said into the camera, 'I am glad I was born into this family,' when I heard that, I shed the tears of a grown man."

It has been four years since the fateful TV program aired, and now the place bustles with local people. Yet even today people come from outside of the prefecture specifically to visit MIND'S, telling Mr. Miyoshi, "we saw you on TV." With operations running smoothly, Mr. Miyoshi's next goal is to set up a second location in Oita City. He says he would like to put his next efforts into nurturing the human resources to make it happen.



Miyoshi making rice omelettes

Chapter 2 Promoting business renovation

This chapter introduces 10 case studies of “successful startups and establishments,” “product development through agriculture-commerce-industry or industry-university-government collaborations,” and “opening up new markets by shifting toward different industries or venturing into new businesses” in terms of promoting business renovation.

Section 1 Cases of successful startups and establishments

This section profiles the following four case studies about small enterprises that successfully launched or established businesses through services based on original ideas or products that take advantage of regional specialties.

- Case 2-2-1 Nishiya LLC/ TABISUKE (Hirosaki City, Aomori Prefecture)
Executive member: Raisuke Nishiya
(Travel agency)
- Case 2-2-2 Wealthy Life Lab, Inc. (Utsunomiya City, Tochigi Prefecture)
President: Kanae Sato
(Manufacture of toiletry, toiletry sales)
- Case 2-2-3 Mankindo (Oume City, Tokyo)
President: Hiroe Konno
(Mobile Thai curry food service)
- Case 2-2-4 Minami Kazuei Tax Accountant Office (Komatsu City, Ishikawa Prefecture)
Certified tax accountant: Kazuei Minami
(Certified tax accountants' office)

Case

2-2-1: Nishiya LLC/ TABISUKE

(Hirosaki City, Aomori Prefecture)

(Travel agency)

<Employees: 4; Capital: ¥4.2 million>

The goal of the startup travel agency, with a daring spirit that major travel agencies can't match, is "regional revitalization"



Raisuke Nishiya,
Executive member

◆ Background of the business

Make "ordinary" locales a sightseeing activity, the trump card in revitalizing Hirosaki with community-based tourism

When we use travel agencies, we ask them to arrange transportation tickets or hotels, or apply for pre-packaged tours where a tour conductor manages the entire schedule. Such travels are essentially based on the travelers' residential areas, which are known as "departure-based" tourism. On the other hand, the type of travel that involves sightseeing or various activities accompanied by staff from local travel agencies and is booked after arrival, as often seen in international trips, is categorized as "community-based" tourism.

There is a travel agency in Hirosaki City, approximately 35 minutes by limited express train from Aomori, the capital of Aomori Prefecture, which is well known for its apples, cherry blossoms, and Neputa Festival. That agency, Tabisuke, led by executive member Raisuke Nishiya, is attracting attention from local governments and major travel agencies throughout the country because of its specialized community-based tourism.

The agency has two significant characteristics. The first is, of course, its community-based tourism, which is rare for travel agencies in Japan and distinguishes the company from major travel agencies. This involves more than giving tours of already well known scenic spots and historical sites. For example, while many tourists visit Hirosaki in the apple picking season, the agency daringly organizes apple-related tours out of apple season, such as hearing talks on sharp saws or know-how on pruning while helping to prune apple trees at a farmhouse. Other examples of activities they market are: a snow shoveling experience, traveling to "shrines with oni (ogres) on the torii gate", a local ice cream tour, and a town bar-hopping tour. Devising exciting original content - evident just by looking at the tour-titles- the agency has successfully directed tourists' attention to Hirosaki from all over the country.

"I come up with the tourism content from the perspective that there is appeal in the everyday life or niche culture peculiar to Hirosaki. For instance, there are some 'shrines and temples that are dedicated to the oriental zodiac' in Hirosaki, which local people find too commonplace to be interesting. However, when I brought people from outside

of Hirosaki, they were very curious and exclaimed, 'I've never seen such things before!' Other than cherry blossoms and 'Neputa,' a lot of stuff that intrigues people from other regions actually lies dormant in Hirosaki."

◆ Turning point for the business

Hope for people to enjoy trips and life beyond various "barriers" such as wheelchairs, languages, and information

Another crucial characteristic of the agency is its barrier-free approach. Mr. Nishiya became fascinated with the U.S. through a home stay during high school and went to college there, where he met a classmate in a wheelchair. This classmate played basketball on the same court with basketball-loving Mr. Nishiya and they went out to bars together on weekends. Mr. Nishiya said he experienced considerable culture shock that other classmates and the townsfolk didn't consider it anything special.

After graduating from college, Mr. Nishiya, who loves Hirosaki and especially Dotemachi where he was born and raised, returned to his local town and joined a travel agency. There he had an ultimate experience that set the course for his life.

On a tour to Australia that he conducted, a woman around 70 years old suddenly started to sob watching the sunset at the Gold Coast. When he asked her why she was crying, she confided her regret that, "I left my bedridden husband at home to come here. I should have carried him on my shoulder to bring him over if necessary so that he could see such a beautiful scene." At that time Mr. Nishiya thought, "Many people in the U.S. live fulfilling lives in a wheelchair. But in Japan, there are people who cannot say what they want to do because they are physically challenged.



Support from qualified nursing care staff

So why shouldn't I challenge these circumstances?"

He used this experience to form another of the agency's characteristics—barrier-free tourism. Lining up employees with nursing care qualifications, the agency offers not only travel support for someone who needs a wheelchair to move around or for elderly people, but also other outing support services. Other than the barrier that wheelchair users feel, there is a language barrier that foreigners feel as well as an information barrier that tourists feel without local knowledge. "TABISUKE" is a travel agency that blends barrier-free services that remove those barriers with community-based tourism content of great originality.

◆ Leap forward for the business

The trigger that started the business was the YEG Business Plan Contest. Just one presentation changed his life!

The travel agency "TABISUKE", which has a concept unique to Japan, was founded in April 2012. The trigger was the YEG Business Plan Contest hosted by the Young Entrepreneurs Group of the Japan Chamber of Commerce and Industry the year before. The contest is a competition between the plans of YEG members throughout Japan that could lead to the creation of new businesses. Mr. Nishiya, who happened to belong to the Hirosaki Chamber of Commerce and Industry, had a chance to watch the contest in Ehime in fiscal 2009. He was very impressed by the presentations done by YEG members of his own generation across the country.

"I had been vaguely thinking of starting a business, myself, since I moved to the U.S., but I couldn't find exactly what I wanted to do. When I started to get carried away by everyday life, I saw the contest in Ehime, which was mind-blowing. It inspired me to think, 'Just one presentation could change my life!'"

Promising to himself to try the contest next year, Mr. Nishiya spent one year developing his plan and entered the 8th annual contest in fiscal 2010. His presentation, "Hirosaki, the city of comfort for travel, the city that brings you close to life's important things," combined the community-based tourism that embodies his love for the city with a barrier-free approach. He won the grand prix with honors and decided to launch the agency. That was the moment he finally discovered "what he wanted to do."

◆ Future business development and tasks

"Tourism" that moves people doesn't only enrich the region, but can be a force for overcoming fundamental regional tasks

This fiscal year marks three years since the business was launched. Mr. Nishiya is ready to start another new endeavor; the tour plan to facilitate the relocation or settlement centered on "Neputa." Although there are many tours just to watch Neputa, the travel agency, which is closely linked to the local community, doesn't just let

the tourists join "Neputa" but also accompanies them to hobnob with people who carried out "Neputa" at the festival's end. In addition, this year he is planning to let tourists join in producing "Neputa", such as by staying in Hirosaki long term, producing "Neputa" with local people at night, and sometimes staying together with local people at the "Neputa Hut" where "Neputa" is prepared. It could be considered a community-participatory tour.

"Like many other provincial cities, this region's major challenge is the declining population. Involving the community in these tours may lead to some encounters and marriages, which may bring more residents to Hirosaki. The tourists who made friends with people in Hirosaki may become repeat tourists, increasing interactions with the population. A travel agency isn't usually concerned about such things, but I would like to try such endeavors as a breakthrough in solving regional tasks."

As his words show, Mr. Nishiya bucks the stereotype that travel agencies are supposed to make a profit by arranging tickets and hotels, and he is involved in developing tourism resources in neighboring cities, towns, and villages by consulting and holding workshops, and training human resources for tourism through lectures at local universities, as well as planning travels that are difficult for major travel agencies to conduct. Everything is for the purpose of revitalizing the region through tourism. Mr. Nishiya nurtured "realizations" such as his love for his hometown, the joy of travel, and a barrier-free life and he took a dramatic leap. His journey has not come to an end; he keeps approaching his goal step by step.



Foreign tourists participating in "Neputa"



"Snow hiking and serious sledding tour"

Case

2-2-2: Wealthy Life Lab, Inc.

(Utsunomiya City, Tochigi Prefecture)

(Manufacture of toiletry, toiletry sales)

<Employees: 2; Capital: ¥3 million>



Kanae Sato, President

A savior for people who suffer from skin troubles. Spreading the charm of Tochigi from a female entrepreneur's perspective

◆ Background of the business

When there is no right toner available for your skin, produce one yourself. Homemade toner by a housewife with skin trouble

Currently, the number of adult female patients suffering atopic dermatitis in Japan is said to be 5 million with one-third of Japanese people having either delicate skin or suffering from sensitive skin, according to the Japan Atopic Dermatitis Patients Association. Most of them are very distressed because they cannot find an appropriate toner for themselves. Ms. Kanae Sato, the president of Wealthy Life Lab, Inc. in Utsunomiya City, Tochigi Prefecture, was one of them, and that very distress became the catalyst to start her company.

"About 10 years ago when I gave a birth, my constitution changed and I developed sensitive skin. Since then, I searched in vain for a toner that was right for my skin. Additives such as antiseptics or surfactants are the great enemy of sensitive skin. Although "antiseptic-free" was written on a product package, it is often the case that a trace of antiseptic was mixed in, or the product contained a preservative component that isn't categorized as a preservative under the Pharmaceutical Affairs Act. Sensitive skin reacts to even minimal preservatives. In the end, I couldn't find a skin-care product from existing products that was right for me."

At the time, Ms. Sato was a full-time housewife. Although she had worked for a house builder and an information systems company, she was a total amateur in terms of pharmaceutical sciences. However, she began to tackle making homemade toner in her kitchen to resolve her skin troubles.

◆ Turning point for the business

**"I found relief for my troubles and suffering."
Such voices gave a boost to the decision to commercialize**

Why many cosmetics manufacturers in Japan don't produce antiseptic-free cosmetics.

"Developing totally antiseptic-free or surfactant-free cosmetics takes a tremendous amount of money and time. In addition, not adding antiseptics creates a disadvantage in terms of making cosmetics perishable. Once a problem caused by selling degraded products is brought to light, it damages the brand image and influences the management of the entire company. After all, true "antiseptic-free" is a high-risk, hard-to-implement area for cosmetics manufacturers."

With such a backdrop, Ms. Sato focused on an ingredient in the local product natto (fermented soybean) that is good for the skin. After extracting the active ingredient and going through trial and error for more than five years, she completed a toner right for her skin. Then, people around her who also suffered from sensitive skin began to say, "I'd be grateful if you let me try that." The circle gradually grew and Ms. Sato received many letters saying, "The toner relieved me of long-lasting suffering. Thank you."

"I was surprised to know that so many people had the same trouble as I did. As I listened to people's ardent voices, I thought, 'I want to help those who have the same suffering' and made up my mind to commercialize the toner."

◆ Leap forward for the business

Blend two kinds of liquid right before use. This unusual idea was confidently developed into a product

The biggest problem in commercializing the product was the "antiseptic-free" aspect. Consulting with her husband who worked at a cosmetics company laboratory at the time, Ms. Sato considered the problem of "decay" by experimenting on her own skin. When she applied the thought to the field of food, she noticed that some preserved food like umeboshi (pickled plum) don't contain preservatives, and that we put perishable food in the refrigerator. As a result, she came up with a method for packaging concentrated liquid and water from the toner separately, letting the customer blend them together right before use. Also, to maintain the toner's quality, she introduced a method for keeping the opened product in the refrigerator, and using it up in two weeks. This is how "Vegellia Blend Lotion" was born.

A market survey before the product's release resulted in the report that some people felt a moisturizing effect and healing of chapped heels, shins, and elbows, as well as a whitening effect and reduced blotches or wrinkles. She cut the margin for middlemen by limiting sales to online channels only, which shortened the time from manufacture to delivery to users.

"I was sure that if those who suffered atopic dermatitis or sensitive skin tried the toner once, they could become regular customers. At present, the market for sensitive skin is said to be 80 billion yen, and the potential market is much



“Vegellia Blend Lotion”



Blend two kinds of liquid right before use

larger. I believe the toner can exploit this new market.”

Ms. Sato became confident in the product and decided to start her business. She studied up on startups for one year by attending a seminar for entrepreneurs held by Utsunomiya City, and visiting the Small and Medium Enterprise Management Consultants. She also visited the pharmaceutical division of Tochigi Prefecture several times to apply for approval under the Pharmaceutical Affairs Act (manufacture of cosmetics and manufacture and sales of cosmetics). To limit the initial investment, she kept costs to a minimum by, for example, registering the company, applying for approval under the Pharmaceutical Affairs Act, building the website, and designing the product herself. In addition to using her own funds, she acquired a subsidy from the Startup Support Program for Creating Local Demand in fiscal 2012 and obtained a loan from a regional bank and Japan Finance Corporation, establishing Wealthy Life Lab, Inc. on May 10, 2013. And finally, she successfully commercialized the product in December 2013 nine years after she started to make the homemade toner. Her husband resigned from his job at the cosmetics company and is now the company’s technical advisor. He is in charge of logically “translating” feminine sensibility, which hasn’t been easily understood, as well as supporting technical aspects. In this way, their mutually complementary relationship facilitated the establishment of a new business style.

◆ **Future business development and tasks**
Secondary products born from love for
her hometown. Foam face wash with
“Kanumatsuchi”

The catalyst to start her business was the wish “to help

those who suffer from skin troubles,” but Ms. Sato had another passion in establishing the company.

“I was born and raised in Utsunomiya and I love the city I have come to know so well. However, the damage caused by the Great East Japan Earthquake still has a lasting effect; specifically, the reputational damage to crops is serious. Although human resources and goods flowed into the region for three years after the earthquake, I now feel the situation is getting left behind little by little. That is not good. I am extremely eager to galvanize the region. To do so, we will produce goods related to special local products of Tochigi through the company, and make an appeal throughout the nation.”

From this passion, she launched the “Souvenir Cosmetics” brand as a product development concept for “cosmetics that use local products and can also serve as a souvenir.” Its first developed product is “Macaroon Clay Foaming Face Wash,” released in August 2013. It is a face wash that blends in “Kanumatsuchi,” a gardening soil that is a local product of Tochigi. It cleans extra dirt and oil off your skin while keeping moisture in, and doesn’t leave your skin tight after washing. The cute package that mimics the macaroon, a Western confectionery, was selected as a Tochigi Prefecture Good Design Product (T-mark). It is sold at Michi no eki (roadside rest areas) in the prefecture, Japanese inns, and antenna shops of Tochigi Prefecture. The souvenir, which adds value to the local product, definitely appeals to women. The face wash won approval from local dermatologists and, along with the toner, received a request as an original equipment manufacturer (OEM) product in 2015.

“Concerning cosmetics, our business will mainly be as an OEM for manufacturers and hospitals, etc. And through various fields other than cosmetics such as Internet business (website building with a 360-degree panoramic virtual function), local materials, and facilities without being bound by categories, we would like to deliver Tochigi’s attractions throughout Japan and the world.”

The company’s driving forces are her love for Tochigi, her desire for the region’s recovery, and a unique feminine perspective. Let’s pursue the true recovery that the female entrepreneur envisions.



“Macaroon Clay Foaming Face Wash”

Case

2-2-3: Mankindo

(Oume City, Tokyo)

(Mobile Thai curry food service)

<Employees: 0; Capital: ¥1.5 million>



Hiroe Konno, President

Food service through a mobile vender vehicle is what she tried in order to balance raising a child with a job

◆ Background of the business

Because I wanted to manage my own time, I valued “flexibility” in a new job

As is often the case with full-time working women when they have children, they are conflicted about how to balance work and child-rearing. Day-care centers exist as a support system, so that both husband and wife can supposedly work full-time without causing problems in child-rearing. However, children may develop fevers during parents’ working hours, or unexpected overtime may cause a quarrel over which parent should pick up the children. Ms. Hiroe Konno, who had worked for the accounting department of U.S. Yokota Air Base for 10 years, also returned to work when she put her first child in a day-care center six months after giving birth. After a while, she began to have major worries.

“When I went to the day-care for pick up, my child looked at me and his unsmiling face seemed to say, ‘Who are you?’ However, he gave cute smiles to the nursery staff. As such days went by, I doubted myself, ‘Wait, is it okay as a mother to leave my child to someone’s care for 10 hours a day?’ If he smiled at me when I went to pick him up, I might still be working at Yokota Air Base now.”

That was Ms. Konno’s turning point; she decided to resign work at the base and start a new job. She valued “high flexibility.” For example, no matter how understanding a workplace may be for child-rearing, you are bound by working hours as long as you are hired by someone. Ms. Konno looked for a job where she could set her off hours and manage her own time, and reached the idea of food service by mobile vender vehicle. From the beginning, she thought about the food service business, but didn’t choose

opening a restaurant.

“Because the purpose of the job is to have time with my child, I considered offering only lunch. Then, renting a restaurant space seemed to be a waste of money. Besides, if I opened a restaurant, I would be bound by the place, which doesn’t differ from when I worked for the base. In that regard, mobile sales would let me cook at home, sell the food quickly at lunchtime, and go back home soon. Also, if the sales hour is limited to lunchtime, I can put my son in the day-care only for a short time.”

◆ Turning point for the business

The first food service she tried was with striking Thai curry. As I sold out day after day, customers started saying, “Still available?”

Boarding the vehicle “Mankindo” with these various hopes, she started to drive the Thai curry sales via mobile vender vehicle in spring 2006. Renting land along the highway a few minutes from her place, she set the hours of business from 11 am to around 12 pm. The menu has just one dish, the daily special curry, and the day’s business is over when the prepared number of meals (30 to 50 meals) is sold out. In the beginning, she prepared five kinds of Thai curry for a week. “Why Thai curry?” you might think. The region is not exactly an urban area, where ethnic food is preferred. Frankly, there lies Ms. Konno’s uncompromising philosophy of food. Namely, “I would like others to eat what I think is delicious from the bottom of my heart.”

“Yokota Air Base always throws a farewell potluck party when a staff member resigns or goes back to his or her home country. The staff members come from various countries, such as the Philippines, China, Canada, the U.S., Thailand, and Japan, so I had chances to appreciate home cooking from various countries. There, I encountered “chicken green curry” from Thailand. It felt like my heart, or rather my stomach, was penetrated. So I just automatically believed, ‘I should let everyone taste such a delicious curry.’”

It was a natural outcome to choose Thai curry when Ms. Konno decided to begin food service, because she couldn’t forget the amazing experience.

Of course, authentic Thai curry isn’t that suitable to many Japanese people’s taste because of its hot and spiced



Mankindo is a mobile vender by minicar



The feature dish, “Chicken green curry”

flavor. So she adjusted the flavor for Japanese people’s liking by consulting with a friend from Thailand who introduced Thai curry to her. Thanks to these efforts, her curry sold out quickly on the first day. Ten years later, it is still so popular that it sells out in almost one hour.

◆ Leap forward for the business

The Lehman Shock, and a shift toward depreciation of the yen. A surprising idea helped to weather the soaring cost of ingredients

The good start gave her back time to spend with her son. However, there are always good and bad times in business. The Lehman Shock presented all food service businesses in Japan with a predicament. Because the price of many cooking ingredients went up, most restaurants cut costs of ingredients, reduced portion sizes, and degraded taste to cope with the hardships. The same applies to the present, with imported food prices rising because of the shift toward a weakened yen. However, Ms. Konno faced the economic downturn in a way that would be surprising under normal circumstances.

“I thought in a contrarian way. I got rid of the set drink and made the curry more delicious using rather expensive ingredients. The customers accepted the set without a drink because they understood the economic difficulties, and some even brought their own water bottles. On the other hand, the curry’s quality did not deteriorate but rather became tastier. Because these days customers, specifically elderly people, have a discerning palate, I could not degrade quality. I tried not to lose my regular customers’ confidence that way.”

That is Ms. Konno’s second philosophy of food: “Don’t offer anything you don’t think is delicious.” This sounds like a stubborn restaurant chef, but Ms. Konno is also characterized by flexibility. Because when the customers requested, “I like Thai curry, but I want to try other kinds of curry as well,” curry with pork cutlet or hamburger curry appeared on the daily special menu. What Ms. Konno keeps in mind is to cook meals that she thinks are delicious with safe and good quality ingredients.

In addition, there is one more thing that Ms. Konno cares about regarding customer service. That is the phrase “people watch who they buy from” that the auto mechanic

who remodeled her mobile vender vehicle told her. For example, say “be careful on your way home” to elderly people, or double-wrap the curry for customers on bicycles. Because she keeps firmly in mind that good business needs more than just maintaining good taste, the regulars seem to visit “Mankindo” regardless of economic conditions, always saying the words, “Still available?”

◆ Future business development and tasks

Time to make a life plan for the next 10 years.

Make a giant leap or find a new joy

Ms. Konno’s son, who was the catalyst for her to start Mankindo, is now 12 years old. When his school is over before noon, he runs up smiling to Ms. Konno at work on his way home. That is when Ms. Konno truly feels that, “I am glad I decided to start the business.”

Ms. Konno has achieved the goal of a good relationship with her son and the success of “Mankindo” for now. She says this year is the time to envision the next expansion.

“I have changed a lot every 10 years. After ten years at Yokota Air Base and 10 years at ‘Mankindo’, I am thinking what to do over the next 10 years. For example, leave someone in charge of this place and begin a new store somewhere, increase the number of such mobile vender vehicles, or try a totally different thing after recharging myself for about six months. Taking the current economy into account, I would like to do something interesting over the next 10 years.”



Tables are in the back of the premises.

Case

2-2-4: Minami Kazuei Tax Accountant Office (Komatsu City, Ishikawa Prefecture)

(Certified tax accountants' office)

<Employees: 2>



Kazuei Minami, Tax accountant (right) and his wife, Tomomi (left)

Realizing a dream private practice. Support the success of business owners from a tax, accounting, and management planning perspective

◆ Background of the business

Decision made to become tax accountant because of the company he entered as a new graduate

Some business owners of small enterprises such as sole proprietors consider accounting as a secondary issue or, if we speak unfavorably, they use rough estimates because day-to-day business is busy. Also, quite a few business people get the whole year's accounting straight just before book closing or the final tax return. It is certainly time consuming and troublesome when you are not used to keeping books properly or writing tax related documents. Since opening his own practice in August 2011, tax accountant Mr. Kazuei Minami welcomes business owners who come for advice on such "troublesome matters." But he wasn't initially interested in accounting or tax affairs either. The trigger that led him to become an accountant was his previous job.

"After graduating from a university in my hometown in Ishikawa Prefecture, I joined a construction company in Wajima City. I happened to be assigned to the administration department to handle the company's accounting. Although I was not particularly good at numbers, I became interested in accounting in the course of dealing with numbers everyday while asking staff at the tax accounting office many questions. Also, I liked getting qualifications as a kind of hobby, so I obtained the Real Estate Transaction Specialist and Certified Administrative Procedures Legal Specialist qualifications during my college years. That's why I think I became interested in the tax accountant qualification through day-to-day work."

A growing desire to become a tax accountant led him to resign from the construction company in 2001 at the age of 28. He returned to Komatsu City and entered a tax accountant office. He gained work experience by visiting customers as a staff member to check whether the books match receipts and bills or advising on how to complete tax return forms.

Then he obtained the tax accountant qualification in 2011, deciding after that to become independent and open his own office.

◆ Turning point for the business

Serving as a tutor at entrepreneurship schools and volunteering as a pro bono tax consultant, his business is now thriving with roughly 20 customers

Even with 10 years of hands-on experience, it was his first time as a business owner himself. Wasn't he afraid of the lack of a fixed salary or no security?

"I was worried a little, but I had made up my mind to go independent when I decided to become a tax accountant. I had a strange confidence or momentum, despite no promise of success. I didn't have many customers at first. I was thankful when two business people who were professional contacts from my former tax accountant office became my customers."

When he opened his office, his wife Tomomi was expecting their third baby. She looks back on that time.

"When he told me about going independent, I was pregnant and had just quit my job. But he kept saying, 'I will have my own practice as a tax accountant in the future' since before our marriage, and I knew he was trying hard for 10 years, so I said, 'We can work it out'."

Soon after he opened his office, he found out about "the startup class" hosted by the Komatsu Chamber of Commerce and Industry. It was a workshop aimed for would-be entrepreneurs and second- or third-generation business inheritors. A part of the curriculum included practical classes on, for example, the social security system, loan systems, accounting and tax affairs, and the sharing of startup experiences or mental preparation by business owners.

Mr. Minami took the course because it seemed to be a good way to learn about running a business and to make contacts with colleagues dreaming of successful startups. He still has business study sessions a couple times a year with those he met there. In order to exchange information and get tips on business strategy, he still considers these connections from "the startup class" very precious.

Furthermore, he has lectured on accounting and tax affairs at "the startup class" since 2012 by request from the Chamber of Commerce and Industry. He is also active as a dispatched accountant for "the startup screening system," through which the Chamber sends a specialist pro bono, and as a consultant sent by the Komatsu branch of the



Giving a lecture at “the startup class” hosted by the Chamber of Commerce and Industry

Hokuriku Certified Public Tax Accountants’ Association to provide free consultations.

“I’m glad to actively work with them, because it’s also a chance to let many people know of my work.”

Many people must have discovered Mr. Minami’s character and serious attitude toward his work through those activities. By his third year, he had 20 customers. One tax accountant can handle at most 30 customers. The number of customers is still increasing this year, and his wife now supports his work as a staff member.

◆ Leap forward for the business

The leading players are consistently business owners. Tax accountant is a backseat player to provide a chance for success

Mr. Minami has a busy daily life. Most of his customers are small enterprises, but he considers communication with business owners very important regardless of the company size. As part of this, he conducts “routine monthly checkups” every month. He visits his customers to check whether they are maintaining their books properly or business is proceeding as planned. When there are management problems, he devises a management strategy and meets with the customer as often as possible to come to a mutual understanding.

“Of course you can expect me to manage tax affairs and accounting well because I am a tax accountant. Yet I also hope to engage with customers for the purpose of management consulting, so that the business can develop by supporting the management plan. However, the success or failure of the business depends on the business owners in the end. My role is to let the business owners recognize

the current status of the businesses to provide a chance to change the way they think and act.”

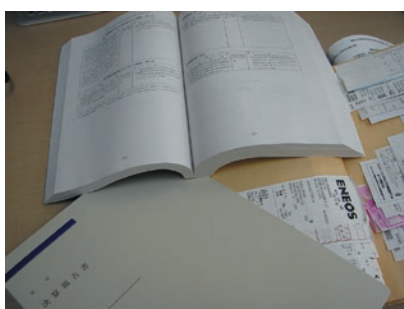
The stance is that the leading player is the business owner and the backseat player is the accountant. For example, for a restaurant whose financial situation had rapidly deteriorated, he explained how much loss the business would suffer this year by showing specific numbers if the business was managed the same way as last year. He illustrated how much cost was wasted, and in which parts of the business, to let the client recognize the current situation. And he did it without being obtrusive. Because Mr. Minami isn’t a “professional restaurant owner” himself, and the customer is better at it. After receiving the advice on accounting from the tax accountant, the customer revamped the menu to reduce costs for ingredients and tried to keep regulars by creating a point card system. The business owner personally thought about “how to overcome the management crisis,” carried out a plan, and increased sales.

◆ Future business development and tasks

Hoping to revitalize the region by supporting small enterprises

“Being a new entrepreneur myself, I want to support similar small enterprises in particular. But recently in my hometown, the number of companies going out of business because of the economic downturn or a shortage of successors is increasing. It is sad to see my hometown in a slump. To avoid letting that happen, I would like to support them and give a boost to this city that we share.”

His office is currently certified as a Support Agency for Business Innovation, and he supports the formulation of business planning between financial institutions and business owners so that financial assistance smoothly progresses. If the tax accountant considers things from the business owners’ perspective, the owners can leave accounting or business planning up to the accountant without concern. And for Mr. Minami, the road to follow in tandem with business owners has just started. He will walk with them until he helps them realize their “success.”



Conducting the “routine monthly checkup” (image)



Exterior of the Minami Kazuei Tax Accountant Office

Section 2

Cases of product development through agriculture-commerce-industry or industry-university-government collaborations

This section provides the following three case studies about small enterprises that undertake product development through agriculture-commerce-industry collaborations or industry-university-government collaborations.

- Case 2-2-5 Ogawa Motors Ltd. (Miyoshi City, Hiroshima Prefecture)
President: Harutaka Ogawa
(Sale, repair, maintenance, and sheet metal work of motor vehicles, gasoline stations, etc.)
- Case 2-2-6 Mizuho Foods Corporation (Fukushima City, Fukushima Prefecture)
President: Hiroko Koseki
(Manufacture of food)
- Case 2-2-7 New Life Corporation Ltd. (Hida City, Gifu Prefecture)
President: Takeo Shimode
Executive director: Noritaka Shimode
(Development, manufacture, and sale of energy-saving curtains)

Case

2-2-5: Ogawa Motors Ltd.

(Miyoshi City, Hiroshima Prefecture)

(Sale, repair, maintenance, and sheet metal work of motor vehicles, gasoline stations, etc.)

<Employees: 3; Capital: ¥10 million>



Harutaka Ogawa,
President

“I would like to structure a support system for small enterprises to realize a vibrant city with a variety of businesses”

◆ Background of the business

A serious crisis encouraged him to decide to help local people

Kounucho in Miyoshi City, located in central Hiroshima Prefecture, is an inland basin surrounded by mountains about 600 meters high. The large temperature differences within a day have produced its famous great rice with rich starch since early times. Ogawa Motors Ltd., founded in the Taisho Era (1912 to 1926), has expanded its business along with changes in the times from the sale, repair, and maintenance of bicycles to the sale of motorcycles, automobiles, and fuel, and has established roots in the region by supporting the transport necessary for people's work and life.

For Mr. Harutaka Ogawa, born as the first son of the Ogawa family, taking over his father's business was “matter-of-fact.” After graduating from university, he worked for an auto dealer in the prefecture for training. Two years later, he returned to his father and became the fourth president of the company in 2007.

However, the company was afflicted by a terrible problem the following year. A fuel tank at its gas station was damaged because of deterioration and a design defect, causing a big accident in which about 5,000 liters of gasoline leaked into the ground.

“If the gasoline had leaked into the main stream of a nearby river, it could have caused compensation problems. ‘Closing the business’ came to mind as I worked tirelessly to prevent leakage by setting up oil fences and cotton swabs, and I felt so sorry for causing the local people problems. However, the familiar faces of locals not only helped me to deal with the crowds of people from the media and the fishery industry, but also encouraged me by saying, ‘We will be in trouble without your shops. Hang in there.’ That was the moment when my perspective of the town, which I hadn't thought deeply about until then, changed completely. I became aware that the business has grown from the supportive relationships with the community since my great-grandfather's generation, and I was still benefitting from that faith.”

Mr. Ogawa positioned that day as the “starting point of a second life,” and determined to spend the rest of his life in the town. Then he started thinking seriously about how to give back to his hometown and what he could do for the community.

◆ Turning point for the business

Connect people, technology, and regional resources to develop various products

After re-establishing his shop, Mr. Ogawa launched various businesses to contribute to the region. In particular, the car cleaning business was one he had been striving for to make use of his auto industry experience with the family business even before the gas station accident, with his strong wish to create manufacturing business in the region that can attract employees from outside the prefecture. Therefore, he established Ripica, Inc., with the aim to develop a unique car shampoo in tandem with his junior from a university club, Mr. Kazufumi Tsukihashi. Mr. Tsukihashi had been researching silicon at a chemical trading company and had a groundbreaking idea for developing car shampoo. They invented a liquid car shampoo with a coating effect that allows cleaning and waxing at the same time. The shampoo, which is usable on rainy days and puts a lower burden on the environment, garnered a big response from the auto supply industry.

“A store manager of a major auto dealer in Hiroshima Prefecture adopted the product, noticing that it was a ‘prefectural product’, which sparked popularity and made it a big hit nationwide. I was glad to see that my wish to lead manufacturing businesses into Kounucho came to fruition. Ever since he became a company president, Mr. Tsukihashi, who relocated to Kounucho, which was not his hometown, has produced popular products such as ‘Fude Shampoo’, a shampoo used exclusively for calligraphy ink brushes that decomposes silicon. Furthermore, he is active as a member of the Kounucho community, such as participating in a local Kagura (sacred music and dance performed at shrines) group and a fire company, and he



Ripica Coating Car Shampoo



Asparagus leaf powder

became the chief of the Youth League of the Miyoshi Large Area Commerce and Industry Association.”

In March 2012, Mr. Ogawa also launched “GANBO,” a nonprofit project team for regional revitalization and is working to discover resources and attractions of Kounucho.

First, the NPO worked to develop an asparagus powder through collaboration with local farmers and companies. Other than buying non-standard asparagus from farmers that cannot go to market and selling it through its own sales channel, the NPO developed an “Asparagus powder,” with leaves and stems treated with high-temperature heat and processed into powder without losing nutrition. The special powdering technology is conducted by Seto Tekko, Inc. in Kure City, Hiroshima Prefecture, and is certified as an “industry-university-government collaboration” by the local Miyoshi Large Area Commerce and Industry Association. The NPO requested that the Prefectural University of Hiroshima conduct an analysis of the powder’s ingredients. The result revealed that asparagus leaf contains 115 times more rutin than buckwheat, which created added value that boosted the competitiveness of cakes and confectionaries that used the powder. Cheesecakes and waffles that contain the powder were produced and enjoy brisk sales.

◆ Leap forward for the business

Solicit companies’ cooperation to save agriculture from crisis; “Smile 10a”

The next project of the NPO “GANBO” was a rice growing experience that used idle farmland. It received a huge reaction, with a total of 150 people a year participating from nearby cities such as Hiroshima, Fukuyama, and Onomichi. After raising the seedlings, planting the rice, and mowing the grass, participants harvested the rice themselves as a finale.

The extension of the agricultural experience was “Smile 10a.” The business concludes sales contracts with urban companies for rice cultivated with a reduced amount of agrochemicals by farmers in Kounucho on 10-acre (100 sq. meter) planting zones. Recently, more and more farmers are closing farms nationwide due to an aging population and a shortage of successors, and Kounucho is seeing the same trend. Concerned about the situation, Mr. Ogawa established the Ogawa Store separately from his main Ogawa Motors Ltd. and launched the business.



Commercial name can be printed on the rice bag

“On the contracted farm field, the company can put up a billboard with its logo to promote the company’s image, as well as use the harvested rice as a benefit package, promotional item, or gift. The farmers also benefit from the fact that the rice can be purchased at a slightly higher price than free-market rice. We hear a lot of people saying motivation for growing rice has improved because of the visibility of both producers and consumers.”

Supported by the Miyoshi Large Area Commerce and Industry Association, the business was selected for the supplementary budget of the Startup Support Program for Creating Local Demand in fiscal 2013.

◆ Future business development and tasks

Create an environment for “small employment capacity” to build a town with various industries

“The general idea to rejuvenate regional economies is to create a so-called ‘large employment capacity’, such as by attracting factories that can take on a large number of workers or establishing joint public-private ventures that utilize regional resources. Instead, I think that creating an environment for producing a lot of ‘small employment capacity’ is important. If we support 10 entrepreneurs and each of those generates four or five jobs, 50 people’s livelihoods can be secured. If the environment allows anyone to produce ‘small employment capacity’ whenever they decide to, the town will be filled with various industries that generate vibrancy. I hope ‘GANBO’ and the ‘Ogawa Store’ are used as a support system for that.”

Mr. Ogawa says consistently sustaining such an approach without hastily pursuing goals is important.

“Kounucho’s population around 1950 when my father was born was about 7,000 people; it has declined to about 2,600 people now. Because about 44% are elderly people older than 65 years old, it is not so easy to revitalize the town. However, the strengths of the people in Kounucho are that they are friendly and cheerful. If an environment exists where people can live pleasantly, the atmosphere will be conveyed outside and people wanting to live in the town will increase. I believe what I envision is not a fantasy but something that we can realize if we keep trying.”

Case

2-2-6: Mizuho Foods Corporation

(Fukushima City, Fukushima Prefecture)

(Manufacture of food)

<Employees: 1; Capital: ¥3 million>

Passing on mother's exact flavors. Deliver Fukushima flavor through additive-free pickles



Hiroko Koseki, President

◆ Background of the business

Completely additive-free. All work is done by hand

The popularity of food that highlights safety such as organic, chemical-free vegetables and additive-free food is growing along with consumers' rising awareness. Hiroko Koseki, the president of Mizuho Foods Corporation, a pickle manufacturing company in Fukushima City, Fukushima Prefecture, is also particular about additive-free and handmade food and follows the traditional way of pickling.

"Because I was born on a farm in Fukushima, I ate homegrown vegetables as a child, and my mother even made miso, soy sauce, and natto. I grew up eating homemade food that was completely additive-free. People in the past would preserve food with no food additives like preservatives or coloring. Such techniques should be passed down and I would like many people to enjoy traditional pickles."

Ms. Koseki's parents place was located in the Mizuho district at the foot of Mt. Azumakofuji. She used the district name "Mizuho" for her company's name as a reminder of her particular way of making products. That is why each step in the process is performed completely by hand, despite involving tons of ingredients.

Among the roughly 15 kinds of products that Ms. Koseki makes and sells, the company's featured pickle is the peach pickle called "Subtly Peach." Although Fukushima City is the largest producer of peaches in Japan, peach pickles are rare and seem to require a little courage to try. However, this peach pickle was the catalyst in creating the company.



Everything is handmade, include packaging

◆ Turning point for the business

The goal of starting the business was just one thing. I am eager to recreate the flavor my mother made!

The inventor of "Subtly Peach," which was born about 40 years ago, was Ms. Kiyoko Sato, the chief of the Agricultural Cooperative Women's Group as well as Ms. Koseki's mother. She thought about reusing peaches that couldn't be shipped to supplement her income a little, and that was the beginning.

The members of the women's group tried to develop the product in between farm work. After three years of trial and error, the pickled peach in sweetened vinegar, "Subtly Peach," was born. It soon grew popular due to its great taste, and was sold in department stores and covered by the media, probably due to its rare pickle ingredient. Production volume peaked at a few tons per year. However, around 1991 or 1992, production stopped because members were aging and there were no successors. "Subtly Peach" disappeared from the market.

"I always wished to someday recreate the local specialty food my mother made. When I turned 45, I thought about changing jobs because I didn't get along well with the president of the company I worked for at the time. But I couldn't find a new job because of the disadvantage of my age. Hoping to find a workplace, I thought, 'Why don't I start my own company to produce my mother's pickles?'"

When she told her mother, Ms. Kiyoko, she was pleased with the plan as if it were her own. Ms. Koseki had experience working for a food manufacturer, where she handled accounting, managed a factory and a store, and managed human resources all by herself. Thus, although she had never run a company, she had similar experiences,



The peach pickle "Subtly Peach"

so she was not worried about starting a business.

In July 2000, she took a step toward recreating her mother's flavor by establishing Mizuho Foods Corporation.

◆ Leap forward for the business

Recreate the peach pickle that was popular 40 years ago through the traditional process

After starting the business, she spent days experimenting with making the product while working elsewhere to make ends meet. At first, even her mother and the members at the time got together and taught her how to make the pickle.

"We peel each peach's skin individually, cut them, preserve them cured, and then pickle them in homemade plum vinegar for about one week. We take them out and put them in again many times because they would ferment if kept in the plum vinegar. I'd heard of the process before, but hadn't imagined it required such great care."

In April 2001, she rented a property for the office and factory using a bank loan of 3 million yen. With the work floor expanded, she started to rapidly expand the product lineup, including the local delicacy "Squid with carrot," and "Yuzu-wrapped daikon radish", second only to "Subtly Peach" in popularity.

Naturally, she thoroughly scrutinizes the cooking ingredients and all of which are produced in Fukushima Prefecture. For instance, the peach is the "Ôkubo," which is used for canned peaches; the ume plum is the "Takadaume," which is meaty and large; and the yuzu was from Shinobuyama in Fukushima City, although it has been replaced Tokushima yuzu because shipments of the former are banned due to the nuclear accident.

However, despite scrutinizing ingredients and taking time to produce the products, they didn't sell very much for the first two years.

"I asked the Tourism and Local Products Association in Fukushima to let us open a booth at regional products fairs throughout the country. At first, in addition to the poor location of the booth at a fair, I didn't know how to attract customers. There even was a day when sales totaled only 10,000 yen. As I studied how to sell and display products by observing other booths and encouraged customers to taste the products at regional products fairs about twice a month, the sales gradually increased."

She had regulars by the third year while sales doubled from the previous year, and enjoyed ever-increasing sales thereafter. The yearly consumption volume of peaches reached 14 tons in 2009, and she expected further growth.

However, when the Great East Japan Earthquake hit on March 11, 2011, the company started to suffer the effects of the accident at the Fukushima Daiichi nuclear power plant.

◆ Future business development and tasks

Sharp decline in sales caused by the nuclear accident. The effect still lingers after four years

"Customers who are particular about additive-free food

are also sensitive about radioactivity. Although it has been four years since the earthquake, the effect endures behind the scenes and the customers haven't come back yet."

The nuclear accident greatly damaged the steady growth of sales. Although reputational damage to crops is waning because four years have passed, sales have not returned yet. And to make matters worse, acquiring the ingredients is getting difficult.

"Shipments of yuzu from Shinobuyama, which is well known as the 'northernmost yuzu', are still banned. Even if the suspension was lifted, more and more farmers are closing their farms. One of our partner farmers also had to cut its peach trees and ume plum trees last year. We have to find alternate farmers but it is quite hard because it is not like any ingredients will do. Even in such a situation, I would like to stick to Fukushima produce. I know the merits and taste of Fukushima as a born and bred Fukushima person. I would like to deliver it to people throughout Japan."



Vegetables grown in the nature of Fukushima

Case

2-2-7: New Life Corporation Ltd.

(Hida City, Gifu Prefecture)

(Development, manufacture, and sale of energy-saving curtains)
<Employees: 4; Capital: ¥6 million>



Takeo Shimode,
President

Three-layer curtain realizes energy-saving effect. New materials under development through collaboration with a university

◆ Background of the business

Warm in winter, cool in summer. Self-developed “Air Sandwich Curtain”

Products that are nothing special nowadays were once something that no one easily could come up with. The energy-saving curtain, which keeps warm air in the room and blocks sunlight to keep coolness in the room as well, is such a product. It was 2007 when New Life Corporation Ltd. in Takayama City, Gifu Prefecture developed and launched the “Air Sandwich Curtain” with groundbreaking heat insulation capacity.

Takeo Shimode, the inventor of the curtain and the company president, sought good heat retention in a curtain.

“Room heat mainly escapes through the windows. Heat loss through windows is 48% in the winter. I thought it could save energy if this loss was prevented. Then I considered the warmth of a down jacket or dotera (padded kimono). They create a layer of air where the feathers or cotton are, which keeps body heat in the jacket. I thought why not apply the same principle to curtains.”

The “Air Sandwich Curtain” has a specially sewed, three-layer structure that sandwiches the raised fabric to hold enough air between the outer and back fabric. It creates two air-filled layers between three layers of different material, which enhances the thermal effect. On the other hand, to prevent radiant heat from entering through the windows in summer, a thick fabric with a strong light-blocking effect was used for the ‘back fabric’ that faces the window. Keeping warm in winter and cool in summer through the functions of ‘retaining indoor heat’ and ‘blocking outdoor heat’ saves costs for cooling and heating, and also contributes to reducing CO₂ emissions.



“Air Sandwich Curtain”

◆ Turning point for the business

Trial and error through self-built experimental device. Completed after four years of development

Mr. Shimode had worked for a major textile manufacturer in Osaka for 10 years. With this experience, he returned to his hometown Hida Takayama at the age of 28 to start his own business selling interior goods, mainly custom-made curtains, and conducting interior construction.

“Hida Takayama has a cold climate where the temperature drops to minus 15~20°C in winter. The hours spent inside are long, so people are very interested in interior decorations and there are many customers with particular tastes. I didn’t have the idea of using curtains for heat-retention or heat-insulation, but rather design was the benchmark in selecting products when I started the business. Under these circumstances, I came up with the idea to make energy-saving curtains because I had knowledge about cloth and textiles that I learned at the textile manufacturer.”

Having said that, he had to order a lot of fabric and repeated trial and error to reach an effective combination of fabric. Mr. Shimode spent days and days sewing three pieces of fabric together on the sewing machine himself, while monitoring the relationship between fabric and temperature through an experimental device equipped with 200-watt incandescent lamps.

“The experimental device was something I made, so the acquired data was just a rough indication. In the next phase, I ordered measurements at the Japan Textile Products Quality and Technology Center. They measured the temperature change of single-layer curtains and three-layer trial curtains by applying the same volume of heat. That proved that some



Mr. Shimode's self-built experimental device

of the trial products had a sufficient thermal effect.”

Some of them were 6.8°C more thermally effective than a single-layer curtain. However, even with the thermal effect, high costs made them unsuitable for commercialization. Or the heavy total weight would put burden on the curtain rail and also make commercialization difficult.

“An extra process was necessary because of the three layers. I had to consider various technologies, and it was four years after I started development when a satisfying product was completed.”

◆ Leap forward for the business

Rather than compete with major manufacturers, aim for a niche market with products focused on functionality

This is how he developed the “Air Sandwich Curtain,” which was certified as a Business Innovation Plan and went on sale in 2007. New Life Corporation Ltd. made a leap forward from interior goods distributor to curtain manufacturer.

“Rather than compete with major manufacturers, I aimed for a niche market by developing products with a focus on functionality. I have been operating a showroom specializing in curtains, ‘ai-curtain’, since 1998, where I have the advantage of being able to listen to customers’ voices directly.”

Major mail-order manufacturers started to sell the product in 2011 after assessing its distinctiveness, and the company’s sales have improved by 10%~20% every year thereafter. The company has received customers’ testimonials, such as, “I haven’t felt cold sleeping near the window since I set up this curtain,” or “There was a lot of condensation on the windows before, but it has been much less since I installed the ‘Air Sandwich Curtain’”.

Mr. Shimode’s eldest son and Executive Director of ai-curtain, Mr. Noritaka Shimode, who worked in customer service for the developer and manufacturer at the time, looks back, “To be honest, I was surprised when our president brought up the development idea for the ‘Air Sandwich Curtain’. There was no guarantee of success, and I had been half in doubt until the very end whether it would really come to fruition. But I realized we had made a great thing when I heard our customers’ compliments.”

◆ Future business development and tasks

Research new materials through industry-university collaboration. Hope to contribute to the community through curtains

Mr. Shimode maintains research and development of new materials in an aim to improve the “Air Sandwich Curtain.” The current challenge is to pursue the feasibility of new materials such as carbon fiber that utilizes Japanese paper or binchotan charcoal, as well as hollow fiber. The company measures the effects with Gifu University through an industry-university collaboration.

“In particular, I sense great potential for a curtain fabric that uses Japanese paper. Utilizing the absorbability of Japanese paper, new products with unprecedented functions could be realized. This project was also certified as a Business Innovation Plan, and we are currently in the research phase. I intend to emphasize a ‘Made in Gifu Prefecture’ aspect by using Mino Washi Japanese paper. I am actively involved in the region’s cultural activities, such as being the director of the Hida City Cultural Exchange Center, a representative of Ryutekitai of the Hida Furukawa Festival, and a climate change action officer. I would be delighted to contribute to the community more than ever by developing an insulation curtain that uses Japanese paper, which would be unprecedented globally.”



The “ai-curtain” showroom, specializing in curtains
On the left is Mr. Noritaka Shimode, Executive Director

Section 3

Cases of opening up new markets by shifting toward different industries or venturing into new businesses

This section provides three case studies about small enterprises that are working to open up new markets by shifting toward different industries or venturing into new businesses.

Case 2-2-8 Nishiura, Inc. (Tottori City, Tottori Prefecture)

President: Nobutada Nishiura

(Leasing, development, and manufacture of medical instruments and sanitary goods, building renovation work for care services, etc.)

Case 2-2-9 Top Tecno Ltd. (Sabae City, Fukui Prefecture)

President: Yoshikazu Ichino

(Development, manufacture, and sale of thermal storage zabuton (Japanese cushions), cushions, and foot warmers)

Case 2-2-10 Onabegumi, Inc. (Matsusaka City, Mie Prefecture)

President: Tetsuya Onabe

(Construction)

Case

2-2-8: Nishiura, Inc. (Tottori City, Tottori Prefecture)

(Leasing, development, and manufacture of medical instruments and sanitary goods, building renovation work for care services, etc.)
<Employees: 15; Capital: ¥43 million>



Nobutada Nishiura,
President

The determination of the second-generation president, who successfully entered the care service industry from construction

◆ Background of the business

As bankruptcy loomed, decision to withdraw completely from public projects

Nishiuragumi, Inc. has been engaged in building infrastructure in the region, with a focus on public projects such as roads and mudslide-control dams, since its establishment in 1980. In 2004, the company ventured into the residence renovation business for nursing care and changed its name to Nishiura, Inc. The mastermind was the son of the founder and president who entered the company 10 years before, Mr. Nobutada Nishiura.

“At first, we sometimes received harsh comments like ‘What does a construction company know about nursing care’, but we had no choice but to explore different industries, given the drastic decline in public projects. While participating in training courses on barrier-free buildings or residences designed for nursing care, and acquiring qualifications such as the Housing Environment Coordinator for Elderly and Disabled People, we were gradually acknowledged and the orders increased.”

However, because renovating residences for nursing care often took advantage of aid from national or local governments, the order volume sometimes plummeted as soon as the aid was terminated, so it didn’t develop enough to financially support the company. Then, three years later, in 2007, Mr. Nishiura took charge of the company as the second-generation president when his father, the president, fell ill. “I was shocked to find out that the company was 30 million yen in debt, because I hadn’t been involved with the finances. The main bank refused to lend more, and I was told by our tax accountant that there was nothing we could do. I was stunned by the virtual bankruptcy sentence, and on the way back to the company, my mother, who handled relations with banks, murmured from the passenger seat, ‘There’s nothing to do but declare bankruptcy’. Feeling that circumstances were unbearable right after the generational shift, and after deep consideration whether there was anything I hadn’t done yet, I changed course to the Tottori Prefectural Eastern Chambers of Commerce and Industry. I decided to get management advice there.”

With help from the Chambers of Commerce and Industry, he made a daily schedule with detailed cash flow charts to grasp the situation the company was facing. That revealed the reality of “going to bankrupt in one month.” At

that point, Mr. Nishiura determined to withdraw completely from the construction industry and to convert to the care service industry in an attempt to make a comeback.

“I gathered all the employees to convey the news, and asked, ‘If you believe in me, please come along’. Most of the 20 employees chose to resign, and when only two people stayed besides me and my younger brother, who was a board director (current executive director), I almost lost heart. But I felt a new resolve to try my utmost, also for the people who believed in me and stayed.”

◆ Turning point for the business

Starting by studying from the beginning, product development became successful by involving a national university and a listed company

Payments were temporarily allocated by selling heavy machinery, trucks, and construction materials, and then by his wife’s savings and her parents’ support. An uphill battle continued to extend the countdown to bankruptcy by one more month, then another.

“And yet, it’s useless to whine. I entrusted the residential renovation business for nursing care with an employee who was a first-class architect, and I began studying for this next business with my free time. As the president, I studied about diapers including toilet support at ‘Mutsukian’, an information center about toilet materials in Kyoto, and my brother studied about wheelchairs by visiting rehabilitation institutions. We chose diapers and wheelchairs because I’d heard from our clients whose residences we had renovated that, ‘We are in trouble without good products’.”

Making round trips between Tottori and Kyoto for almost one year, Mr. Nishiura acquired the “Diaper Fitter Level One” certification of “Mutsukian” in 2008. Because there was only one person who had the qualification in Tottori Prefecture at the time, local newspaper (The Nihonkai Shimbun) coverage of Mr. Nishiura made him well known. As a result, it was the first step in the revival.

“I started to get inquiries, such as from medical institutions that had problems with toilet support, and from nursing care facilities. In particular, when I visited a facility in Yonago City that accepted children with severe physical disabilities, I witnessed the seriousness of the problem. All diapers available in the market were meant for babies and toddlers or elderly people, but not for disabled people

10 years old and older. So they used multiple diapers to prevent leakage. Then I ordered about 40 kinds of diapers at my own expense to see how combinations of diapers fit for each of them, and suggested the solution to caregivers.”

People welcomed his attitude of explaining meticulously from how to use such diapers to inventory data management, which led to orders from many nursing care facilities.

“Meanwhile, I got a chance to talk at a seminar of the Japanese Society of Pressure Ulcers by medical personnel where I met Associate Professor Bin Nakayama of the Tottori University Hospital. Sitting next to each other at the dinner party after the seminar, we shared drinks and exchanged our thoughts about diapers so eagerly that we lost track of time.”

The encounter led to a collaboration between Nishiura, Tottori University, and Daio Paper Corporation to develop a diaper for adults, resulting in the release of “Attent Double Block” four years later in January 2014. Until then, the mechanism behind diaper leakages had never been closely examined in the medical world. Associate Professor Nakayama successfully analyzed CT scan images for the first time globally. The results received significant media coverage and the product became a hit product.

◆ Leap forward for the business

Medical institutions’ and nursing care facilities’ needs led to the self-developed “Yokkoisho Series”

On the other hand, the effort bore fruit in a field other than diapers. Mr. Nishiura’s brother, who was scouting around for needs by visiting medical institutions and nursing care facilities, attempted to develop various new products. And they started to generate responses.

“For example, magazines or milk cartons were piled on the floor next to Western style toilets at the facilities. When we asked what they were for, the answer was, ‘Residents who cannot reach the floor with their feet use them as a footrest to exert abdominal pressure during bowel movements’. So my brother invented the wooden footrest ‘Sole Support Board’, which is height-adjustable at three levels.”

Also, by listening to and scouting for on-site needs, the company commercialized a “cushion for wheelchairs”



Wheelchair Table

with a non-slip surface, as well as a “Wheelchair Table” that is removable by sliding. “The ‘Wheelchair Table’ in particular became very popular. Elderly people who had required support when dining because the table was at the wrong height could now stabilize their upper body with their elbows, so they could hold a spoon and eat by themselves. These self-developed products are flagship products called the ‘Yokkoisho Series’ that support the company.”

◆ Future business development and tasks

We would like to accumulate a track-record as a model case of a company that was able to withdraw from public projects

Presently, the share of Nishiura’s diaper delivery to hospitals and nursing care facilities in the Sanin region centering on Tottori Prefecture grew to over 50%. In addition, the company has built many core businesses such as the development, manufacture, and sale of self-developed products such as those of the “Yokkoisho Series,” the leasing of medical instruments, and the residential renovation business, and so the company has become financially stable.

“An unforgettable incident was when the example of our company’s shift from construction to the nursing care industry won the top prize at the management support presentation event of the Tottori Prefectural Federation of Societies of Commerce and Industry in March 2012. When I told my father via cell phone first and foremost, I heard a tapping sound twice on the mouthpiece. That was his message of ‘Congratulations. You did it’, since he had lost his voice due to an operation for larynx cancer. He passed away a few days later but the approval of my father, who had been against shifting to a different industry, gave me huge confidence. I would like to accumulate a track-record worthy of a model case as a company that successfully withdrew from public projects, to producing services and products that satisfy many people’s needs.”



Sole Support Board of the “Yokkoisho Series”

Case

2-2-9: Top Tecno Ltd. (Sabae City, Fukui Prefecture)

(Development, manufacture, and sale of thermal storage zabuton (Japanese cushions), cushions, and foot warmers)
<Employees: 5; Capital: ¥3 million>



Yoshikazu Ichino,
President

Develop products in-house that are acknowledged by general users to grow new business

◆ Background of the business

Specialist in developing useful heaters for all industries

Top Tecno Ltd. in Sabae City, Fukui Prefecture has been consistently developing and manufacturing industrial heaters since its establishment in 1991. Simply put, industrial heaters' utility is versatile. For example, an aluminum foil heater is attached to the backside of the reflection board of a parabola antenna. The accuracy of parabola antennas set up on mountains in transmitting radio waves is degraded by accumulated snow on the reflection board or a frozen board. Such a heater prevents this. Also, silicone rubber heaters control the temperature of parts that should be kept at a certain degree, such as X-ray receivers of CT scanners or the part where dishes are placed on a microscope. Other than these, Top Tecno's heating technology is utilized in various settings and industrial fields such as embedded aluminum foil heaters in large mirrors to prevent fog or to heat rocks for bedrock bathes at spas. The president, Yoshikazu Ichino, states:

"The company's advantage is that we can accept an order for just 'one item' when the lot is too small for other companies to accept. We can advise on what kind of heater is appropriate for each customer because we have accumulated basic data. We can also suggest how to operate heaters properly with data on, for example, temperature control, power consumption, and cost."

He has a wish as a pioneer in the industry. Most heaters specialized for industrial use is made on an order basis. Even if the company becomes famous in the industry, it works behind the scenes so general users rarely notice what the company does. Of course he is proud of his products, but he wishes to build self-produced products that many people recognize someday.

◆ Turning point for the business

Invention of a cordless rechargeable thermal cushion

One day 14 years ago, Mr. Ichino came up with an idea by accident.

"My hobby is soccer and I looked forward to watching the matches of my three sons out of my four children. At Sabae City, the games take place in a gym during snow season. But watching the matches in a folding chair makes your body hurt and feel cold. Portable heat packs cannot warm up the whole body, and you can't bring a large heater with a power cord into the gym. Because I specialized in heaters, I thought about whether I could produce something that could be used comfortably under such conditions."

He kept developing ideas based on the two conditions of being able to warm up your whole body from your bottom with a cushion, and being able to freely carry around the product through a cordless design.

"I wanted to keep the effect for at least four hours with one battery charge, but the heater alone lacks such power. I finally reached the idea of using heat storage material. Floor heating products that utilized night time electricity were appearing on the market at the time, and I thought that combining the heater and the heat storage material sodium acetate, which was used in the floor heating products, might allow for a sustained thermal effect."

After trying dozens of combinations of heaters and heat storage materials, he finally completed prototype No. 1, which could hold five hours of heat with a one-hour charge.

"Because initially I was developing it as a hobby and not as a business, I could only invest very limited funds. Meanwhile, the idea won a subsidy from the Support Program for Development of New Industrial Products for small and midsize enterprises in 2002, which triggered progress in its development."

However, designing cushions and examining materials took more time than expected.

"I asked mainly women who are sensitive to cold to take part in the trial and collected their feedback. But I received tough feedback in terms of how comfortable it was, so I continued experimenting, such as using soft fabric and adjusting thickness. Still I didn't receive approval. In the end, I couldn't finish it in the first winter, but with another try, an ideal form materialized the following year."

◆ Leap forward for the business

Tackle advertising and promotion methods by learning from scratch

In this way, two years after he came up with the idea, Top Tecno completed and released its long-cherished original product, the “Hot Zabuton,” in 2003.

“However, another issue appeared that required resolving. That was how to advertise and sell the product. I didn’t have any experience in that field and didn’t know how to begin. So I attended the ‘Sabae IT School’ of the Sabae Chamber of Commerce and Industry to learn about media releases and how to make websites from scratch. Before long, keywords such as ‘energy saving’ and ‘mobile’ goods attracted attention and got newspaper and TV coverage, so the initially stagnant sales improved.”

After that, markets for the “Hot Zabuton” expanded, including its use as a free lending service for premium seats at a pro baseball stadium and a bulk purchase for terrace tables at a famous café. In one case, workers at a meat processing plant, where they had to work in a cold environment, used the cushion as part of a benefits package, and it was highly appreciated because “work efficiency improved.”

Then in 2004, the company released the “Hot Cushion,” which is smaller than the “Hot Zabuton,” and with an improved design. Furthermore, the company developed the foot warmer “Pokarea” as a result of customers’ requests “to warm up feet as well” and released it in 2011. Both enjoy good sales.



Energy-saving heating device “Hot Zabuton”



Eco foot warmer “Pokarea”

◆ Future business development and tasks

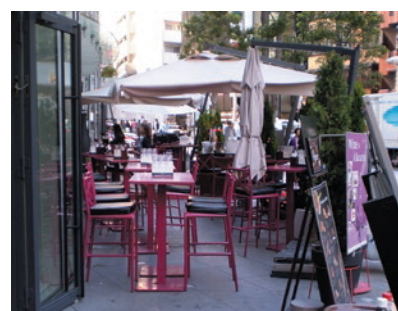
Increased in-house morale by developing self-produced products. Desire to produce groundbreaking products through two core lines

In addition to the made-to-order industrial heater, Top Tecno has gained another core line of self-produced original energy-saving warming goods. This has benefits not only in terms of finances but also for employees’ awareness.

“It is hard to explain the industrial heaters we make, but the technology of the ‘Hot Zabuton’ is easy to understand. So employees started to spread our company name voluntarily. The fact that our products are widely recognized seems to lead to pride in their own work.”

From now on, he is going to promote existing products further to boost profits, as well as develop new products to fortify the second core line.

“While speed is the most important factor for industrial heaters that need to be delivered in a short time, developing original products affords enough time to spare. Of course, the investment budget is always limited, but I believe ideas can make up for this. I am going to search for opportunities to produce previously unheard of products, while collecting information about new technologies and materials that are born by the minute every day in such fields as batteries, heaters, and heat storage materials.”



The leather “Hot Cushion” that was introduced in a famous café in Tokyo

Case

2-2-10: Onabegumi, Inc.

(Matsusaka City, Mie Prefecture)

(Construction)

<Employees: 18; Capital: ¥35 million>



Tetsuya Onabe, President

Uncompromising determination to develop from an amateur perspective, changed the “impossible” to “possible”

◆ Background of the business

Taking advantage of civil engineering technology fostered until now, embarking on a new business of soil stabilization

Onabegumi, Inc.’s core business used to be public civil engineering projects such as roadwork or erosion control work. However, a downturn in public works has been anticipated since the economic bubble burst. Then, the president, Tetsuya Onabe, faced the future and focused on a new business of stabilizing soil.

Stabilizing soil involves ground reinforcement work to prevent leaning houses mainly due to unlevelled ground sinking or liquefaction when earthquakes happen. Generally, construction methods include improvement with cement that mixes the soil of the site with cement to solidify the land itself, or driving iron piles into the ground. However, these methods leave artificial materials such as cement or iron in the soil. As environmental issues are in the news recently, an environmentally friendly method that uses broken stone (crushed natural rock) developed by a company in Niigata Prefecture was drawing attention.

“Immediately, I went to the company in Niigata Prefecture to inspect the construction work. There I received a briefing on the market for soil stabilization for housing at the time, as well as changes in laws and regulations.”

As the Housing Quality Assurance Act that became effective in 2000 made it obligatory for house builders to take responsibility for leaning houses, the market was expected to grow. For soil stabilization work that uses cement, it was pointed out that chromium hexavalent might exceed the safety standard for land pollution. Furthermore, because “land pollution or underground installations” were added to the standard to determine land value in 2003, the removal cost for artificial materials underground produced by soil stabilization work will likely reduce property values.

“Against such a backdrop, demand for new methods of soil stabilization in terms of both environmental and economic aspects can be expected to increase in the future. Despite Onabegumi’s lack of experience in the private housing market, I judged that we could easily venture into a new business industry by taking advantage of civil engineering technology that has been fostered since my father’s generation.”

However, it was a thorny path that Mr. Onabe chose to overcome, with many hardships.

◆ Turning point for the business

Entering the unknown private sector was harder than expected

Soil stabilization work using crushed rocks doesn’t raise concerns about land pollution or removal, and doesn’t degrade strength. As a method, it was easy on both residents and the environment, but there was one bottleneck. The expensive cost was more than double the traditional method.

“Our view that we could easily sell the technology if only it is environmentally friendly and high quality turned out to be too optimistic.” Having reflected on his view, Mr. Onabe reached out to a local bank and an incorporated non-profit organization related to Mie University to realize preferential treatment for interest rates on home loans for houses that had their soil stabilized with the method. The business model, which was assessed as the first such approach in the country, involves a collaboration between three parties: Onabegumi conducts design and construction, the NPO issues construction approvals, and the bank extends loans at favorable interest rates.

“And yet, construction prices were still too high to achieve the results we expected.”

Working to reduce construction costs, Onabegumi increased recognition in the market when the company that owned the patent for the method went bankrupt. Either liquidate and lose the 50 million yen already invested to the new business and withdraw, or keep pushing forward. He was forced to make a tough choice.

“Then, oddly enough, I had a couple great encounters. One was with Professor Toshinori Sakai of Mie University, who majored in geotechnical engineering and soil mechanics. The other was with Yoshiharu Mori, president of Shinei Tech, Inc., which specializes in manufacturing equipment for soil stabilization. They promised to cooperate if I developed an original method. That would give us an opportunity to try to produce equipment in-house. Also, we could verify that using the equipment improved the soil. Whether I should try or withdraw from the project depended on me. Success was not guaranteed but I started development with a strong determination to succeed.”

◆ Leap forward for the business

Overcoming many failures, a new method was successfully developed in 18 months

To invent an original method, we had to resolve the issues with the previous method. The biggest issue was that, when digging a hole to embed the crushed rock, the hole collapsed and the soft soil around it got mixed with the crushed rock, which weakened the piling of crushed rock. To resolve this, we used a casing (iron tube) to drill into the ground and embed the crushed rocks while preventing the hole from collapsing. However, construction was still inefficient because the crushed rocks were inserted from the top of the casing.

What we needed was “equipment that didn’t allow soil to enter the underground portion of the casing, while allowing crushed rocks to be poured in continuously and quickly from the side of the casing above ground.”

“When I told my idea to president Mori at Shinei Tech, he instantly said, ‘It’s going to involve endless development’. Indeed, from a common sense perspective, a casing with holes in its side would let soil and water in during drilling long before it would allow the pouring of crushed rocks. Still, I said, ‘You never know’ and persuaded him to make a prototype and experimented with it. There were continuous failures after that and we kept groping blindly in the dark. Just one experiment would often destroy the prototype casing, which had taken one month to produce. I was not sure if I would succeed, yet the investment cost was building up. Those were bad times.”

The breakthrough came when he came up with the idea to attach a rubber door to the side hole of the casing. This became the core of a new technology. The casing with the



Experimental prototype of small casing that is one-tenth the regular size



Casing that allows pouring of crushed rock from the side

rubber door, where the crushed rocks are poured in, was how the new original method was born. Eighteen months had passed since the beginning of development.

◆ Future business development and tasks

Launched the Eco Geo Construction Method Association to solicit construction agents for business expansion

The soil stabilizing effect of the new construction method, named the “Eco Geo Construction Method” by Mr. Onabe, was verified later through a co-study with Professor Sakai at Mie University Graduate School, and the company acquired a patent in January 2010. It also acquired a “Construction Technology Performance Certificate” from the General Building Research Corporation of Japan in February 2010. At the same time, Onabegumi launched the Eco Geo Construction Method Association to solicit construction agents for business expansion.

“Three construction agents in the beginning increased to 32 in four years. The Eco Geo Construction Method was not only environmentally friendly but also showed successful performance at the same cost as the previous method, or at even lower costs due to quality improvements and construction efficiency. Onabegumi offers know-how on construction to the agents, as well as support in efficiently promoting how the Eco Geo Construction Method works as well as its advantages to house builders and property owners. Preparing those systems made it easy for civil engineering companies without experience in the housing market like the former Onabegumi to enter as construction agents.”

In 2012, the company developed the new technology “Eco Geo ZERO,” which allows operation without discharging dirt in the soft ground by improving the structure of the casing, enabling operation in areas without land for soil disposal.

“Without Professor Sakai or president Mori, we wouldn’t have been able to realize the Eco Geo Construction Method. And because I advanced development from a perspective that was free from the preconceived notions of the industry, I could turn the ‘impossible’ into ‘possible’. I would like to keep trying businesses that have high social value as a company needed by society.”



Operation of the “Eco Geo Construction Method”

Chapter 3 Facilitating business activities contributing to regional economies

With a view to facilitating business activities contributing to regional economies, this chapter presents 11 cases grouped into the following categories: “Cases of initiatives that find meaning and value in contributing to the local community,” “Cases of business initiatives that develop or leverage a regional brand,” and “Cases of initiatives that promote regions and make them more dynamic.”

Section 1 Cases of initiatives that find meaning and value in contributing to the local community

This section presents the following four cases involving micro businesses that find meaning and value in contributing to the local community.

- Case 2-3-1 Yuzurikko Co., Ltd. (Tokushima City, Tokushima Prefecture)
Representative Director: Sumie Misawa
(Food processing and sales)
- Case 2-3-2 Sankuraddo Co., Ltd. (Takamatsu City, Kagawa Prefecture)
Representative Director: Kanako Baba
(Buying and selling school uniforms; business startup support)
- Case 2-3-3 Saccora Japan Co., Ltd. (Morioka City, Iwate Prefecture)
Representative Director: Etsu Ishigashira
(Producing and selling rag-woven products)
- Case 2-3-4 N2 Engineering Co., Ltd. (Bando City, Ibaraki Prefecture)
Representative Director: Yoko Namiki
(Assembling and manufacturing electrical goods, etc.; supplying logistics services)

Case

2-3-1: Yuzurikko Co., Ltd.

(Tokushima City, Tokushima Prefecture)

(Food processing and sales)

<Employees: 5, capital: ¥1.5 million>



Sumie Misawa,
Representative Director

Aiming to put a smile on the face of yuzu farmers and customers by pursuing a business focused on domestic, pesticide-free yuzu

◆ Background of the business

Presents of yuzu miso were given out as a gesture of thanks—and people kept wanting to buy more because they liked it so much

Upon retiring from their company, everyone faces the question of how they will spend their time in their second life. Some use their retirement allowance and pension to live a relaxing life; others seek new employment at another company and remain part of the workforce.

Sumie Misawa, representative director of Yuzurikko Co., Ltd., a company that manufactures processed food using yuzu in Tokushima City, Tokushima Prefecture, retired from the Tokushima Prefecture Food Wholesalers Co-operative, where she worked for 37 years, in 1995. She planned to take it easy and enjoy travelling and leisure pursuits—but then, in 2007, she founded Yuzurikko.

“My husband passed away 25 years ago, and my three children were grown up, so I was living a life of total freedom—but then I got involved in a volunteer activity, and that led me to start up the business,” she explains.

The volunteer activity in question was the Yoshino River Source Water Nurturing Association, which seeks to protect the source of the Yoshino River that runs through Tokushima. Misawa heard about people who live upstream of the river making efforts to keep the river clean in recognition of the people who live downstream and thought that she would like to lend a hand, so she started working as a secretary at the organization’s office.

“When the Association was first established, it was easily able to collect the money it needed when it conducted fund-raising activities, but once three or four years had passed, it was no longer able to raise as much. I felt a strong urge to do whatever I could to provide them with extra funds, so I would always ask people I met to make a donation of ¥1,000. But I felt bad about always asking for money, so I would give them some homemade yuzu miso as a present,” she recalls.

In Tokushima, which is a yuzu-growing region, many households make yuzu miso, a preserved food made by combining yuzu and miso. Misawa had been making it for many years and handing it out to acquaintances. According to her, it was her custom to give yuzu miso to people as a token of gratitude.

“I was also involved in a group I started called the

Tokushima Harmony Network, a fun activity for seniors, who get together and sing children’s songs,” says Misawa. “I would also provide yuzu miso to people involved in that group as a small token of gratitude. I guess I made more than a thousand gifts a year. And because I did that, a lot of people started to say, ‘I feel bad about always taking it from you, so let me pay you for it next time,’ or ‘That was so good I’d like to buy some from you.’ I started selling some without taking it seriously, thinking that it would be good if I could cover my costs.”

◆ Turning point for the business

Feeling rewarded by the gratitude of friends and motivated by the desire to help yuzu farmers

Once she began selling her yuzu miso to people who wanted to buy it, Misawa began receiving appreciative comments, such as “My late grandfather said this yuzu miso helped keep him going at the end of his life—thank you” or “Even when I have a cold and don’t have much appetite, I’m able to eat if I have this.” Then, one day, she came across a newspaper article discussing the problem of large quantities of yuzu peel being thrown out as waste after the juice had been squeezed out.

Since yuzu miso is made using yuzu peel, Misawa thought that she could help reduce this waste by buying up peel at a low price, and began to think seriously about commercializing her hobby. However, since the peel of yuzu whose juice has been squeezed out soon turns sour, she realized that it could not be used as an ingredient. Misawa then went to visit a yuzu-growing region, and it was an encounter she had there that prompted her to start the business.

“I was walking on a yuzu mountain, minding my own business, when I encountered an old farmer,” she recalls. “I asked him if I could have some yuzu, and in his thick accent, he told me to take home as much as I wanted. I picked enough yuzu to fill my container, and when I offered to give him some money, he was delighted. He said ‘You’re going to pay me?’ and his face broke into a big grin. It seemed that the price of yuzu was so low that it wasn’t worth harvesting, and it was a burden to him. So I thought that if I were to buy up yuzu and commercialize it, I could make more people happy.”

Misawa had no experience in managing a business,

which concerned her, but she was motivated to pursue her idea by her desire to help others.

◆ Leap forward for the business

Japanese-produced ingredients free of pesticides and additives and an uncompromising focus on quality lead to a spectacular debut

Typically, yuzu miso is made using only the peel of the yuzu. Misawa, however, thinking that it was a waste to throw out the flesh, came up with the idea of making yuzu vinegar from the flesh and mixing it with the peel, so that the whole fruit would be used. What's more, she paid careful attention to the ingredients themselves.

"When I started commoditizing my yuzu miso, problems with food products from China and other countries were being widely covered in the media," she explains. "When making it at home, I had been using commercial miso, but I was concerned about using that because you couldn't tell where the ingredients were produced or how they were processed just by looking at the packaging. So I got an introduction to a miso manufacturer through someone I knew, and they agreed to make the miso for my products."

Naturally, the yuzu is pesticide-free as well. Today, the business produces and sells many items made with yuzu besides yuzu miso, and all of them are pesticide- and additive-free, which takes more time and money—but Misawa wants to keep it that way.

There are many companies that have commercialized yuzu miso, which is sold at souvenir shops and the like throughout Tokushima Prefecture. What distinguishes Misawa's products from the competition is the personal

touch with which her yuzu miso is made, and she devoted equal care to choosing a product name that would stand apart, calling it Yuzurikko—which has a connotation of "sharing" in Japanese.

Misawa was confident about the quality of the product she had developed, and Yuzurikko made a truly spectacular debut—it received a recommendation from Ryohin Kobo, which profiles products of interest to consumers, and was sold at Isetan department Shinjuku store in Tokyo. Since then, it has attracted the attention of prominent buyers and continued to develop new sales outlets, such as going on sale at Osaka's Kintetsu department store and opening an outlet at an outdoor market sponsored by actor Toshiyuki Nagashima, who is a fan of the product.

◆ Future development and tasks

Sparing no effort to make more people happy, even if it means losing money

The reality has not been that simple, however. Yuzurikko enjoys an outstanding reputation among customers as well as buyers from department stores and supermarkets. Its products have been featured in listings magazines, while Misawa's activities have been covered in many newspapers and magazines as well. What's more, the year before last, she was invited to an APEC seminar held in Indonesia to give a speech, and since last year, she has been giving talks across Japan. Even so, sales demand is falling slightly short, and some high-quality yuzu that the company has gone to the trouble of procuring from farmers has ended up going to waste.

"We're still not sufficiently well-known. But I'm confident that people who eat our product will enjoy it. No matter how few they may be in number, I want more people to know about Yuzurikko, so that I can make more people happy," remarks Misawa.

Misawa has still not forgotten the smile on the face of the old farmer she met before starting her venture. Believing in herself and her products, she continues to work on promoting the company—in order to make even more people happy.



Yuzurikko made using pesticide-free Japanese ingredients



Products being packaged at the processing plant



The company has developed many products besides yuzu miso

Case

2-3-2: Sankuraddo Co., Ltd.

(Takamatsu City, Kagawa Prefecture)

(Buying and selling school uniforms, franchise startup support)

<Employees: 1, capital: ¥0.5 million>



Kanako Baba,
Representative Director

A used school uniform store inspired by a mother's struggles is starting to develop franchises to support the community, region, and homemakers

◆ Background of the business

Collapse of the “hand-me-down network”

recognizing the problems faced by many mothers

“The boy next door is graduating from junior high, so her mother gave me his school uniform. The one you’re wearing now is getting too small for you, but now we don’t have to buy a new one, which is a relief.”

In Kanako Baba’s neighborhood, people passing on used school uniforms to each other in an informal “hand-me-down network” was once a common sight. But as Baba—who runs a store that buys and sells used school uniforms in Takamatsu City, Kagawa Prefecture—explains, “Perhaps it’s because more mothers work these days, but the connections between mothers have become weaker. Not only is there no one you can ask for hand-me-downs, but there are fewer opportunities to even talk to people in the neighborhood.” Baba opened her used school uniform shop, Sakuraya, in January 2011, established Sankuraddo Co., Ltd. as a management company in March 2013, and has also started Sakuraya School Uniform Business Startup Support to enable homemakers taking care of children run their own stores.

It was her own experiences that originally prompted Baba to start up the store. As a single mother of three, it was always when money was tight that she would have to buy new school uniforms for her kids.

“I didn’t know anyone that I could get hand-me-downs from, and recycling shops didn’t handle school uniforms,” she recalls. “I spoke about my problem to my colleagues at work, and I discovered that there were a surprising number of people with the same concerns.”

Since no used school uniform shops existed, Baba decided to go ahead and start her own. Quitting her job and gradually using up her savings, she began buying and selling out of her home in the summer of 2010 on a small scale. However, it was not yet a proper company, and although she distributed flyers advertising that she was buying school uniforms, they were met with skepticism. The business was not taking off at all.

◆ Turning point for the business

Gaining attention through online posts and blog

entries and reaching mothers through word of mouth

Baba knew nothing about starting or managing a business, and she had no sales expertise either. Even so, in order to gain the confidence of mothers, she rented a retail space using a ¥3

million loan from the Japan Finance Corporation and opened Sakuraya. Applying what she had learned from a course on blogging she had taken for ¥5,000 before opening the store, she devoted energy to her own blog while continuing to persevere with distributing flyers at the same time.

“I remember one snowy night in January, I was walking around putting handmade flyers into postboxes, along with my second daughter, who was in elementary school at the time, and my son, who was in kindergarten,” she recalls. “Many times, I felt that I couldn’t take any more, but I remember looking at my children trying their hardest to help me despite the cold and thinking, ‘If I give up now, then what?’ That kept me going.”

Graduation season came around, and customers began to trickle into the store. Then, perhaps thanks to word of mouth, the numbers suddenly increased. What’s more, Baba’s blog, which she continued to update regularly, attracted attention from mass media, and the store was featured in newspapers and magazines.

“At the beginning, mothers would come into the store with a flyer in their hands and tell me, ‘I’ve been wanting a shop like this.’ I still remember today how happy that made me,” says Baba.

When it opened, the store only had an inventory of 50 school uniforms for sale, and there were occasions where even though the customer wanted to make a purchase, there was no uniform to sell them. However, there were many mothers who found it difficult to part with old school uniforms because of the memories attached to them. Unable to bear simply throwing them in the garbage and preferring that they be worn again by someone else, more and more mothers brought old uniforms to the store. Sakuraya began handling more items besides school



A full selection of school uniforms, from kindergarten through high school

uniforms, such as dress shirts, polo shirts, gym clothes, shoes, etc., expanding its selection to cover all kinds of school articles. Today, it has a comprehensive inventory of around 8,000 articles.

◆ Leap forward for the business

Supporting local facilities for disabled people and elderly people before the cash register becoming an information source for mothers

When she began selling used school uniforms, Baba thought about the feelings of the children who would wear them.

“These are recycled items, so I want to make sure kids feel good about wearing them. I mend any frayed areas, and I also take care to properly wash and dry clean them,” she notes.

She has made an arrangement with a major local dry cleaning chain store to dry clean the uniforms for a low price. What’s more, she asks local seniors and a facility for disabled people to perform tasks such as washing clothes that don’t need to be sent for dry cleaning, mending, and removing embroidered names.

“My eldest daughter has a disability, and there isn’t much work for people at the facility she goes to, which is a problem,” she says. “So I decided to ask them to wash the items for me, and help provide work for disabled people in the process. What’s more, when I was telling an elderly customer that it was difficult to remove embroidered names, she said, ‘I’ll do it for you.’ I asked some other people as well, and they said they would be happy to do it, since they had too much time on their hands and if they could make a little money working part-time, they could buy something for their grandchildren. It also helps to give them a sense of purpose, so I’ve been asking seniors to mend the uniforms and remove embroidery from them.”

Since she deals in uniforms from local schools, her relationship with the community is important. However, Baba says that what makes her even happier is the fact that the business has enabled her to make a contribution to her community and region.

In addition, for the mothers who shop there, Sakuraya plays a valuable role as a place where they can get information about schools. These days, due to privacy concerns, there are more and more schools that no longer distribute class contact information, and what’s more, there are many working mothers who find it hard to take part in school activities, so there are few avenues for mothers to

learn information about the school attended by their children.

“Every school has its own rules,” notes Baba. “At one school, it may be okay to wear a polo shirt but not a short-sleeved shirt, while at another school, track suits might need to have two lines of piping, and so on. But there are a lot of mothers who don’t know the regulations at their children’s school. When that happens, as long as I know the name of the school, I can give them some advice. There’s a lot of obscure information that’s quite hard to obtain—like, at one school, few of the boys wear short-sleeved shirts even in summer since they will get sunburn.”

The area next to the cash register has become a valuable venue for communication, as mothers chat to each other about their kids’ schools. Even for the staff, finding out information about schools is not easy, but they support working mothers by sharing what they are able to gather in the store with them.

◆ Future development and tasks

Developing services to help mothers rearing children open their own stores

Sakuraya is currently seeking franchisees to open chain stores across Japan (and supporting them in starting up). Baba says she began this initiative to support mothers like her who want to work while raising their children.

“When I was starting my business, I considered the time I spent with my children to be a priority,” she remarks. “I wanted work that would allow me to eat dinner with them and help them with their homework. For instance, at the moment, the store’s business hours are based on when my children come home from school, so it’s open from 10 a.m. to 3 p.m., while on Saturdays, I bring the kids to the store with me. I’d like to help mothers raising children a little by teaching them that such an approach to running a business is possible.”

In 2012, she entered the Kagawa Business Model Challenge Competition sponsored by Kagawa Prefecture and won the top prize. In order to facilitate the opening of new stores, she used the ¥3 million prize money to set up a management system for receiving and shipping, which she designed with the utmost care.

“I’m not doing anything special—I’m just dealing with my own problems and doing what I want to be done,” she concludes.

By running her business from a mother’s perspective, Baba has earned the appreciation of other mothers.



Senior women commissioned to remove embroidery



The cash register has become an information source for mothers

Case

2-3-3: Saccora Japan Co., Ltd.

(Morioka City, Iwate Prefecture)

(Producing and selling rag-woven products)

<Employees: 4, capital: ¥100,000>

Etsu Ishigashira,
Representative Director

Striving to employ disabled people and revitalize the region through a local traditional craft

◆ Background of the business

Inspired to create a business by disabled students' sophisticated rag-weaving techniques

In the Tohoku region, there is a traditional rag-weaving technique that has been passed down over the years called *sakiori*. Saccora Japan Co., Ltd. is a company that makes products in a contemporary style using the *sakiori* technique, while making an active effort to employ disabled people.

On the face of it, using traditional techniques and employing disabled people would seem to be completely unrelated, but they became linked in the mind of representative director Etsu Ishigashira back in 2009, while visiting a special education high school in Iwate Prefecture. At that time, Ishigashira was working for a home renovation company, where she was in charge of renovations aimed at making homes accessible for disabled people. She took part in a visit to the school as part of an Association of Smaller Entrepreneurs activity relating to the issue of employing people with disabilities, and it was there that she first encountered *sakiori*.

"*Sakiori* refers to fabric made with a weaving technique that uses cotton thread for the warp and rags shredded into one centimeter-wide pieces for the weft. In the Edo period, fabrics such as cotton were valuable, so people took care to use them for as long as they could, and damaged cloth that could no longer be used was recycled by means of *sakiori*. *Sakiori* had been introduced as a class in the special education school's curriculum. It helped increase the students' powers of concentration and perseverance. It was summer break when I visited, so I didn't actually see any students working at the loom, but I saw the items they had created, and I thought they were really wonderful," recalls Ishigashira.

Now that she was aware of their existence, she began to notice *sakiori* products at highway rest stops and souvenir shops. However, the items she had seen at the special education school were much more elaborate and of higher quality. Thinking that it was a shame for the students' talent to remain unknown, Ishigashira suggested a *sakiori* business venture to her company's president. In July 2010, with the help of an emergency employment creation subsidy from Morioka City, the company started a *sakiori* production and retail business in a space on the office's second floor, with a total of four employees, including two

Sansa *sakiori* woven from Morioka Sansa Odori Festival kimonos

disabled people.

◆ Turning point for the business

Successfully branding the company as "Sansa *sakiori*" by using *yukata* worn in the Morioka Sansa Odori Festival as material

It wasn't enough to just keep a traditional craft alive—the company was a business, so it had to make products that would sell. Having received the looms it ordered and set up a production system, the struggle to brand the company's products began.

"*Sakiori* products were already being sold in various places, so we needed to differentiate ourselves," explains Ishigashira. "Our subsidy was going to be cut off the following March, so we wanted to be on the right track by then. That's when we came up with the idea of using *yukata* (light summer kimonos) from the Morioka Sansa Odori Festival as material. Employees from many companies wear colorful *yukata* when they take part in the Sansa Odori, but even when the clothes get old, people don't want to just throw them out, since they have sentimental value, company logos on them, and so on."

At first, Ishigashira went round visiting one company after another in Morioka City, but perhaps due to a lack of familiarity with the *sakiori* business, they flatly rejected her proposal. But she didn't give up, and negotiated a deal with the Morioka Sansa Odori Festival Executive Committee, which is part of the local Chamber of Commerce and Industry. Thanks to the committee's intervention, the company was able to collect *yukata* and successfully brand itself as "Sansa *sakiori*."

"Nothing will happen unless you take action," notes

Ishigashira. “After that, we also met with a maker of Nambu ironware and were able to develop ‘Nambu lamps,’ an interior lighting product that combines Sansa *sakiori* with Nambu ironware.”

◆ Leap forward for the business

Incorporating and starting over as a welfare facility for disabled people due to the Great East Japan Earthquake

The *sakiori* business, which had been steadily growing through meeting and collaborating with locals, was stopped in its tracks by the Great East Japan Earthquake. The performance of the housing renovation company she was working for declined as well, and it became difficult for the *sakiori* business to continue in its current form.

“Despite that, it was clear to me that I couldn’t give up now,” says Ishigashira. “For one thing, I could see that it was going to become even harder for disabled people to find employment, and I thought that stopping now would be a waste of everything I had achieved so far. So I decided to go ahead and incorporate the business as Saccora Japan Co., Ltd.”

That was in September 2011, half a year after the earthquake. The company’s name, Saccora, was inspired by the phrase *sakkora choiwa yasse*, which is called out by dancers during the Morioka Sansa Odori Festival.

Since she was going independent, Ishigashira wanted to make sure she was properly set up to receive disabled employees, and in April 2012, the company received a license as a Type A designated welfare service business operator supporting continuous employment. This license is granted to “businesses that provide necessary support to individuals who find it difficult to obtain employment at a regular business but who are able to work based on an employment contract by helping them improve the knowledge and skills needed for their work.” It requires having a qualified individual in place to provide specialized management of services for disabled employees, and through a chance encounter, Saccora Japan was able to hire a suitable individual and start operating as a welfare service facility for disabled individuals. There are two types of business operators supporting continuous employment: Type A, which involves signing employment contracts, and Type B, which does not involve signing contracts. Thinking that she would like to draw on as wide a pool of candidates as possible, Ishigashira obtained a Type B license as well in May 2014. At present, the business operates with nine Type A employees, three Type B employees, and five other staff (including one services manager).

◆ Future business development and tasks

Tackling the difficulties faced by a new company that has to balance business and welfare activities

The concept of Saccora Japan is to create stable employment for disabled people and help revitalize the region. To achieve this, ensuring that it generates sales is

a key issue. It therefore started a new branding initiative, “Panoreche.” The brand name is a neologism signifying “cloth ear,” combining the Italian words for cloth (“panno”) and ear (“orecchio”). What is notable about the new brand is that it has expanded the possibilities of *sakiori* fabric by receiving textiles (leftover pieces) that are no longer needed by apparel manufacturers and applying a slight twist to them through the ingenious use of dying, color combinations, and the like. The woven fabric is very robust and acquires a unique texture with extended use. This texture, which differs somewhat from conventional *sakiori*, is being used to develop a range of highly stylish items such as tablecloths, cushion covers, and lampshades.

The new venture is supported by a network of disabled person welfare facilities in various parts of Tohoku, as a result of which it has established a stable production system. The initiative, which has made it possible to mass produce goods with no drop in quality while promoting the employment of disabled people, received an honorable mention in the 2014 New Tohoku Revival Business Contest.

“It’s actually very difficult to balance being a business with being a welfare facility,” says Ishigashira. “In order to provide a stable work environment, you have to operate a company that will make it in the harsh world of business. To do that, you need to ensure stable quality and productivity and create a system to meet deadlines, but you have to think about other issues as well. I’m always struggling with this dilemma. Right now, I think Panoreche is the best way to resolve the issue, and going forward, through trial and error, we’ll try to create a stable work environment for both disabled and non-disabled people.”



Panoreche brand cushion covers



Saccora Japan's first-floor work area

Case

2-3-4: N2 Engineering Co., Ltd.

(Bando City, Ibaraki Prefecture)

(Assembling and manufacturing electrical goods, etc.; supplying logistics services)

<Employees: 11, capital: ¥3 million>



Yoko Namiki,
Representative Director

The dramatic struggle of “Mom President,” who decided to start a company with close friends at the age of 62

◆ Background of the business

“If you don’t do it now, you might regret it later”—a positive attitude leads to the start of a company

In recent years, there are more and more older people with a desire to work. According to the Ministry of Health, Labour and Welfare’s Longitudinal Survey of Middle-aged and Elderly Persons (2010), 56.7% of employed people aged 60 to 65 want to work after the age of 65, significantly exceeding the proportion who do not want to work (16.6%).

Despite this willingness, it is certainly not easy to keep working. One person who understands that reality is Yoko Namiki, representative director of N2 Engineering Co., Ltd., who in 2010, at the age of 62, abandoned her dream of taking it easy after retirement and devoting herself to her hobby of Hawaiian music to instead start up a company.

“In my previous job, I was head of the general affairs department at a temporary employment agency,” she explains. “We had clients in a wide range of fields, and we had one section that dispatched workers for assembling precision instruments. After the global financial crisis, significant layoffs were necessary, and we had to tell many dispatched workers that their contracts had been terminated. These included people who had just had a baby or who had built a house and had large mortgages. When I thought about the individual circumstances of each one, I could hardly bear it.”

Half a year after her subsequent retirement, Namiki, who had been so upset by the layoffs, was asked by a former client who received dispatched workers from her agency to start up a company that would take on contracts for precision instrument assembly work.

“I was really worried at the time,” she recalls. “When I thought about my age, I was concerned about both my mental and physical capacities. I spent most of my time thinking, ‘Can I really do this?’ If I became a manager, I would have to take responsibility for the livelihood of my employees. I wasn’t confident that I could handle such an important role.”

Despite her anxiety, Namiki was spurred on by one of her personal beliefs: “While I was worrying about it, I saw the faces of my retired friends in my mind. Some of them wanted to work but couldn’t find another job, and I thought, ‘In that case, why don’t we start working again together?’

Ultimately, I was motivated by something that I was always telling myself: ‘If you don’t do it now, you might regret it later’.”

She assembled a team of ten friends who agreed with her idea and started the company. Their primary work was assembling semi-conductor manufacturing equipment (steppers). The parts handled by the company include key components for machines worth hundreds of million of yen once complete, so naturally, specialized techniques are required to assemble them.

◆ Start of the business

The Great East Japan Earthquake strikes after one year, then semi-conductor-related orders begin decreasing in the third year

When assembling semi-conductor manufacturing equipment, dust and dirt must be completely eliminated. Therefore, when establishing the company, it was necessary to first of all set up a clean room for performing the work. In addition, during the first three months, staff had to take technical training relating to semi-conductor manufacturing equipment assembly, so Namiki had to guarantee their salary during that period when there was no actual revenue. Most of the ¥8 million of her own money that she had set aside and a ¥5 million loan from the Japan Finance Corporation was spent on this expense.

The year after Namiki managed to get the business going, the Great East Japan Earthquake occurred. It was a blow to the company, whose recently installed clean room suffered damage. Fortunately, the company was able to receive a Great East Japan Earthquake Recovery Special Loan of ¥15 million to compensate for this damage in



Clean room interior

2012, which covered the cost of moving to a new plant and setting up a new clean room. The company's sales were also ¥15 million during its first fiscal year, but the following year saw a sharp increase, as they rose more than three-fold. However, starting in the third year, semi-conductor manufacturing orders began to decrease again.

"Semi-conductor orders come from both inside and outside Japan, and the semi-conductor business is not linked especially closely to the state of the Japanese economy, so it's extremely hard to predict the future," remarks Namiki. "Sometimes there's so much work that we can't keep up even by working overtime; at other times, there's no work even though we're open. To me, the company is like a family, and I think of myself as the mother of this big clan. If an employee looks off-color, I'll ask them 'Is something wrong?', and if something is worrying me in my personal life, there are employees who will give me advice. By good luck, I've been given the chance to work with these people, and I don't want to cast them aside again because there's no work. Anyone can hire more people when business is good and let them go when times are bad. I don't want to be like that; I want to protect my 'family,' whatever the situation."

◆ **Turning point for the success of the business**
By not sticking to one type of work, the company turns its business around

Thinking that she had to do something about the slow sales, Namiki went around desperately trying to find business. She continued speaking to various people, seeking old connections or leads she could follow. Her efforts bore fruit and she was able to get a contract for manufacturing parts used in pachinko machines and ATMs. What's more, outside the manufacturing industry, starting in 2013, the company even began receiving contracts to operate forklifts in a distribution warehouse. The company was still not able to make up the shortfall in semi-conductor-related work, which had become scarce, but Namiki was able to avoid having to lay people off because there was nothing to do.

"The strength of our company is that we can accept any kind of work," notes Namiki. "Generally speaking, when a request is made to a temporary employment agency, most of them will say 'We're too busy right now to send anyone on such short notice' or 'We can't accept short-term contracts.' But at our company, we will take on work no matter how small it is, even if there isn't much profit to be made from it. That leads to more work. And I have faith in the talent of our employees. Once customers see them at work, I'm confident that more commissions will surely come our way."

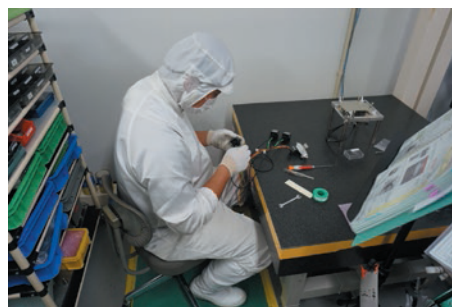
The company does not stick to one type of business. It accepts any order, if at all possible. This flexible, humble approach enabled it to overcome the crisis and proceed to the next stage in its development.

◆ **Secret of starting up a business as a senior**
Making a successful start by not trying to do everything alone—and learning a lot from young people

Finally, for the benefit of middle-aged and elderly people aiming to start a business, we asked Namiki the key to establishing a company.

"They say a company is all about its people, right? At any rate, I believe it's important to think, 'Let's do this together,' not 'I'm going to do this by myself,'" she states. "It's also been said that the Japanese word for 'learn' (*manabu*) originated from the word for 'imitate' (*maneru*). After all, that's how a baby learns words—by imitating people. Likewise, if you don't have contact with others, you'll stop learning. There's only so much you can do on your own. But if you combine the wisdom of age with the energy of youth, I think you can do anything. You should try working like that as hard as you can, and if you don't succeed, say you're sorry. As long as you gave it your best shot, people will forgive you if you apologize."

Namiki focuses on personal relationships and takes good care of those around her. These days, she is also in a Hawaiian band formed with her husband and is making more and more visits to care facilities as a volunteer. What's more, she has begun making reusable shopping bags and the like by recycling scraps of cloth she receives from a curtain manufacturer she knows, which she then sells at flea markets. Busy as she is with work, she is also living life to the full in her personal time.



Wearing special protective clothing is essential



The 11 employees work together as a "family"

Section 2 Cases of business initiatives that develop or leverage a regional brand

This section presents the following three cases involving micro businesses actively engaged in ventures that develop or leverage a regional brand.

Case 2-3-5 Onagawa Future Planner LLC (Onagawa, Oshika District, Miyagi Prefecture)
Representative Partner: Yoshihide Abe
(Regional brand promotion)

Case 2-3-6 Yoshimoto Funeral Service Co., Ltd. (Shizuoka City, Shizuoka Prefecture)
President & Representative Director: Junko Yoshimoto
(Funeral services)

Case 2-3-7 Shionoya (Nikaho City, Akita Prefecture)
Store Owner: Toshihiro Sugawara
(Food service activities)

Case

2-3-5: Onagawa Future Planner LLC

(Onagawa, Oshika District, Miyagi Prefecture)

(Regional brand promotion)

<Employees: 7, capital: ¥300,000>



Yoshihide Abe,
Representative Director

A branding project showcasing the new post-recovery Onagawa to people far and wide

◆ Background of the business

Establishing stringent certification standards and selecting products that can be promoted with confidence

In the town of Onagawa, one of the sites damaged by the Great East Japan Earthquake, there is currently a recovery project underway based on developing the local processed marine product brand, funded by a subsidy from the Kirin Kizuna Relief-Support Project run by the Kirin Group and the Nippon Foundation. It is being led by Onagawa Future Planner LLC, in collaboration with the government, Commerce and Industry Association, and NPOs.

The waters off Kinkasan island to the south-east of Onagawa have long been counted among the world's top three fishing grounds, and thanks to the abundant variety of fish, the area's fishing, marine processing, and aquaculture industries have prospered. However, everything changed for Onagawa when the town was struck by the tsunami. One-tenth of the population were killed or went missing, 80% of its buildings were destroyed, and in the wake of the disaster, there was a constant flow of people moving away from the town. The fishing industry—the core local industry—suffered massive damage as well, but the branding project aimed to use the fishing industry as a springboard to revive the economy.

“Again Onagawa” was chosen as the brand name—a pun derived from the fact that the word for “eat” in the Onagawa dialect is spelled the same way as the English “again.” One of the key pillars of the business is online sales of brand-certified marine processed products via its official website (<http://store.shopping.yahoo.co.jp/onagawa-again/>). The brand certification standards require that products either use ingredients caught in Onagawa or be manufactured in Onagawa. What's more, an Onagawa Brand Certification Committee composed of food experts from inside and outside the prefecture grades products on their balance of taste, packaging, and price, and only those that meet the criteria are certified as “Again Onagawa” products. At present, there are 22 certified products being sold.

Yoshihide Abe, representative partner of Onagawa Future Planner LLC, says: “Onagawa port's catch has recovered to the level it was at before the earthquake, if not more, and the marine processing industry has also picked up. The town is receiving many visitors, including



Again-certified octopus in olive oil



Riasu no Shi kelp-wrapped saury and salmon

recovery-support volunteers. Unfortunately, although the town had many special products that we wanted to recommend, the stores that carried them were scattered all over the place, so it is difficult to present all of them to visitors. In an effort to resolve this problem while at the same time letting people know about Onagawa's recovery, we carefully select products that we feel confident about recommending and sell them online.”

◆ Turning point for the business

The Again Station Fishing Industry Experience Center: A facility combining merchandise sales with a hands-on experience

Another key pillar of the project is providing hands-on experiences of the fishing industry. Beginning with an observation tour launched in 2011, hands-on activities such as catching and shipping cultivated scallops or making *sanma konbumaki* (saury wrapped in kelp) attracted about 1,000 participants over two years.

“The marine product processing industry, which takes the harvest of the sea, adds value to it by processing it



The Again Station Onagawa Fishing Industry Experience Center opened in May

immediately, then sells it, was one of Onagawa's key industries, but due to the disaster, many processing companies went out of business," explains Abe. "However, the fact that the decline of the fishing industry had already begun before the disaster was an issue as well. So, the fishing industry experience business used the earthquake as an opportunity for rethinking the future of the industry. Thanks to the hands-on experiences, many people got to know what kind of work is done at marine processing sites, the Onagawa brand gained more fans, and we showcased Onagawa's newly reborn industry."

The resumption of full service on the JR Ishinomaki Line, which took place on March 21, 2015, has also played a part in Onagawa's recovery. In conjunction with the opening of the new Onagawa Station, an event was held to celebrate the rebirth of Onagawa, while the opening of the Again Station Onagawa Fishing Industry Experience Center was scheduled for May.

Located along National Route 398, the building, whose exterior is a reconstruction of the former Onagawa Station, also houses Again Plaza—a retail space that sells certified Again Onagawa brand products as well as other fine products from across Japan with a connection to the earthquake. There is also Again Kitchen, where people can acquire in-depth knowledge of the fishing industry and take part in hands-on experiences, including attending lectures, catching seafood, and cooking it themselves. Its program can also be used for integrated learning and dietary education activities aimed at elementary and junior high school students or for corporate disaster site training, and it has begun engaging in urban planning activities that will be continued in future.

◆ Leap forward for the business

Focusing on 30- and 40-somethings—the generation which will be in charge in 10 or 20 years' time

The key members of Onagawa Future Planning LLC are residents of Onagawa in their 30s and 40s. They are developing the project's activities while also working at a regular job or their family business. Representative partner Abe's main job, for example, is as representative director of the Umemaru newsagent shop.

"During the disaster, both my home and my place of business were washed away by the tsunami, and I thought, 'I won't be able to continue in my trade any more'," recalls Abe. "But when someone put up the *Kahoku Shinpo* newspaper on the wall of an emergency shelter, a lot of people gathered around it in search of local information that they couldn't get from the radio. When I saw that, I couldn't contain myself—I went straight to the Sendai printing center, and three days after the disaster, I had begun distributing newspapers again."

While continuing to distribute newspapers in places where people gathered, he would frequently meet people from the Onagawa Recovery Liaison Council formed in response to the call of the Commerce and Industry Association chair.

"The council members were older people who served as representatives of various organizations in the fishing industry and tourism industry," says Abe. "Sometimes they would ask people from the younger generation for their opinions. That led to the formation of a group of young people involved in the social side of urban development as a division of the council. Influenced by the words of the Commerce and Industry Association chair, who said it is the younger generation, who will be in charge in 10 or 20 years' time, that should be the focus, and not people aged 60 and over, I was chosen as the group's representative, having been serving as a contact person for the younger generation. The group formed at that time went on to become the members of the current Onagawa Future Planning LLC."

The Again Onagawa regional brand business was born as an extension of this group. Abe and the other members of Onagawa Future Planning LLC are busy every day trying to make the branding initiative successful and put the business on track to continue without having to rely on recovery support funds.

◆ Future business development and tasks

Thinking seriously about the future to make something better from the changes caused by the earthquake

Abe says that the day when the project can be praised as a success is still far away, but it is gradually starting to bear fruit—for example, the ceremony celebrating the rebirth of Onagawa attracted many visitors.

"For the tourist industry as well, we want to make Onagawa a town that more people will want to visit," he comments. "At the moment, travel needs are shifting from group tourism to personal tourism, so the issue is to develop an appealing town that can attract individual tourists, rather than relying on appealing to agents who arrange organized tours. There's no question that the disaster was an event that dramatically transformed Onagawa, but it's also a chance to change it for the better. To do that, we want to think seriously about what we should change and how, and take action going forward."

Case

2-3-6: Yoshimoto Funeral Service Co., Ltd. (Shizuoka City, Shizuoka Prefecture)

(Funeral services)
<Employees: 2, capital: ¥3 million>



Junko Yoshimoto, President & Representative Director

A family-run business that has managed to offer funeral services based on making a connection with the family instead of prioritizing efficiency—which rarely satisfies the bereaved

◆ Background of the business

Having doubts about conventional funerals and believing customers should have the ceremony they want

Being born inevitably means that you will one day have a funeral. And as we grow older, most of us have at least one or two opportunities to attend the funerals of others. In Japan, when people think of a funeral, what comes to mind is a black and white venue with a plain wood altar and chrysanthemums. While the details differ somewhat by region, funerals are designed to create a “solemn” and “dignified” atmosphere suitable for paying one’s last respects to the deceased. While this orthodox style of funeral is still common today, there is also a gradual increase in previously unknown styles of funeral, especially in urban areas. These include family funerals, where only the deceased’s family members pay their respects; direct burials, where no wake or ceremony is held; and freestyle or customized funerals that do not restrict themselves to the conventional funeral format.

Given these changes in people’s feelings about funerals, Junko Yoshimoto, president and representative director of Yoshimoto Funeral Service, a funeral business in Shizuoka, is trying something new, having become skeptical of formulaic, standardized funeral ceremonies.

“In big cities, there are big funeral companies, but at the same time, there are also smaller and unique funeral companies, so it’s possible to arrange a funeral that suits your own preferences,” she says. “In the case of regional cities like Shizuoka, however, big funeral companies were the only option. And unlike regular products, people don’t really know what criteria to use for selecting a funeral company, so for the most part, they’ll choose one without much deliberation, thinking that they just want to get it over with without anything going wrong. I had the feeling that it wasn’t right for funerals to be like this.”

Yoshimoto’s father worked for a big funeral company and her mother was a homemaker. After graduating from school, her first job was as a *yukan*. This occupation, which was featured in the film *Departures*, is a specialized role that involves washing clean the body of the deceased (as suggested by the Japanese characters, which literally mean “water-pouring”), in addition to putting makeup on and arranging the hair. When she told her friends about it, they reacted with surprise.

“I think that, deep down, most people feel that dealing with dead bodies is gross or frightening, but, maybe because I have a lot of relatives and attended many family funerals from a young age, I never really felt scared of dead bodies,” explains

Yoshimoto. “I wasn’t particularly influenced by my father’s work; I was interested in work that involved serving customers, and I thought that a job where I could put my heart into giving the deceased a proper farewell would be very rewarding.”

At this stage, the three members of the Yoshimoto family—Junko, who had gained experience as a *yukan*; her father, who was retiring from his job at the funeral company; and her mother, a woman of ideas—were each doing their own thing, but they would soon pool their talents and create Yoshimoto Funeral Service together.

◆ Business development

Adding a new element to Shizuoka funerals with local traditional crafts and providing warmth and kindness through more personalized funerals

The creation of Yoshimoto Funeral Service was triggered by the retirement of Yoshimoto’s father from his funeral company. He was still convinced that he could work, and what’s more, since he had retired from his job, relatives and people from the neighborhood no longer knew where to go for funerals. They would talk to him about it, either seeking advice or complaining about problems, and in 2011, this motivated him to ask his wife and daughter what they thought about starting a business, and they approved. The three family members started the company together, with the youngest of them, Junko, serving as the business’s representative.

First of all, it was necessary to arrange the Buddhist altar and ceremonial implements needed to conduct funeral ceremonies, and they began introducing their own ideas right from the outset. For instance, usually a ready-to-assemble plain wood altar is used for funeral ceremonies, but Yoshimoto turned to the local Shizuoka furniture industry instead.

“As women, my mother and I were opposed to plain wooden altars and the orthodox style of funeral,” she notes. “So we commissioned a local furniture manufacturer to make our altar for us. It was the same for ceremonial implements such as candlesticks and incense burners—rather than using commercial items as is, we came up with our own designs and had specialized local artisans make them for us. We aimed to provide funerals that were visually warmer and more beautiful, while still following the rules of the ceremony.”

In order to make their ideal funeral a reality, in addition to the furniture, they incorporated plenty of traditional Shizuoka crafts, such as Suruga bamboo ware lanterns placed along the approach



The approach to the funeral hall run by Yoshimoto Funeral Service



A lantern made using Suruga bamboo ware, a traditional Shizuoka craft

to the funeral hall. The light spilling out from the delicately woven bamboo work provides a warm welcome for attendees. What's more, while signs traditionally used to show a household is in mourning are normally written in black on a white background, Yoshimoto Funeral Service uses elegant bamboo screens made by leading Shizuoka artisans. Everything differs from the ceremonial implements that are typically used, and all of it helps to provide a warm, friendly atmosphere for the funeral.

◆ Future business development and tasks

The challenge of funeral services is doing business with people who have just suffered a loss—but communicating with people in that difficult situation is one of the company's strengths

"Fortunately, and unexpectedly, we have continued to get steady work thanks to referrals and word of mouth," says Yoshimoto. "We do have a website, but last year, we didn't do any advertising at all."

The Shizuoka funeral business used to be mostly dominated by big funeral companies. What, then, is the reason that a company that has only been in business a few years and is run by just a few people is operating successfully?

"While a funeral company performs a special role by helping people pay their last respects, it is still a business," explains Yoshimoto. "So there are quite a few salespeople in the industry who think purely in terms of efficiency and try to quickly wrap up their business with the bereaved family. But we don't want to be unsympathetic to the feelings of the bereaved, so even if it takes time, we listen to their memories of the departed, the problems they had taking care of them, and so on, so that they will feel satisfied that they were able to give their loved ones a good funeral. It's easy to use the word 'sincerity' in an

ad, but we show through our actual actions and behavior that we truly want to make a connection with the bereaved family."

This attitude is even expressed in the altar displays. For example, at the funeral of a man who ran a fishmonger's for many years, Yoshimoto's mother, who comes up with many creative ideas, proposed decorating the altar using a fish motif. On the day of the funeral, there was a striking floral display in the shape of a fish along with blooming chrysanthemums on top of the altar. Upon seeing this, all of the deceased's grandchildren wanted to take pictures of the altar with their cell phones, while the relatives warmly reminisced together about the old man's life.

"There are other examples like that—for example, in one case, the deceased was very fond of *katsudon* (tonkatsu cutlets on rice), so we placed a bowl of *katsudon* made by my mother next to his head," explains Yoshimoto. "These gestures aren't listed in the funeral service options, and we don't charge anything for them. We're not trying to surprise all the relatives by doing something bizarre; rather, this kind of idea comes to us through talking to the family and understanding their feelings."

The Yoshimotos get close to bereaved families in a natural manner, without being too eager or promoting their services too aggressively. In order to further improve herself, last year Junko obtained certification as a grief care counselor. Grief care means helping people in mourning recover from the heartbreak of bereavement; the counselor is an expert who performs various kinds of care to console the bereaved in their suffering. While it is not a qualification that is required for the funeral business, there is a need to be discreet and considerate when talking to people who have suffered the ultimate stress of losing a loved one immediately after their loss. For Yoshimoto, who believes that communication during that difficult time is the key to providing a funeral that will satisfy the bereaved family, perhaps it was necessary to obtain the certification.

With their expert knowledge and experience, the Yoshimotos are offering funeral services that make a closer connection with the bereaved family. Some might think this is all that they can do as a small family business, but the company has created quite a stir in the rigid world of the funeral industry. Today, with funeral needs diversifying, Yoshimoto Funeral Service's approach to business, which rejects the idea of prioritizing efficiency and instead devotes more time and effort to customers, could change the future of funeral services.



Altar with a flower arrangement in the form of a fish

Case

2-3-7: Shionoya

(Nikaho City, Akita Prefecture)

(Food service activities)

<Employees: 2>



Toshihiro Sugawara,
Store Owner

Avoiding a business crisis by changing the business model, and stimulating the local Nikaho community in partnership with the Commerce and Industry Association

◆ Background of the business

Ignoring an impending crisis despite slumping demand for banquets, then recognizing the threat of bankruptcy for the first time after analyzing the books

Nikaho is a city in Akita Prefecture facing the Japan Sea which has long had abundant stocks of cod. The area's oldest sushi shop, Shionoya, was opened in 1968; today, it is run by the founder's son, Yoshihide Sugawara, who offers creative cuisine centered on seafood. It used to be located near the plant of a large corporation, and in those days, it was packed almost every day with customers entertaining business guests or holding banquets. The restaurant specialized in sushi and traditional Japanese cuisine, made by Sugawara's sushi chef father and other chefs he hired.

After graduating from high school, Sugawara moved to Tokyo, where he studied at cooking school then learned his trade at two traditional Japanese restaurants in the Kanda and Kamiyacho districts.

"I actually quit training as a chef after about two years, and put everything I had into music, while working several part-time jobs on the side," says Sugawara. "I was trying to make a breakthrough, but I wasn't getting anywhere, and then my father's health got worse, so in 1991 I returned home."

However, even after returning to his hometown, he couldn't stop thinking about music, and he would practice his instrument every day after he finished at the restaurant. He continued to spend his time like that until 2003, when his father passed away and Sugawara took over the restaurant. But right after that, the local factory that had provided so much business over the years was downsized, employees were transferred away one after another, and there was a sharp drop in the number of business meals and banquets that made up the majority of the restaurant's revenue. Business steadily got worse.

"Despite that, I was still pursuing my music, and to be honest, I was ignoring the reality of the situation. I made light of the problem, telling myself that as long as I served good food, customers would come," recalls Sugawara. "I may have been a bit arrogant based on my limited experience training in traditional Japanese cuisine in Tokyo."

With no sign of the restaurant's revenues improving, Sugawara casually sought advice from a non-executive member of the Commerce and Industry Association who happened to be doing the rounds of local businesses. He explained how to quantify the restaurant's performance and make effective use of outsourcing to specialists.

"As I was listening to his explanation and looking at the

numbers, I realized that the business was in bad shape, and I feared going under for the first time," notes Sugawara.

◆ Turning point for the business

Changing the business model by setting up a catering service and challenge "B-class gourmets" to generate local publicity

First, Sugawara began reviewing his expenses—for example, calculating the cost rate when buying supplies. But that alone was not enough to solve all his problems. Going forward, he could not rely on demand for banquets any more, so an alternate source of income was needed. Then, the Commerce and Industry Association member who Sugawara had originally consulted suggested that he start a catering service.

"Since we were already very reliant on takeout orders and deliveries, I had thought about catering a little myself," remarks Sugawara. "I thought there would definitely be demand for it, and by offering catering, we would increase awareness of the restaurant. With guidance from the Commerce and Industry Association, I decided to pursue it in earnest."

In order to receive a catering permit, it was necessary to have a place for keeping food cool and packaging it as well as a sink for washing up. Sugawara reorganized the layout in order to meet the criteria for the permit. As hoped, once he put a sign up advertising the catering service, he received orders for events, ceremonial occasions, and so forth, and he was gradually able to make up for the revenue lost due to the decrease in banquets.

Then, in 2011, wanting to actively promote the restaurant and catering service more widely, Sugawara, with the help of the city's commerce and industry department, began running a "Nikaho *agesoba*" stand at events within Akita Prefecture.

Nikaho *agesoba* is a standard menu item in local school cafeterias that has been served for the past 40-plus years. It is



Nikaho *agesoba*, a classic regional dish

made by frying dried noodles in oil till crispy, then cooking them in a broth with various toppings. It's a dish that's well-known to the residents of Nikaho.

"There's been a huge boom in local B-class gourmet foods, and it would be good not only for the city of Nikaho but for the restaurant to gain some publicity," says Surugawa. "I've having fun doing various activities, like running a stand at events in Akita Prefecture and joining a local B-class gourmet network called Food Pro Akita."

Today, his patient efforts are having a positive impact on the restaurant by attracting more customers and catering orders.

◆ Leap forward for the business

Developing new local specialties and giving back to the community that supported him

"Nikaho *agesoba* has helped the business by offsetting slow periods," notes Sugawara. "While going to different events, delivering catered meals, and speaking to customers in the restaurant, I realized something—that while I had never expected much from the local community, it was because of the local community's support that I had gotten where I was today. Having finally realized the obvious, I wanted to make myself useful in return by helping to boost the local community somehow, even if just a little. So I decided to try developing new products with the help of the Commerce and Industry Association."

Attempting to create a new Nikaho specialty using cod, he drew inspiration from a dish that had been served to staff at the restaurant. Called *tarayukke*, it is made by combining raw cod with sesame oil, egg, and soy sauce. He has received practical advice on commercializing it (how to preserve it, package size and design, etc.) from experts in various fields sent by the Commerce and Industry Association.

"In order to commercialize it, a food processing permit is required, so I will have to rearrange the restaurant layout and kitchen again," explains Sugawara. "But hopefully I can manage to get that over with quickly, and start promoting the city of Nikaho by selling the product within the next year."

What's more, Sugawara also collaborated in the commercialization of a local seasoning developed as part of a Commerce and Industry Association regional revitalization project. The resulting Nikaho cod *shottsuru* (fish sauce) is currently being sold in local supermarkets and urban specialty stores under the brand name of Uwatani, and an event was held at which local restaurants served dishes made using the product.



Yuho-maru, the boat Sugawara inherited from his father

Sugawara is now developing a new item using Nikaho cod fish sauce. Having received a subsidy under a small enterprise support program that requires cross-industry collaboration, he has created a cod-shaped mold which will be used to make what he is tentatively calling "Nikaho cod burgers." His new creation is on the verge of completion.

◆ Future development and tasks

Serve customers with seasonal fish and fresh vegetables and enjoying the contented look on their faces

Now that he is highly driven to succeed in everything he does, the Commerce and Industry Association relies on Sugawara. For example, ahead of the event mentioned above, it commissioned him to make "*shottsuru* candy" as a free gift to be offered at all participating establishments.

"Since it was my first time making candy, I learned about it by reading specialized books," he notes. "Nikaho fish sauce is made with soy sauce, so it burns easily, and it was a struggle since it was very different from the kind of food I usually make, but somehow, I managed to do it."

It proved a big hit with customers. The Commerce and Industry Association received additional orders for it, and 2,300 candies were made this year alone. Sugawara once again struggled to make them without burning them, but whatever he is asked to do, he accepts it without a word of complaint—perhaps because, at heart, he is an entertainer who just wants to make people happy.

As he becomes busier and busier outside of his main job, Sugawara now finds himself rushing from place to place every day, but in the end, he always comes back to Shionoya, the restaurant he inherited from his father.

"I actually have a fishing license and I go out fishing on a boat passed on to me from my father," he explains. "So the fish is fresh, and since I am able to get it cheaply, I pass on the savings to customers by keeping the prices down. While some of the dishes are unusual, I feel confident in my food, which is based on traditional Japanese cuisine."

Many of his dishes have acquired an excellent reputation, such as the "chef's selection" made with seasonal fish and locally sourced vegetables.

"I love seeing customers head home with a smile, saying 'That was a great banquet today.' Nothing makes me happier than customers having a good time by enjoying my food," concludes Sugawara.



Chef's selection made with fresh ingredients

Section 3 Cases of initiatives that promote regions and make them more dynamic

This section presents the following four cases involving micro businesses and a shopping street engaged in promoting regions and making them more dynamic.

- Case 2-3-8 AutoSnack Co., Ltd. (Kanuma City, Tochigi Prefecture)
Representative Director: Hirofumi Mishina
(Vending machine operation and management, soft drink retailing/wholesaling; vending machine-based regional information distribution)
- Case 2-3-9 Aso Hanabishi (Aso City, Kumamoto Prefecture)
Representative Director: Hiroshi Miyamoto
(Food services)
- Case 2-3-10 Angelina (Takarazuka City, Hyogo Prefecture)
Store Owner: Naomi Sawara
(Purchasing and retailing ballet and dance supplies, dressing-room supplies, angel-themed miscellaneous goods, beauty goods, and Takarazuka souvenirs)
- Case 2-3-11 Matsuda Suisan Co., Ltd. (Awara City, Fukui Prefecture)
Representative Director: Koichi Matsuda
(Selling and managing market pricing system for online seafood transactions)

Case

2-3-8: AutoSnack Co., Ltd. (Kanuma City, Tochigi Prefecture)

(Vending machine operation and management, soft drink retailing/
wholesaling; vending machine-based regional information distribution)
<Employees: 5, capital: ¥10 million>



Hirofumi Mishina,
Representative Director

Creating a new vending machine-based business and regional development via a new advertising medium

◆ Background of the business

A thriving business is forced to change direction after suffering a major blow from a new bidding system for government offices and the like

AutoStock Co., Ltd., a company that operates around 350 vending machines, mainly in Kanuma City, Tochigi Prefecture, has continued to grow steadily since its founding in 1973. At present, it has an exclusive distribution agreement with a major beverage manufacturer and is engaged in activities such as restocking beverages in vending machines and developing new vending machine installation sites. The company has only four employees in all, but when the business was at its peak, around 2008, its turnover approached ¥300 million. But then the thriving business's fortunes were transformed by the introduction of a bidding system.

"In around 2009, a bidding system was introduced for installing vending machines in government offices and public facilities," explains AutoStock representative director Hirofumi Mishina. "Since then, when setting up vending machines in those kinds of places, consideration has been given to factors such as contributing to the region, and priority has been given to local companies. However, once the bidding system was introduced, big installation companies started to get involved, and there were some companies that would make bids to undercut their competitors, with no regard for making a profit. Small companies like ours couldn't compete with them."

According to a 2013 study by the Japan Vending Machine Manufacturers Association, there are 2.59 million beverage vending machines installed across the country. One machine generates annual sales of around ¥868,000, or an average of around ¥72,000 per month. However, Mishina says that there are few vending machines in Kanuma that bring in ¥70,000 per month.

"In Kanuma, even vending machines on main roads have average monthly sales of ¥20,000 to ¥30,000," he says. "However, in places where large numbers of people gather, such as government offices, some machines bring in as much as ¥200,000 a month. No longer being able to secure spots in those kinds of places was a serious blow."

◆ Turning point for the business

Not wanting to waste a chance that presented itself, the company takes a proactive approach and creates a new business style

Then, Toshiyuki Kimijima from the Kanuma Chamber of Commerce and Industry suggested that AutoStock try providing advertising services for local companies that use vending machines—by affixing QR codes to canned beverages that would direct people to company websites. The idea was proposed by Hirokazu Sashi from PNC Network Support Inc., which provides computer support services to businesses. Mishina saw this proposal as both a business opportunity and a chance for regional development.

"In our business, both the clients (stores, companies, etc. who provide vending machine sites) and the people who buy the products are locals," he states. "That was one reason that I wanted Kanuma to become more dynamic; at the same time, I wanted to contribute in some way to the place where I was born and raised. And I thought that what Mr. Kimijima had said provided an excellent opportunity to do that."

However, since the idea would have a negative impact on the design of beverage packaging, the beverage manufacturer that owned the vending machines did not grant its permission. But, not wanting to waste the chance that had presented itself, Mishina refused to give up, and began thinking up an alternate proposal. Then, one day, as he was watching a coin-operated parking lot change machine issue a receipt, an idea came to him: why not give out coupons along with the drinks from vending machines?

"First, I searched for a company that distributes coupons



Vending machine equipped with coupons

via vending machines, but I looked all over Japan without finding one, and ended up thinking, ‘If there’s no such company, I’ll make one myself’,” he recalls.

A few days later, he found a company that would manufacture mini-printers for him. He commissioned a local sheet metal company to perform installation and negotiated with the beverage manufacturer again, this time receiving permission on the condition that the vending machines did not get scratched. In 2010, Freepon vending machines with printers were born. Kimijima recruited advertisers by speaking to Chamber of Commerce and Industry member companies and soliciting their support. It was a three-person venture—including Sashi, who was in charge of computer management, coupon design, etc., as well as Mishina.

◆ Leap forward for the business

Unprecedented coupon-issuing vending machines are followed two years later by a more sophisticated second-generation model

With the Freepon system, a coupon featuring an advertisement is issued by the built-in printer when a customer buys a drink from a vending machine. There is a wide range of advertisers, from small shops such as a local bakery to a car dealership and a cell phone retail store. The system is designed so that it randomly selects one company from among the participating businesses and prints its name along with the special offer details on the coupon. There are various kinds of special offer, such as “Get ¥200 off your bill next time you shop at X” or “Free ham cutlet next time you shop at Y’s butcher shop.”

Under consumer protection laws, the value of the special offer is limited to ¥200 per coupon at most, but when compared to the unit price of a canned beverage, consumers feel like they are getting a good deal. Another major attraction of these coupons is that they can be redeemed at participating businesses other than the one whose name is printed.

Once the system was introduced, the number of Freepon-equipped vending machines gradually increased. However, some participating companies had concerns about their advertising effectiveness, since only one company’s name was printed per coupon. Therefore, two years later,



Coupon issued by a vending machine

in order to resolve this issue, a second version of Freepon was produced. This one was equipped with a liquid-crystal display as well as a printer, designed to play commercials for participating companies 24 hours a day. As a result, the number of machines equipped with the system has increased to 70 and the number of participating companies to 20.

“In February of this year, we asked a major rental shop and karaoke parlor to take part, and offered limited-time coupons on a trial basis with which people who bought a drink could receive a sweet such as a cookie or jelly snack,” says Mishina. “That resulted in over 1,400 coupons per month being used. It showed that you can achieve good results with this medium, depending on how you use it.”

◆ Future development and tasks

Spreading awareness of Freepon while at the same time expanding the idea of regional development

As awareness of Freepon grows, it seems that Mishina’s idea of helping to develop the region is also gradually spreading through the community.

“The competition between the various companies over vending machine sites is really fierce,” he explains. “It’s commonplace for one manufacturer’s machines to be replaced by another’s. But to date, we haven’t received a single request to remove a Freepon-equipped vending machine. Perhaps that’s an indication that people are aware that by having one of our vending machines there, they’re helping more than a little to develop the region.”

What’s more, in future, Mishina plans to package Freepon and develop it across Japan. To that end, he formulated a plan to complete a new system equipped with a wireless data communication function in addition to the printer and LCD and implement cloud-based control of the constantly expanding Freepon terminal network via the Internet. The total production cost was ¥17 million, but AutoStock was chosen for a New Manufacturing Subsidy, and the ¥10 million of assistance was allocated to producing the new machines.

“In 2020, there will be a lot of visitors coming here from abroad for the Tokyo Olympic Games,” notes Mishina. “At that time, if we could have Freepon machines installed near the stadiums and the athletes’ village and use them to provide information in multiple languages, I think they could be helpful in attracting customers to local businesses. There are a lot of businesses in Japan that have trouble attracting customers even though they serve delicious food, or who make good products but don’t get noticed because they’re not in a good location. I believe the role of Freepon is to showcase just those kinds of businesses.”

Freepon is already receiving inquiries from Chambers of Commerce and Industry in other prefectures, through Kimijima, who is the point of contact. The day is coming when this new concept inspired by a desire to promote the Kanuma region will play a role in promoting communities all over Japan.

Case

2-3-9: Aso Hanabishi

(Aso City, Kumamoto Prefecture)

(Food services)

<Employees: 4, capital: ¥5 million>

Bringing a dying shopping street back to life through the youthful energy of a new generation of merchants



Hiroshi Miyamoto, Aso Hanabishi (right)
Shinya Sugimoto, Aso Torimiya (left)

◆ Background of the business

Inheriting the family restaurant—only to discover that the business is in terrible shape

Aso City in Kumamoto Prefecture has many picturesque spots, such as Aso Geopark, which is contained entirely within one of the world's largest calderas. Aso Shrine, head shrine of the Aso Shrines found across Japan, is also visited by many tourists each year. Right in front of the shrine is Aso Ichinomiya Monzen-cho shopping street, located along the approach road to the shrine (which, unusually, approaches it from the side, not the front). Running for 250 meters in total, this shopping street is lined with over 30 establishments, including restaurants, cafes, and *zakkaya* stores offering a variety of homeware, fashion accessories, etc. Among these businesses can be found Aso Hanabishi, a restaurant serving signature local dishes including *tsunkiri dago-jiru* soup, *inaka inari* rice balls, and *akagyu* beef cutlet on rice. Representative director Hiroshi Miyamoto's father opened the restaurant in 1997.

After graduating from a local technical high school where he specialized in architecture, Miyamoto went to a vocational school, worked for a housing company, and then studied in Canada, where he learned how to build log houses. He was planning to start up a building firm, but just as he was going to open the business, he was called back home to help out his father at the restaurant, and after that, his life would change dramatically.

"Today, there are lots of customers visiting the shopping street, but 12 or 13 years ago, it was really quiet," says Miyamoto. "And since there was no one in the street, there was no one coming into the restaurant either. Naturally, business was disappointing, and one day about a year after I started helping out, my father came to me with the title deed to the restaurant and relinquished his right of representation to me, saying, 'You're going to take

over.' When I looked at the books, it was in such bad shape that it wouldn't have been surprising if it went under at any time."

However, he couldn't just stand idly by and let that happen. Since he didn't foresee making any profit from daytime business, he shifted the restaurant's main focus to hosting banquets. Financed by a ¥1 million term deposit in his mother's name, he renovated the banquet room in the back of the restaurant. After that, he handed out flyers, talked to acquaintances in the youth division of the Commerce and Industry Association, and managed to make ends meet somehow by hosting functions.

◆ Turning point for the business

Refusing to let the shopping street die out, the new generation of merchants forms the Wakakyamonkai association

What was the reason for the shopping street's decline? When Miyamoto was a child, the street was bustling with people coming and going—not just tourists but locals as well. But as big-box stores such as supermarkets began opening in the suburbs, customers went with them, and the street became steadily less busy starting in the mid-70s.

"There were 250,000 people visiting Aso Shrine every year, but they were not heading to the shopping street," notes Miyamoto. "My father and others had tried to revive the street, but they never got anywhere. Although I was vaguely concerned about the restaurant's future, I was busy with day-to-day life and didn't have any time to spare. Then, one day, there was an article about the shopping street in the local newspaper. I opened it excitedly, thinking, 'Our shopping street's in the paper!'—only to find that it described Aso Ichinomiya Monzen-cho as a 'fading,' 'dead' shopping street whose customers have left. It was covered as part of a series of articles focusing on the current state of declining shopping streets."

After the article appeared, the younger generation of neighborhood merchants met at a year-end party. During the event, Shinya Sugimoto from Aso Torimiya, a butcher's shop next to Aso Hanabishi, asked all of them, "Do you think you will be making as much in five years as you're making now? Do you think you'll even be living here in five years?" Imagining their own future in response to his questions, everyone realized that they were facing a crisis, and at the start of the new year, in January 2001, they formed the Wakakyamonkai—an association centered on the younger generation of merchants from the shopping street. Led by Sugimoto, the ten members vowed to revive the street and not let its local businesses die out, and began taking action in earnest.



Aso Hanabishi restaurant



Akagyu beef cutlet on rice, made from local red cattle, and *inaka ko inari* rice balls

◆ Leap forward for the business

The association develops one successful plan after another, and the shopping street launches its own signature products

The association members were quick to act. First, they thought of holding an event during a night market festival held in the summer in an attempt to bring back the street's former thriving atmosphere. The members held regular meetings twice a month and discussed the budget, details of the plan, permits, and securing a location. There were many issues, but after meeting multiple times, they agreed on holding a raffle to win luxury products. Since they didn't have the budget to buy such products, the ten members raised the funds by agreeing to put up ¥100,000 each, which they would make up by selling an equivalent amount of raffle tickets. While that may seem a reckless approach, by co-operating with each other, everyone was able to sell their full allotment of tickets. The day of the draw was an exciting occasion, thanks to various ideas thought up by the young merchants, such as organizing a cake speed-eating contest with the help of female employees from an agricultural co-op and bank.

"In terms of the result, it was a huge success, with lots of people showing up, just like old times," says Miyamoto. "Seeing the response that we got, we got to work developing one plan after another."

They were also boosted when Hidetoshi Sakamoto, a regional revitalization consultant, took over as executive director of the Aso Design Center in 2005. This was a highly encouraging development for the Wakakuyamonkai association.

"He taught us how the everyday appeal of the shopping street could be a tourism resource, which led to us creating signature products," explains Miyamoto. "The first was our restaurant's *inaka inari* rice balls. The second was the *tanoshu* cream puff made by the sweet shop Tanoya. The last was the *barokke* horsemeat croquette by Aso Torimiya. It was really a struggle to develop the *barokke*, which required making countless trial versions. While I was involved in that activity, my desire to let more people know about the appeal of our shopping street started to become stronger."

◆ Future development and tasks

Unifying the shopping street and always taking on new challenges

Focusing on the street's look in order to draw people

to it as an attractive tourist site, the various stores have coordinated their signs to create a uniform feel. This has generated a relaxing atmosphere. Further enhancing the appeal are the drinking fountains that line the street.

"The shopping street is on a site where there has always been abundant spring water running underneath it, so my father ran a water pipe from underground to the street and created a quaint drinking fountain in front of the store, which he called a *mizuki* (water fountain). When other businesses were encouraged to set up their own *mizuki*, 14 of them agreed, and today there are 28 *mizuki*, which have become a symbol of the shopping street," notes Miyamoto.

The older generation of merchants has also been inspired by the efforts of their children. Since there are cherry trees planted on both sides of the street, one owner proposed laying down tatami mats in the street during cherry blossom season so that people could sit and enjoy viewing the trees at their leisure. The idea was taken up immediately, and since 2009, it has been implemented every year. The merchants continue to try other new initiatives, such as a flea market on the grounds of Aso Shrine, and today, the shopping street is visited by almost 350,000 people per year. Aso Hanabishi is also enjoying steady business and developing dishes using locally sourced ingredients.

One of the leaders whose youthful energy has revived the shopping street, Miyamoto today also serve as chair of the Central Federation of Youth Leagues of Societies of Commerce and Industry, Japan, and frequently has opportunities to give talks about resurrecting local shopping streets. What does the future hold for Aso Ichinomiya Monzen-cho shopping street? "My dream is to make it like the Champs-Élysées in France," says Miyamoto with a laugh.



Storefront *mizuki* water fountain



The shopping street bustling with tourists

Case

2-3-10: Angelina (Takarazuka City, Hyogo Prefecture)

(Purchasing and retailing ballet and dance supplies, dressing-room supplies, angel-themed miscellaneous goods, beauty goods, and Takarazuka souvenirs)
 <Employees: 1, capital: ¥10 million>



Naomi Sawara,
Store Owner

Wanting to be associated with the Takarazuka Revue, symbol of the city, and convey its appeal to many people

◆ Background of the business

Promoting the store by reflecting the aesthetic tastes of Takarazuka fans

A Takarazuka fan like her mother before her, Naomi Sawara's desire to open a store goes back to January 17, 1995, the day that the Kansai region was struck by the Great Hanshin Earthquake. At that time, the city of Takarazuka in Hyogo Prefecture, home base of the Takarazuka Revue (an all-female acting troupe famous across Japan), suffered massive damage. Thanks to the efforts of fans and other concerned parties, who told themselves that "the Takarazuka show must go on!", the Revue was able to perform again on March 31, 74 days after the disaster, but there was an obvious drop in the number of attendees compared to before the earthquake. With the aim of reviving the Revue's fortunes, in 2000, two commercial buildings, Hana no Michi Seruka 1 and 2, were completed on Hana no Michi Street, which leads from Hankyu Takarazuka Station to the Takarazuka Grand Theater. Sawara immediately applied to become a tenant of the buildings, which were located right on a street beloved by Takarazuka fans that symbolizes the Revue. There, she opened Angelina, a shop aimed at those fans.

"I made an effort to stock products that I myself, as a Takarazuka fan, would want to buy if I saw them," says Sawara. "For instance, fans have individual Takarazuka performers that they support, and they often give them dressing-room supplies such as mirrors or mirror covers before each performance. But there were never very many stores that stocked suitable products. Something that you can buy anywhere or that you can make by yourself isn't very attractive as a present. So I began stocking individual

items crafted by artisans, and awareness of the store gradually increased among Takarazuka fans, who have a highly refined aesthetic sensibility. I think the fact that I accepted orders for customized decorations and colors also enhanced the store's reputation."

The fact that the store handled leotards for Takarazuka Music School auditions further increased its reputation. The audition criteria simply indicate that the leotards should be black with round neckholes and three-quarter-length sleeves, but in fact they have highly specific requirements that mean only suppliers who are very familiar with Takarazuka can make them. Via her network of artisans, Sawara was able to procure leotards from suppliers who understood the requirements, and they are now widely used by auditionees aiming to become future Takarazuka performers. As the post-earthquake recovery continued, Angelina became a well-known store in Takarazuka.

◆ Turning point for the business

With a drop in the number of visiting families, expanding the target clientele becomes a key issue

Thanks to the support of Takarazuka fans, Angelina was on the right track, but it found itself in dire straits in 2003, when Takarazuka Family Land, an amusement park located to the east of Hankyu Takarazuka Station, was shut down.

"Family Land played a vital role as a place where the husbands and children of a Takarazuka fan could hang out and have fun while she was at the show," explains Sawara.

With the closing of the park, Sawara sensed that the town was facing a crisis—visiting families had disappeared, and fewer people were walking in the streets. She realized that she needed to create a store targeting more than just Takarazuka fans.

Around then, she was invited by the Takarazuka Chamber of Commerce and Industry to take part in a one-coin stamp rally called Daisuki Takarazuka. During the roughly one month-long initiative, participating stores provided three types of exclusive products that could be purchased with one coin (¥500), two coins (¥1,000), or three coins (¥1,500). These were offered to customers who visited participating stores to stamp the official guidebook created by the Chamber of Commerce and Industry. As two-coin items, Sawara offered a U.K.-made World Collection



Dressing room slippers to be given as presents to Takarazuka performers

accessory case and Suisosui, an anti-aging product favored by Takarazuka actresses. What's more, a popular sweet that had been presented on TV was offered as a special prize to winners drawn at random from customers who collected stickers provided to those who bought and used the products.

"What made me happy was that many local people visited the store, saying, 'Even though I live in the neighborhood, I didn't know about this shop,' or 'I'd been curious about the shop for a long time, but didn't have the nerve to go in before,'" says Sawara. "I realized that it was possible to be supported by non-Takarazuka fans who shared the same taste or sensibility with regard to the beauty of the Takarazuka Revue."

◆ Leap forward for the business

Product mix that anticipates women's preferences combined with meticulous customer service

After that, Sawara reviewed the store's product mix and began stocking many products that could be purchased for ¥500 or less, such as pens and sachets. It's not just that the products were reasonably priced—they were also, needless to say, products that conveyed a sense of beauty and elegance, carefully selected based on Sawara's many years of experience.

"As an example, I offered a line of attractively decorated dusters called Karennaru Korokoro, which sold very well," says Sawara. "The store's slogan is, 'Angelina on Hana no Michi: where you can keep living the Takarazuka dream after the show,' and it seems that many women will respond enthusiastically as long as I stock products that make them



Karennaru Korokoro dusters—an item popular with many women



The store interior attracts customers of all kinds

feel like the dream is continuing or offer something exciting and out of the ordinary."

At the same time, she has not forgotten to consider customer service. When going to see a live performance at the Takarazuka Grand Theater, Takarazuka fans like to dress up, paying thorough attention to every last detail: hairstyle, makeup, clothes, shoes, handbag. Sawara therefore ensures that store staff dress modestly, so that they will serve as a foil to their dolled-up customers. This approach, which is effective not just with Takarazuka fans but with other clientele as well, has created a welcoming atmosphere in the store that makes everyone feel comfortable about going in.

Today, Angelina's customer base continues to expand—there are male customers who visit the store to select gifts for White Day (a counterpart of Valentine's Day on which Japanese men give gifts to women), and the store has also sold large quantities of a cotton swab set highly popular with women to be given out as prizes at a golf tournament. What's more, by stocking dance and ballet supplies not just for Takarazuka school auditionees but also for young children, the store is now attracting grandmothers and grandfathers shopping for presents for their grandchildren.

◆ Future business development and tasks

Making the town more dynamic with events that leverage the local scenery and appealing products

However, since the two Hana no Michi Seruka buildings are located some distance from Hankyu Takarazuka Station, Sawara feels that she needs to develop further solutions to attract customers to the store.

"I think it would be good to propose new plans besides the stamp rally, such as holding events that leverage the scenery of Hana no Michi, which has a sophisticated European atmosphere," says Sawara. "This year, I'd like to make the atmosphere more lively over Christmas. The last live performances of the year at the Takarazuka Grand Theater are held in mid-December, and after that, the town is so quiet that you wouldn't even think it was the Christmas season. Naturally, we offer products that are make attractive Christmas gifts, but in addition to that, I'd like to promote Takarazuka so that it will be recognized as a date spot for young couples. Of course, as someone who loves the Takarazuka Revue, I also want to offer opportunities for people who have never seen a single performance to discover it."

Case

2-3-11: Matsuda Suisan Co., Ltd.

(Awara City, Fukui Prefecture)

(Selling and managing market pricing system for online seafood transactions)

<Employees: 2, capital: ¥20 million>

Koichi Matsuda,
Representative Director

Creating a business model to stimulate the distribution of fresh fish and share information with the rest of Japan from Awara Onsen

◆ Background of the business

An innovative B2B transaction system that displays information about the seafood catch online

Matsuda Suisan Co., Ltd. is an intermediate wholesaler based in Awara Onsen in Awara City, Fukui Prefecture, that started out around 70 years ago. Since then, it has been wholesaling Echizen crabs and fresh fish caught in Mikuni Bay, primarily to Japanese inns. In 2001, the company developed and began operating Sakana Ichiba Mohei, an online membership-based wholesaling system.

Normally, intermediate wholesalers purchase seafood via auctions at wholesale markets, then sell it at a profit to fishmongers, who retail it to Japanese inns, restaurants, etc. However, if the wares acquired by the wholesaler do not correspond to the needs of the inn or restaurant, they end up with surplus fish. There was a need to eliminate this supply-demand gap.

Before an auction begins, wholesalers first enter information about the fish catch on the Sakana Ichiba Mohei website and make it public. Members (inns, restaurants, etc.) access the site and order wares by referring to the catch information. This may seem like an obvious way to do business, but until the system was launched, there was nothing obvious about it. For some reason, catch information was only shared between certain businesses, so it was as if the quantity and prices of fish were in a black box. Chefs would not be able to get information about the catch unless they went to the market themselves the same day.

Matsuda Suisan representative director Koichi Matsuda explains the benefits of the system: “Since wholesalers know the order quantities in advance, they are able to

acquire the right quantity of fish. At the same time, it reduces the effort involved in purchasing ingredients for inns and restaurants, and they also know right away what ingredients they will be able to obtain, which makes it easier for them to decide on the day’s menu.”

◆ Turning point for the business

Benefitting buyer and seller alike and offering a major opportunity to stimulate the industry

It was a revision to the Wholesale Market Act in 1999 granting approval to negotiated transactions that led to Matsuda coming up with the idea for the system. Negotiated transactions are one-to-one transactions conducted between individual wholesalers and buyers that enable the transaction quantities and so on to be negotiated ahead of time. However, despite the change in the law, it was not functioning well in the field, and transactions were still being conducted the old way.

“Fundamentally, fish that is in season and that can be caught in large quantities is what tastes the best, and the price is also cheap,” notes Matsuda. “However, the orders from the inns I dealt with were always for fish with stable prices and supply, which meant that their menus were always the same. I wasn’t supplying affordable seasonal fish, which is the best part of the job, and I no longer felt that the work was interesting. Unless something was done to change the old way of doing things and make it possible to display information and conduct rapid transactions, the whole industry was going to go into a decline.”

Not knowing much about the Internet, Matsuda consulted the Fukui Prefecture Industrial Support Center. “When I explained what I wanted to do, they immediately introduced me to a systems engineer,” he recalls. “We then started working on developing a trial version, but while he was an expert in IT, he was an amateur when it came to fish and wholesale transactions. We continued to go back and forth while testing the trial system, with me saying ‘this is no good’ and ‘that’s no good,’ until finally, half a year later, we had completed a satisfactory system.”

The system makes it possible for intermediate wholesalers to display detailed information such as the freshness of the fish, how and where it was caught, and so on, as well as the type of fish, size, and price. What’s more, buyers such as inns and restaurants are able to place



Making catch information available

orders that specify the processing method and shipping time. It may seem that, since fish buyers and intermediate wholesalers are dealing directly with each other, they are cutting out the fishmongers who had acted as middlemen until now.

Matsuda, however, says: “Even now that we’ve begun operating Sakana Ichiba Mohei, fishmongers continue to be involved in processing fish, shipping them to buyers, and so on. For fishmongers, what is rewarding about their work is obtaining good fish and supplying it in good condition. But with the previous distribution approach, fishmongers would pay in cash when obtaining fish from intermediate wholesalers, and it was normal for them to sell it on credit to inns and restaurants. With this method, there was a significant risk in terms of collecting payment, so they would always be worried about that and couldn’t concentrate on their work. But with the new system, the buyer pays an amount that includes processing, shipping fees, and so forth, and the intermediate wholesaler pays the processing and shipping fees to the fishmonger. Payment is done by bank transfer, so there’s no longer any payment collection risk, which enables fishmongers to give their undivided attention to the essence of their work, which is what they find rewarding.”

◆ Leap forward for the business

Obtaining a patent, switching to cloud-based computing, and expanding the system nationwide

In 2001, when operation of the system began, Awara City in Fukui Prefecture had an underdeveloped IT infrastructure. Matsuda had to purchase a server with ¥13 million of his own money. Matsuda then pitched the system to other intermediate wholesalers and the like, but it was a big investment and he had trouble getting people to adopt it.

“I therefore submitted a request for examination with the aim of obtaining patent certification,” says Matsuda. “If I had the Patent Office’s stamp of approval, I thought it might change the situation. I had heard that it was unusual to obtain a patent for a business model, so I didn’t have high expectations, but on the fourth application, the Online Seafood Transaction Market Pricing System passed the examination and obtained a patent.”

That was in September 2010. It was the first IT business model patent in the seafood wholesaling industry. What’s more, around that time, another positive factor emerged: the development of Internet-based cloud technology.

“I immediately applied to Fukui Prefecture for a subsidy supporting start-ups in new sectors, and after it was granted, I redesigned the system,” explains Matsuda. “By switching it to cloud-based computing, it became possible to install it on a single laptop computer. When I began pursuing sales with a view to nationwide development, Fukui Maruuo, an intermediate wholesaler at the Fukui Central Seafood Wholesale Market, introduced the system.”

◆ Future business development and tasks

Boosting the performance of inns that introduce the system by improving their accounting management

In 2014, Matsuda was an exhibitor at the 16th Japan International Seafood & Technology Expo, an event for sharing technology relating to the fishing and processed marine product industries, where he promoted Sakana Ichiba Mohei. The system was well received there, and Otatsu Shoten, an intermediate wholesaler at the Tsukiji Central Wholesale Market in Tokyo, decided to introduce it. What’s more, in March 2015, at FOOD EX JAPAN, Asia’s largest trade show devoted to food, Matsuda and Otatsu Shoten exhibited together and presented the system’s advantages to people outside the seafood business. “The benefits of introducing the system are proven by our own performance since 2001,” says Matsuda. “I mean, if you look at members such as inns who purchase fish using the system, their performance has been steadily improving over the past dozen or so years. By supplying fresh, seasonal ingredients, inns have been able to vary their menus more—not only that, they also often tell me that it has become easier for them to manage their accounts. They can see the price at which the fish was purchased, of course, and the processing fees are clearly detailed as well, so it has become easier for them to use their expertise to purchase good fish at low prices.”

In order for this Fukui success story to expand nationally, there is still a lot that needs to be done, but there’s no question that the seed planted by Matsuda will have a very significant part to play in the future of the industry.



Fresh Echizen crab caught in Mikuni Bay



Traditional tubs used for Echizen crabs

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

This chapter introduces a total of 10 cases – cases of support from business advisors and cases of support from SME coordinators – from the perspective of developing a system for supporting micro businesses through community-wide collective efforts.

Section 1 Cases of support from business advisors

This section introduces the following five cases of support initiatives by business advisors belonging to societies and chambers of commerce and industry and actual recipients of support.

Case 2-4-1 Dewa Society of Commerce and Industry (Tsuruoka City, Yamagata Prefecture)

Business advisor: Rika Sato

Support recipient: Agricultural Cooperative Corporation Shonai Kyodo Farm (Tsuruoka City, Yamagata Prefecture)

Representative Director: Kisaku Onodera

(Agricultural produce processing/sale)

Case 2-4-2 Hachioji Chamber of Commerce and Industry SME Consultation Office (Hachioji City, Tokyo)

Business advisor: Toshiya Yamana

Support recipient: Takanawakodo LLC (Hachioji City, Tokyo)

Representative: Keiko Takanawa

(Beauty salon management, personnel training, skincare cosmetics/aromatic products manufacturing/sale)

Case 2-4-3 Gifu Prefecture Nakatsugawa Kita Society of Commerce and Industry (Nakatsugawa City, Gifu Prefecture)

Business advisor: Bunta Kawamura

Support recipient: Photostudio Hayakawa (Nakatsugawa City, Gifu Prefecture)

Masafumi Hayakawa

(Photography studio, aerial photography by remote control helicopter)

Case 2-4-4 Sakaide Chamber of Commerce and Industry (Sakaide City, Kagawa Prefecture)

Business advisor: Hiroshi Akagi

Support recipient: Hana Kobo Y.K. (Sakaide City, Kagawa Prefecture)

Representative: Yukako Izumi

(Flower shop, flower arrangement, online sale)

Case 2-4-5 Kagoshima Prefecture Hioki City Chamber of Commerce and Industry (Hioki City, Kagoshima Prefecture)

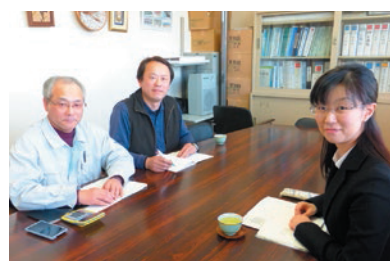
Secretariat Head Toshiyuki Tomari

Support recipient: Hiruzen Tahouan (Hioki City, Kagoshima Prefecture)

Restaurant owner: Miyuki Tomari

(Food services)

Case

2-4-1: Dewa Society of Commerce and Industry**Business advisor: Rika Sato****(Tsuruoka City, Yamagata Prefecture)**

**Dewa Society of Commerce and Industry
business advisor Rika Sato (farthest right)**

Merging to cover the broadest area in Tohoku, establishing an agricultural committee to curb member loss

The Dewa Society of Commerce and Industry, formed in 2008 by merging seven societies of commerce and industry, has the broadest support coverage in Tohoku, stretching from the coast to the Three Mountains of Dewa. However, as successive private operators go out of business and commerce and industry operator and employee numbers fall, one issue it faces is how to offer more precise services.

Sato says, “At the time of the merger there were around 1,500 members, but that number will probably fall by 100 to 200 members in this year’s survey. Our activities to include farmers are also efforts to maintain member numbers.”

The Dewa Society of Commerce and Industry instituted eight items as its promises to members and, within those, is unique for its objective-specific research groups made up of business proprietors. In particular, the agricultural committee set up in July 2010 as a study group to seize business opportunities aims to promote strategic agricultural business through sixth-order industrialization, agricultural commerce and industry partnerships, marketing and new distribution channels. It consists of about a hundred members from agricultural corporations that want to distinguish themselves from the competition while opening up new distribution channels on their own, the government, travel agencies, the mass media, farmer’s restaurants, straight-from-farm business proprietors dealing with large numbers of farmers, etc.

Among the agricultural corporations and straight-from-farm business proprietors are a number of businesses that own agricultural product processing plants and manufacture and sell juice, mochi, pickled foods and more. They seek customers outside of the region and thus wish to learn about opening up new distribution channels and sales.

The connection between societies of commerce and industry and agricultural cooperatives was demonstrated when the Yamagata Prefectural Federation of Societies of Commerce and Industry included products developed by agricultural cooperatives in the antenna shop it opened at Tokyo Station’s Yaesu North Exit called Yamagata-ya.

Offering support through a network of experts and advice from ISO food category-certified personnel

In order to offer sophisticated and specialized support, the Dewa Society of Commerce and Industry possesses a network of experts in a variety of fields, including lawyers, certified public tax accountants, public accountants, architects and experts in shop displays, new product development and exhibition booth design, and matches companies with human resources that fit their needs. In the field of design in particular, it endeavors to introduce companies to suitable designers.

The Dewa Society of Commerce and Industry also has personnel certified in the ISO food category who give specialized advice on food safety-related factory improvement. Because concern over food safety has increased recently, the food manufacturing industry must constantly be improving. However, the equipment required can constitute a significant burden for companies, so the Dewa Society of Commerce and Industry works to propose feasible improvements suited to the company.

In the case of Shonai Kyodo Farm, it gave advice on ways to avoid usage mistakes such as labeling each piece of equipment in the mochi manufacturing process with its name and quantity. It also changed the color of the gloves from white to blue to prevent foreign objects from getting mixed into the mochi. Furthermore, it also checks the things that clearly need to be improved before clients come for inspections.

The start of measures focusing on small enterprises and one of the first to advertise use of subsidies

Sato says, “Establishing the support structure has shone a light on small enterprises. After the law was passed in 2014, the Dewa Society of Commerce and Industry set up an objective-specific research group called the Subsidy Use Research Group and was one of the first to advertise ‘continuation subsidies.’ As a result, 141 of the 232 applications from all of Yamagata Prefecture were from Dewa Society of Commerce and Industry member companies and 83 were selected. We believe this is the fruit of caring support for micro businesses making their first subsidy application.”

Support recipient case

Agricultural Cooperative Corporation Shonai Kyodo Farm (Tsuruoka City, Yamagata Prefecture)

(Agricultural produce processing/sale)
<Employees: 5, capital: ¥29.3 million>



Kisaku Onodera,
Representative Director

A group of young farmers leading the age. Improving quality control and design on advice from the society of commerce and industry

◆ Background of the business

Seven young farmers versed in the old ways form an agricultural cooperative corporation

Nowadays it is common for farmers to form corporations in order to become sixth-order industries, but twenty years ago this would have been considered eccentric.

Shonai Kyodo Farm is an agricultural cooperative corporation formed in February 1989 and its main work is producing, processing and inspecting agricultural products as well as manufacturing and selling processed agricultural products. Simply put, it is a compound operation focused on rice cultivation that also manufactures and sells processed agricultural products such as vegetables, fruit and pickled foods.

With the concept of sustaining food safety and health for consumers and symbiosis with nature and the environment for farmers, its goal is to multiply organic agricultural products.

Shonai Kyodo Farm developed out of a study organization called the Shonai Farmer Report established in 1973 by seven young farmers with farms in Tsuruoka City, the town of Mikawa and the former towns on Amarume and Haguro who, as more and more farmers worked away from home during the winter and took up second businesses, were concerned about whether they would be able to carry on farming and were thinking about what form farming and agricultural cooperatives should take. The Shonai Farmer Report was a record of conversations with local elders, an effort to learn from how these farmers of old had overcome difficulties. These seven members reviewed their own management styles in 1978 and began interactions with consumer groups, cooperative associations and others as well as straight-from-farm transactions, built a small mochi processing plant in Mikawa Town in 1987 and founded the Agricultural Cooperative Corporation Shonai Kyodo Farm in 1989 with 25 members.

◆ Turning point for the business

Focusing on safety and quality through interactions with coops in the Tokyo metropolitan area but seeing straight-from-farm network expansion hit by drop in rice consumption

A discussion in the Shonai Farmer Report concluded

that focusing on mochi processing could help farmers avoid having to go work in Tokyo. Processed foods include mochi products such as mochi balls and various types of sliced mochi, beans such as dadacha beans and edamame, snack-related items such as roasted soy flour, rice flour, barley tea, roasted millet cakes and rice puffs, pickled foods, etc., which are mainly sold outside of the prefecture. The farmers produced the snack items and pickled foods themselves, handling everything up to and including packaging, and say that from that time they began to emphasize the high-quality ingredients in their products.

In 1999 they established a Certified Member Committee (currently the Production History Audit Committee) and an Environment Committee (currently Quality Agricultural Production Committee) and the following year were one of the first to obtain Organic JAS Certification (certification and labeling of organic agricultural products and organic processed foods), while at the same time introducing a third-party certification system called Environment Management



Dadacha bean producers



"Mugi-chan" barley tea

System. Behind these developments were the straight-from-farm transactions with cooperative associations in the Tokyo metropolitan area that began in 1978.

At that time, numerous products claiming to be organic were distributed without labeling regulations and consumers struggled to make their selection. Shonai was able to interact with consumers through cooperative associations, discover that there was much interest in food safety and the environment and switch to organic farming that does not use chemical fertilizers or pesticides.

As it increased organic rice transactions with Tokyo cooperative associations, it formed the Shonai Straight-from-Farm Network together with JA Shonai Tagawa, which led to increased business. Across the country, rice consumption is falling and sales are not always strong but Shonai Kyodo Farm maintains the belief that Japan's food culture, centering on wet-land rice cultivation, should be protected, and is supported in this by consumers as well.

◆ Leap forward for the business

Joining the society of commerce and industry's agriculture and forestry committee, improving quality control and opening up new distribution channels

With the Japanese continuing to move away from rice due to changes in eating habits and other factors, much effort in business is required to avoid a decrease in sales. Realizing that it needed to enter new markets, Shonai consulted with the Dewa Society of Commerce and Industry about funding for capital investment. Through this it learned that the society was planning to establish an agricultural committee and set up a research group for developing products, opening up new distribution channels and other matters, and decided to participate. For the past two years it has received advice on designing things such as packages with the farmer's voice, uniform labeling and product lines. It has also received some monetary support to develop product packages.

Furthermore, it has received advice on quality control and, while not to the extent of a major corporation, can maintain a certain level of quality.

As for distribution, the society introduced Shonai to a supermarket chain with a number of stores in Tokyo, which

led to significant business over the past two years.

Representative Director Kisaku Onodera says, "We'd put out booths at trade fairs at Tokyo Big Sight a few times but incurred high costs for exhibition materials, etc. and our products tended to get lost in the sea of similar products, so last year we included our products in the Yamagata Prefecture products display at Tokyo Station put on by the Dewa Society of Commerce and Industry."

This has also contributed to the region by ensuring employment for workers from the beginning of autumn through winter, as processed mochi is a winter product.

◆ Future development and tasks

Wanting to advertise efforts and take on work in line with scale

When Shonai first began cultivating agricultural products there was a lack of local understanding regarding organic cultivation but since then, mutual consideration has produced a regional symbiosis.

Securing successors, however, is a major issue. Not only do they have to take over from farmers who have pioneered new methods in the community, they also face the challenge of carrying on the business in the midst of decreasing rice consumption.

Shonai currently has no plans to move into exports, which require an established system; nor can numbers of tourists from overseas be considered reliable. As a manufacturer, it has not established a structure for online sales to individuals either.

Onodera says, "Developing new products is no easy task, so fundamentally we hope to expand our current efforts and take on work in line with the scale of our operations."



Shonai Kyodo Farm office



Organically cultivated Tsuyahime white rice

Case

2-4-2: Hachioji Chamber of Commerce and Industry SME Consultation Office**Business advisor: Toshiya Yamana****(Hachioji City, Tokyo)**

**Hachioji Chamber of Commerce
and Industry business advisor
Toshiya Yamana**

Supporting entrepreneurs in Hachioji, a city of commerce and industry, with caring consultation as its mission

The Hachioji Chamber of Commerce and Industry has approximately 3,700 member companies. These comprise well-established local companies and shops as well as micro businesses started up in the city. Business consultation office head and business advisor Yamana has a warm personality and listens carefully to each person who comes for advice, never being the one to end the conversation. The interviewee this time, Takanawakodo LLC representative Takanawa, said that although she visited the Hachioji Chamber of Commerce and Industry with significant business concerns, she was “really glad that Mr. Yamana was the one to meet with her at the office.”

Upon hearing this, Yamana commented, “I worried the business wouldn’t be able to get off the ground in its current state, and felt I couldn’t leave it alone.”

Although support begins with listening to those who come for consultation, support organization personnel are often too busy to make time for consultations. Despite this, Yamana makes his mission prioritizing visiting companies receiving support and putting himself in the shoes of the recipients when giving advice.

Yamana says he also tries to teach this receptive attitude toward consultees to the chamber’s younger personnel.

Using expert know-how in business advice and building mutual trust through constant support

The support for Takanawakodo began from the very basics of starting a business. It covered everything from formulating business plans to practical support for elements of the salon business such as attracting customers and opening up new distribution channels. Because of the difficulty of juggling a large number of duties and offering on-site advice for business issues unique to each support recipient, the chamber decided to use official assistance projects to dispatch experts that could offer business advice specific to each company.

A business consultant with SME Management Consultant certification began to regularly visit Takanawakodo to give advice, but each expert dispatch project ended at each stage of the guidance. Yamana served as an adept unifier of the support menu, making it possible

for companies to receive advice from the same expert. From the perspective of the recipient, receiving continuous advice from the same advisor is best. It was this customer-oriented attitude on the part of Yamana that gained him the trust of Takanawa.

Using diverse personal connections with local media to support local businesses in expanding distribution channels and obtaining customers

The greatest concern for retailers, restaurants, services and other general consumer-targeted businesses is expanding distribution channels and obtaining customers. According to Yamana, the chamber’s bulletin has from the beginning achieved results by using local media such as cable television and local newspapers. It actively advertises micro businesses by using various personal connections and introductions to get articles written. The effects of this advertising can be seen in increased business name recognition and product inquiries from readers, viewers, etc.

In the case of Takanawakodo as well, Yamana’s coverage of the company in the chamber’s bulletin led to deeper understanding of the company’s business and products and was extremely helpful to subsequent business counsel and support.

“Having my support enable these micro businesses to revive and move forward in their work is a joy for me. I’m delighted when I see stores strong and full of customers after opening,” says Yamana. He explains his support by saying, “This job is inconspicuous and unglamorous, but the development of businesses I’ve been involved in is the real reward.”

In closing, he says, “There’s no point if the support measures aren’t communicated to those that need them. The job of a support organization is to share the right information with them at the right time...I always want to bring communication with clients closer together, regularly collecting a variety of information and thereby building a comprehensive support structure.”

Support recipient case

Takanawakodo LLC

(Beauty salon management, personnel training, skincare cosmetics/aromatic products manufacturing/sale)

<Employees: 1, capital: ¥500,000>

(Hachioji City, Tokyo)



Keiko Takanawa,
Representative

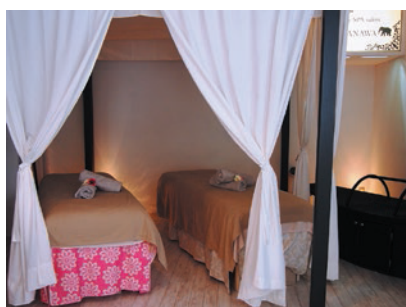
Expert support from business consultants. Formulating business plans to outgrow individual business

◆ Background of the business

Turning a passion into a job by starting a salon at home in a residential Hachioji suburb

Doing what one loves for a living is something everyone hopes for. Those who achieve it are truly happy. They can plunge ahead on the road that they have chosen.

Keiko Takanawa, who runs a comprehensive beauty salon in Hachioji City, Tokyo, as representative of Takanawakodo LLC, used beauty skills cultivated over a number of years to establish a business based on her passion. While originally employed in beauty for a major cosmetics manufacturer, she switched to a skincare-related company for a job that gave her time to study the entirety of beauty care. Despite returning to work after marrying and having a child, she felt the limits of working with a child and quit. Wanting nevertheless to continue to do what she loved while raising a child, she turned a small space in one of the rooms of the house into a beauty massage room and opened a beauty salon by setting a small blackboard outside of the house entrance. The neighbors quickly showed interest and became customers. Thus began her home salon (first location) in the residential suburbs of Hachioji in May 2011.



Beauty salon

◆ Turning point for the business

Opening a second location in front of the station for a therapist school with training as the core business and specialized qualifications as the selling point

In addition to a beauty salon business, Takanawa wanted to make safe aroma products and skincare cosmetics on her own and offer soothing spa treatments, so she began development. She also began a training business in school format to exercise her passion for teaching beauty techniques. One location alone became too cramped and in May 2014 she opened a second location near Hachioji Station with the goal of running a training school for therapists.

Takanawa's salon receives regular visits from loyal customers, an important revenue source. Her treatment is based on the Indian tradition of Ayurveda in which all is done by hand. Believing that "alternating staff throughout a progressive treatment is a disservice to customers," she handles all of the treatment for her few customers herself. She decided to offer training for beauty salon treatment in order to spread the type of beauty treatment she envisions.

She currently runs a therapist school offering practical therapist training to beauty salon owners and entrepreneurs-to-be. Takanawa herself has obtained instructor qualification recognized by the Aroma Environment Association of Japan and "aromatherapy advisor" training school certification. She also possesses an international license from a global esthetic association called CIDESCO, qualification as an advisor to an Indian association to spread Ayurveda,



Ojas product series

Chinese traditional medicine “life advisor” qualification and more. As she gained a reputation through word-of-mouth for these qualifications and her excellent treatment, she attracted students from across the country. She is also active in holding “welcome seminars” to introduce the products her business develops.

She says that a fan club-like human network of participating salon managers, called Takanawa-kai, helps attract participants to her training and seminars and sell her products.

◆ Leap forward for the business

A business consultant offering continued business advice – a trustworthy source of counsel to guide the business

Takanawa had no experience in founding or managing a company and, while forming the business in April 2011, went with no knowledge to the Hachioji Chamber of Commerce and Industry to consult about opening for business. Handling SME Consultation Office inquiries at that time was section chief Toshiya Yamana. “At first it was the type of conversation one would have at the tax office. I really wondered whether she would even make it to the point of opening for business,” he reflects. After that, it completed its tax application and successfully opened for business, and gained LLC status in May 2014. Because Yamana is also the chamber’s head of PR, he was able to deepen support ties by writing an introductory article on the beauty salon himself and publishing it in the chamber’s bulletin. Subsequently the business became a Hachioji Chamber of Commerce and Industry member. Takanawa says, “I’m constantly relying on the Chamber of Commerce and Industry as a trustworthy source of counsel.”

Her consultation topics are numerous. She asked Yamana for advice on developing aroma products and skincare cosmetics and received counsel on fund procurement for product development. She also continues to receive support in business plan formulation and marketing.

Within the Assist Program, in which business consultants with SME auditing qualifications give advice in two-hour monthly sessions, Takanawa and her husband, the business manager, received support and advice for sales promotion and marketing and then continued with 10 sessions on

business plan formulation. They have also received practical advice on using the internet to sell products and take beauty salon reservations, leading to increased volume and efficiency in salon reservations. Takanawa says she wants to value the “speed” and “communicability” pointed out in the business consultant advice. She particularly works at the communicability aspect by sharing information online with the help of her husband.

◆ Future development and tasks

Using IT effectively to promote sales of personal products to achieve key repeat sales

Because the basis of the service is treatment at the “hands” of the founder herself, Takanawa is not looking to expand the business beyond what it is right now. She is however working out ways to expand in the direction of manufacturing through product development and sales. She also believes that in order to continue to increase product sales, she will need to take the training and seminars across the country, working to introduce the company’s products and spread its beauty treatment techniques. Local, face-to-face training is effective for spreading treatment techniques but is not strictly necessary to introduce products. She has begun to consider using technology such as the internet (Skype calls) and video sharing sites.

The key to promoting sales of the aroma products and cosmetics is repeat sales. Takanawa is confident in her products, saying, “Getting customers to understand how good the products are will lead to regular purchases.”

She plans to continue gaining repeat customers by expanding the Takanawa-kai network even further.



Meeting with business advisor Yamana

Case

2-4-3: Nakatsugawa Kita Society of Commerce and Industry**Business advisor: Bunta Kawamura**
(Nakatsugawa City, Gifu Prefecture)

Nakatsugawa Kita Society of
Commerce and Industry business
advisor Bunta Kawamura

Working to ensure successors while heading up support/ advice for approximately 360 members in the district

Nakatsugawa City is in a hilly area of Gifu Prefecture's Tono region. The Nakatsugawa Kita Society of Commerce and Industry, located on the northern side of the city, has its headquarters in Tsukechi Town as well as five branch locations. It has six business advisors who consult on tax, labor and all other types of management issues for the approximately 1,100 member businesses.

One of these business advisors, in charge of Tsukechi District, is Bunta Kawamura. Kawamura first worked at the nearby Gero Society of Commerce and Industry but moved to the Nakatsugawa Kita Society of Commerce and Industry four years ago in 2010. He currently heads up support and advice for approximately 360 member businesses, providing consultation and various business support on a daily basis.

Tsukechi District (formerly Tsukechi Town) has a shopping street called Tsukechi Ginza and used to have a bustling townscape lined with shops and inns. Now few traces of this remain, shops are scarce and the problem of successors for aging proprietors is worsening, making it a high-priority issue for the society of commerce and industry.

Kawamura would like to support all members equally but in order to make the best use of limited manpower, members that show particular determination are inevitably prioritized. Although they endeavor to understand each company's daily activities and provide useful business information for management and information on official support, he reflects that "it's hard to provide information in a timely manner when you don't have a good idea of business trends and manager thinking."

Supporting community-building activities of young successors, forming a young businessperson group out of a training group

While it is true that the needs that members seek advice on revolve around the successor problem, this comprises numerous issues and countermeasures. In response, the society put on a business innovation course to train successors in November 2010. It targeted the region's young human resources and successors looking to develop new businesses, markets and products as well as escape subcontracting.

The course gathered Tsukechi District's young businesspeople, already hungry for new and innovative business, and through the act of learning together, generated a shared awareness among the participants. After the business innovation course finished, a new group of young businesspeople wanting to "energize the region" was formed. One member was Masafumi

Hayakawa of Photostudio Hayakawa, the support recipient introduced here, and he established the Tsukechi Ginza-kai with the goal of stimulating his local Tsukechi Ginza Street.

Thereafter the society of commerce and industry came on board in support of all of its activities.

Kawamura, wanting to first help the members understand exactly what community-building is, put on a five-day seminar. "Through the seminar I wanted to convey that individual store development is indispensable to community development," he recalls. After that he analyzed each business through individual sessions and gave business instruction on aspects such as business plan formulation. Kawamura's passionate support lit a fire in these young successors which in turn intensified the activities of the Tsukechi Ginza-kai.

The group continued to meet once or twice a month to plan community-building initiatives. Kawamura actively participated in this planning and even supported it in obtaining official subsidies. Through this it was able to pull off its first region-building project, a bustling event called "Tsukechi Ginza Marché." He says that Hayakawa, the support recipient, prepared event maps and flyers as well as a photo exhibition.



Tsukechi Ginza-kai members

Sending timely information using SNS as a new tool for member support

There is a limit to the amount of support and information the society can provide to over 1,000 members. Because of this it is focusing on SNS for frequent information transmission. Kawamura became a site member and made a Facebook page for the society and a blog for the society staff that provide a breadth of information, from society news for members and the region to current topics of conversation in the region.

Kawamura has high hopes for the potential of this new tool for member support, saying, "We want to use interactive media such as SNS to supplement our often-lacking communication."

Support recipient case

Photostudio Hayakawa (Nakatsugawa City, Gifu Prefecture)

(Photography studio, aerial photography by remote control helicopter)

<Employees: 0>



Masafumi Hayakawa,
Aerial Photography
Supervisor

Using professional photography skills in aerial photography by model helicopter. Perfectly combining the main studio business and new aerial photography business

◆ Background of the business

Local connections open up a new business opportunity for a family photo studio business in danger of going under

Photostudio Hayakawa, located in a community in the mountainous region near the prefectural border between the Tono region of Gifu Prefecture and Nagano Prefecture, was founded in 1948. Heir Masafumi Hayakawa is the third generation, currently running the family business with his father. He studied accounting at university but decided it was not for him and, after gaining photography skills for three and a half years at a photo studio in nearby Ena following graduation, began helping with the family business in 2000.

The photo studio business has been transformed by the trend toward digitization and the spread of digital cameras. The photograph phenomenon as well as print service sales have largely disappeared, moving to studio photography, travel photography, graduation photography, album production and the like and putting the family business in danger of going under. It was then that Hayakawa began thinking about how to incorporate the changing times into a new pillar of business.

That became a turning point. Hayakawa had long been a member of the local remote control club and enjoyed flying model airplanes. One day, he was given a model helicopter by another member and became interested in this type of piloting. He learned how to keep the helicopter hovering in one place in the sky. After flying model helicopters for two years, a nearby temple asked for aerial photographs



An aerial photograph overlooking Tsukechi Town

of the temple. This was the business' first job doing aerial photography.

◆ Turning point for the business

The ultimate motivation - a hobby turning into a job

Hayakawa continued to participate in the local remote control club and obtained more model helicopters. He currently owns three large, three small and three multi-rotor models. Studying operating techniques, he steadily accumulated the know-how and results to run an aerial photography business.

Model helicopter prices run the gamut, but for aerial photography one can be anywhere from 100,000 to 200,000 yen. This is relatively inexpensive but to be usable for business, some adjustment work must be done.

Hovering a model helicopter is a difficult technique and experience makes all the difference in hovering still enough to take photographs from the air. Operational error can result in crashing the helicopter, which can be accompanied by human injury or damage to the machine. Hayakawa is confident in his technical skill and safety, saying, "In the past seven years I've never had a helicopter damaged in a fall." In recent years, aerial vehicles capable of autonomous flight, called drones, are becoming much talked about, but Hayakawa says, "I want to specialize in radio operation of model helicopters by sight."

He explains how the aerial photography business has benefited the studio by saying, "Doing studio photography and weddings on weekends while taking advantage of



Aerial photography

the freer weekdays to do aerial photography has led to increased sales overall for the studio.”

◆ Leap forward for the business

Working with simple machines and minimal staff to advance the aerial photography business with competitive pricing

Completion photos of buildings and facilities must be taken from a high vantage point, and photographing facilities in mountainous regions requires climbing mountains, which carries risks such as falling. To this, aerial photography offers safety and a broad field of vision.

Aerial photography by model helicopter has been around for about 10 years but initially was not well-known and the company did not specialize in it, so requests for aerial photography were few. “By working with simple machines that allowed even a single employee to take aerial photographs, I want to make my prices competitive,” says Hayakawa, and he sets prices 30-50% lower than the industry standard of 100,000 yen per time.

It is common for aerial photography companies to offer their media unedited. In contrast, Hayakawa offers more comprehensive service, taking advantage of his skill in photography to edit the images and footage and take orders for panels and printing. He can achieve inexpensive aerial photography rates through this high value-added business.

Up until now Photostudio Hayakawa has received 20-30 orders a year but this number has recently shot up and double – 50-60 orders – are expected for this year.

Underpinning this are the efforts of the local Nakatsugawa Kita Society of Commerce and Industry to support young successors. The society holds training seminars, study groups and more to address the region’s business issue – difficulty securing successors. In Photostudio Hayakawa’s district, business advisor Bunta Kawamura has been supporting individual businesses since he took on the role in 2010. He promptly began sessions to listen to society members such as the studio, and business consultation and project planning support in about six months.

Hayakawa receives business advice from Kawamura on a monthly basis and has received support in a number areas such as planning projects, displaying at exhibitions, being covered in the society’s PR magazine, etc. Then, in January 2013, he was approved by Gifu Prefecture’s Business Innovation Plan.

Hayakawa reflects, “Becoming a prefecture-supported business led to sudden increase in customer recognition and credibility, and it was Kawamura’s close consultation and support through project planning and applying for approval that made it possible.”

Furthermore, not content with mere photography from the air, five or six years ago he began to capture video as well. It started with a request for videography and video production for hotel promotional material and now has

grown to account for 20% of his work and 50% of sales.

Hayakawa says the support of the local Nakatsugawa Kita Society of Commerce and Industry and especially that of Kawamura was integral to the current success of his aerial photography business.

◆ Future development and tasks

Energizing the photo studio with new aerial photography business, then branching out into providing content

The issue is that aerial photography by model helicopter is a small market with little recognition. In light of this Hayakawa takes advantage of the fact that the equipment can be packed into a car and expanded his marketing area as far as Gifu Prefecture, Aichi Prefecture, Mie Prefecture and Nagano Prefecture.

However another issue is how to continue marketing as interest in and focus on aerial photography increases with the emergence of drones.

“The key to marketing is emphasizing three points: the low prices, the use of model helicopters and the fact that it’s done by a professional photographer,” says Hayakawa.

Looking at the size of the market, one cannot expect considerable sales from aerial photography alone. Hayakawa’s thinking is that “the real issue is rather how it feeds back into the main photography studio business.”

Use aerial photography to raise the name recognition of the studio. Connect this to conventional photography requests. Include “Photography by Photostudio Hayakawa” in the credits of aerial photographs and footage to get the name out to more people. Then, in order to increase sales and added value, offer aerial photography, editing, panel creation, printing and more as a package.

“I will take advantage of my qualifications as a first-rate studio and wedding photographer to demonstrate my skills in other types of photography,” says the ambitious young successor.

As he makes plans to sell the photographs and footage of scenery and buildings he has accumulated through the aerial photography business as content online both domestically and internationally, Hayakawa’s dreams for the business grow ever larger.



With business advisor Kawamura and a model helicopter

Case

2-4-4: Sakaide Chamber of Commerce and Industry

Business advisor: Hiroshi Akagi
(Sakaide City, Kagawa Prefecture)



**Sakaide Chamber of
Commerce and Industry
business advisor Hiroshi Akagi**

**Helping companies based on his own experience
in the private sector, the resort development
business when he was young**

Hiroshi Akagi, a business advisor at Sakaide Chamber of Commerce and Industry, is actually from coastal Setouchi in Okayama Prefecture. His jobs after graduating university included car sales and development of a resort on a former golf course. “When I was young I myself operated the heavy machinery in development projects,” he recollects. When the bubble burst and resort development came to a standstill, he moved to his wife’s hometown of Sakaide City and began working for the chamber of commerce and industry. He comments, “Maybe it’s a habit from my time in the private sector, but when I talk with support recipients I begin to see all sorts of things.” Things like advising a store struggling to sell products to rearrange its displays, a specialty shop with falling sales to expand into used sales or repair work and a store losing customers to start marketing or online sales. Support for the case below was apparently also advice from such an experience.

**Forming close partnerships with the city’s financial
institutions and support organizations and
renewing the region with all-around support**

The chamber currently has four business advisors and about 1,200 members. Handling approximately 700 cases a year, they strive to implement “running alongside” support as quickly as possible, reading between the lines in conversation with businesses to identify their core needs, bottlenecks and what sort of prescriptions are necessary and propose the best solutions. They also take advantage of the chamber’s network of support organizations to connect them with experts and expert institutions.

In financial support, for example, they form close partnerships with city banks and finance corporations and, based on optimized support plans, make proposals for procuring seed money, working capital and more, providing careful support during negotiations with financial institutions, etc. For taxes and labor as well, they partner with the tax office and certified public tax accountant associations to offer bookkeeping guidance, administrative agency and tax-filing assistance. It also collaborates with the tax office to put on classes teaching the importance of taxes.

“It’s important to offer all-around support to companies. I’m convinced that our determination to renew companies will lead to renewal of the region,” declares Akagi.

**Pressing forward believing in the potential of
Sakaide City and that regional renewal begins with
human interaction**

On the other hand, the region has more than a few issues of its own – the declining birthrate, aging society, low return rate of young people and finding successors. There is also a conspicuous lack of consultation related to starting businesses.

“I think it’s very possible for successors to revive regional business by starting their own. However, many business owners do not want to pass their struggles on to the young people,” observes Akagi.

He senses the importance of supporting the region as a whole. He has participated in supporting companies of a wide variety of industries, businesses and sizes and frequently struggles to coordinate local interests. “It’s definitely important for people here to come into contact with each other, encourage and inspire each other. Because of this, beginning with the Sakaide Chamber of Commerce and Industry’s Young Entrepreneurs Group (YEG), we have great expectations for the young people who love and want to revive Sakaide City,” he says with hope.

Support recipient case

Hana Kobo Y.K.

(Sakaide City, Kagawa Prefecture)

(Flower shop, flower arrangement, online sale)

<Employees: 0, capital: ¥3 million>



Yukako Izumi,
Representative

Born of a self-employed lineage, deciding to start a flower shop. Opening up distribution channels across the country by sharing her love for flowers online

◆ Background of the business

Attempting to start flower shop naturally, riding the economic wave to solidify the business

Hana Kobo Y.K. representative Yukako Izumi was born in Kagawa Prefecture's Zentsuji City, home to Zentsuji Temple, opened by Kukai, founder of the Shingon school of Buddhism. She moved to Sakaide City when she was about 20. Despite being born into a family self-employed through the generations, she followed a more typical path, working for a company, getting married, having children and raising them. But perhaps because of her ancestry, she got the urge to start a business herself and began attending a flower arrangement school in 1997. When she turned 28 in October 2000, she made the move to start her own business. It was also around this time that she first met Hiroshi Akagi, a business advisor at the Sakaide Chamber of Commerce and Industry.

She started the Hana Kobo flower shop by taking over the real estate company her mother was running and changing its name and articles of incorporation. Through the support of the Sakaide Chamber of Commerce and Industry she was able apparently able to borrow almost ¥10 million from a financial institution. This incredible boldness despite it being her first start-up is perhaps related to the self-employed history she hails from. She explains, "When I started the business I was receiving support from experts and had made detailed business plans, so I wasn't too worried. It was a tough first three years to getting regular customers, though. Things have little by little gained momentum since then."

Despite the 9/11 attacks on the World Trade Center happening the year after she began her business, it was otherwise a stable economic period still enjoying the lingering effects of the IT bubble.

Five years later in 2005, having cleared ¥10 million in annual sales, Izumi's flower shop had emerged from the initial so-called "valley of death" and could be considered a success. The following year, 2006, marked the best five years of domestic economic expansion since World War II, exceeding the Izanagi economic boom.

◆ Turning point for the business

Economic downturn with the global financial crisis pulls Hana Kobo down with it

The economy was stable and Hana Kobo was doing well. However in 2006 the Japanese stock market stagnated with the Livedoor incident. Economic prospects began to dim. Then in 2007 the subprime loan issue was discovered in the U.S., kicking off the global financial crisis. Lehman Brothers collapsed in 2008 and the economy entered a global recession. Lack of confidence shrank the financial market, halting capital circulation, and with no money in the market, domestic corporate activity atrophied and performance faltered. Hana Kobo in Sakaide City was not exempt from this. Sales slowly but surely fell and by about 2010, its 10th year, annual sales had dropped to almost half of its peak. "I couldn't sell anything. I didn't even know where to go to look for customers," Izumi remembers.

Until then Hana Kobo had been a regular flower shop attracting its customers from its locale. Izumi knew she could not survive on local demand alone but was held back by her lack of marketing experience. Then she began to make inroads with wedding, funeral and exhibition venues inside and outside the city. She also participated in Sakaide Chamber of Commerce and Industry member networking events to extend her sphere of contacts and through business from members met in this way, slowly began to secure sales. What became a turning point was attending a seminar on using Facebook and Twitter put on by the chamber in 2011.

"I've always been bad with technology but I saw the



Official Hana Kobo site



Izumi's blog

potential and so began to learn how to use it by watching others,” says Izumi. Akagi explains, “There was a limit to the size of the market in Sakaide City, so we had long recommended that members start using Facebook and Twitter.”

After three months of grappling with a computer, Izumi was finally able to set up an online shop, Hana Kobo flower garden. This virtual shop, almost like a second location, greatly vitalized Hana Kobo.

◆ Leap forward for the business

Her personality plants seeds for her flower business. Her love for flowers takes on the internet

Hana Kobo’s online strategy could broadly be divided in two – Izumi’s social media and the official Hana Kobo website. Izumi’s thinking was that if her online shop only sold flowers it was no different from any other flower shop’s website. She wanted customers to want the flowers because they were Hana Kobo flowers. That meant first attracting customers to her as a person. That would make them more likely to think, “I want to buy flowers arranged by this person.”

Izumi says, “For that it was important for me to clearly convey my own love for flowers. I don’t just sell flowers, I make arrangements that express the feelings of my customers.” For example, if she gets a message online saying, “I want to send flower’s to my friend’s performance,” she asks questions to get an idea of who the recipient is and shapes the product based on it. She has the buyer check an image of the creation and, if they like it, goes ahead with delivery procedures. She also posts sold products on Facebook.

“These are transactions built on trust, so I also pay attention to the freshness of the flowers to avoid letting down the customer,” she says. She gives payment information via email but lets customers pay either before or after delivery. The bond of trust with her customers is strong – never in these 14 years has payment not been made.

Somewhere along the line, someone bad with technology mastered it. This was truly a business innovation.

She also began to participate in the activities of the chamber of commerce and industry’s YEG from the second half of 2011. “Perhaps because I’m not from Sakaide City, I was initially viewed as an outsider,” she recalls. Long ago Sakaide City had vast salt pans and strong special interests, and is still considered a relatively closed region. Now, however, two years since she first joined the YEG, she was specially selected as head of the “free markets and open guilds” committee held every month in front of the train station. She is working hard to become executive secretary and then, next year, deputy chair. She explains, “I do this because I want to think seriously about how to vitalize members and the region.”

Through this Hana Kobo’s business was able to come

back into full bloom and surpass its former peak, and shows no signs of stopping.

◆ Future development and tasks

Developing the Hana Kobo brand means developing the Yukako Izumi brand

Since last year she has been asked to do local bridal-related arrangements. She smiles as she says, “I’m always delighted to get comments on Facebook from brides saying, ‘The bouquet was really beautiful,’ or from the newlywed couple saying, ‘Thank you for doing the venue flower arrangement, it was exactly what we wanted.’”

So what next? “Online sales account for over 70% of sales so there’s no need to expand the physical store. I’d like to focus on developing the Hana Kobo brand as one of high quality and customer satisfaction. Ultimately this is also development of the Yukako Izumi brand,” she says.

As to whether she will pass the business on to her daughter, she replies, “I don’t think that will be necessary, right now she seems to want to do nail art after graduating.” The self-employed legacy lives on.

Despite being tossed about on the stormy seas of the economy, this gentle Setouchi native survived the tough environment through personal business innovation that put not only her flowers but her inner resolve on display.



A bouquet for a wedding

Case

2-4-5: Hioki City Chamber of Commerce and Industry

Secretariat head: Toshiyuki Tomari

(Hioki City, Kagoshima Prefecture)



Hioki City Chamber of Commerce and Industry secretariat head
Toshiyuki Tomari

Experienced working in various underpopulated areas in the prefecture such as Hioki City, where even the chamber's future was in doubt

Apart from Kagoshima City, Kagoshima Prefecture is full of remote areas such as peninsulas and distant islands. Because of this, all of the prefectural chambers of commerce and industry's business advisors belong to the Kagoshima Prefectural Federation of Societies of Commerce and Industry and are seconded to the vast area's various chambers. One of these is Hioki City Chamber of Commerce and Industry's secretariat head Toshiyuki Tomari. After graduating university and working at a company handling certified public tax accountants' administrative work in Fukuoka Prefecture for three years, he began working for the chamber and serving in various areas of the prefecture as a business advisor. Now he has retired from the federation and is secretariat head in his hometown Hioki City's chamber of commerce and industry.

"While at the chamber I was transferred to numerous places within the prefecture. I experienced firsthand the difficulty of reviving industry amid ongoing depopulation," Tomari recalls.

Depopulation is a grave issue for Hioki City as well. Its aging population has been cut in half since 1965. When the chamber merged in 2007 it had over a thousand members, now it has less than 900. The reason for 90% of the lost members is that they went out of business. At this rate the future of the chamber was in doubt and ensuring members was of utmost urgency. In order to do that they needed to create workplaces and set up businesses that drew people in from outside the region.

His wife starts a surprising business using *kominka* that leads to a *kominka* network

Tomari is from Fukiage Town in Hioki City. Most of Fukiage Town is mountainous and its main industries are sweet potatoes, shochu and local fruits and vegetables. Of old, however, it was where Satsuma porcelain originated, and was dotted with hot springs and *kominka* (old Japanese-style houses). In this depopulated area, his wife Miyuki began a restaurant called Hiruzen Tahouan using these *kominka*. "I had no idea my wife was capable of such a thing," Tomari says. His wife set up the business without his help and almost entirely on her own. He continues, "I realized that even Fukiage had the resources to produce business. There were local business opportunities if one thought outside of the box." The Hioki City Chamber of

Commerce and Industry set out to build a regional network of *kominka* using intra-regional transfer of funds.

Activating latent regional resources to turn the tables and make the rural area a profiting region

Hioki City has numerous restaurants, cafes, local product shops, general stores, grills, glass workshops and other establishments that inhabit *kominka*. When Miyuki started Tahouan, she was told by the proprietors of handicraft stores, porcelain stores, restaurants and other places she went to give greetings that they always wanted to be able to answer shoppers who asked about nearby places they could eat, but couldn't because they didn't know any. She took this opportunity to leave pamphlets at each store – thus began a *kominka* network that visitors could follow.

From there a regional community began to take shape in which proprietors met regularly to exchange information, display each other's products in their stores and more.

To support these activities, the Hioki City Chamber of Commerce and Industry created a leaflet in January 2015 called "Hioki *Kominka* Leisure Course" and began using it for PR activities. It has been featured in local TV programs and newspapers and is increasingly attracting visitors from Kagoshima City, Ibusuki, Kirishima, Kanoya, Izumi, Satsumasendai and other places inside and outside the prefecture. "By making the *kominka* establishments into a network, visitors tour the region and spend money. We also expect local residents to be inspired to start their own businesses. This in turn will lead to an increase in new members of the chamber," says Tomari with pleasure.

Tomari's desire of many years to renew the region appears to be bearing fruit in Hioki, the city in which he was born and raised.



Hioki *Kominka* Leisure Course leaflet

Support recipient case

Hiruzen Tahouan

(Hioki City, Kagoshima Prefecture)

(Food services)

<Employees: 0>



Miyuki Tomari,
restaurant owner

**Kind hospitality in a comfortable, relaxing space.
The joy of handmade food in an old Japanese house
that has watched the times go by**

◆ Background of the business

Looking after her parents in an underpopulated area brings on a new resolution to revive a *kominka*

Fukiage Town in Hioki City, Kagoshima Prefecture, is located in the central part of Satsuma Peninsula, with Kagoshima City on the east and Fukiage Beach, Japan's longest beach, overlooking the East China Sea to the west. The majority of Fukiage Town is mountainous. In the Edo period it was home to country samurai. Country samurai were local warriors who usually worked as farmers. Hioki City's samurai suffered unfortunate fates as at the end of the Edo period they were called to fight for the government in the faraway Battle of Aizu and during the Meiji period they were put to flight as rebels in the Satsuma Rebellion.

Fukiage Town is dotted with these samurai's residences along the streets. Miyuki Tomari's Hiruzen Tahouan is one such residence, and she moved there when she married. While on the small side, it has the substance and charm of domicile that has counted 150 years. *Kominka* such as these remained scattered throughout every part of the country during the Showa period.

The turning point for her came two years ago when her sister-in-law passed away and they decided to live with her brother-in-law, age 90, who had been left on his own. In order for him to be able to live more comfortably, they demolished a hut next to the main building and built a barrier-free residence in its place. However they were unsure what to do with the remaining *kominka*. With its splendid (and irreplaceable) beams, pillars and other

timber, they wanted to preserve this product of their ancestors' carpentry skill on to their descendants. Based on this desire, they made the big decision to renovate it. Then they would want it to be seen by a large number of people. Miyuki, who enjoys eating while walking, then had the idea to turn it into a restaurant.

Believing that by retaining the history of the *kominka* while adding a few new elements, they could make it a place of relaxation and hospitality where visitors could come and "see, hear and taste" the decorative items, tools, music and simple homemade food, they decided to renovate it into a restaurant.

She had planned to quit her part-time job and focus solely on care, but as she realized this could make for a rather lonely life, the desire to do something alongside this led to the reuse of the *kominka* and the birth of a new business, Hiruzen Tahouan.

◆ Turning point for the business

A great remodeling of the *kominka* completes the second stage of life

It is tough to get from deciding the plan to opening the business. The 150-year old, neglected residence had a sloping floor that needed to be propped up from the foundation. They also repaired the outer walls and painted them black to resuscitate the dignity of the old samurai domicile.

The interior is important as a space in which customers can relax. Here, Tomari herself made an architectural model, continuing to verify it as the proposal was fine-



Tahouan *kominka*



The tabled interior

tuned. To give it a more open feel, she removed the sliding doors and paper screens and accented the space with decorations made from styrofoam wrapped in traditional cloth. She also pulled up some of the tatami mats to have wooden flooring. To complete the authentic *kominka* look and atmosphere, she removed the ceiling boards to reveal thick beams. She also moved the original sunken hearth, putting a table in its place made from materials produced by the renovation and making it a folk artsy room. Finally, she made all the seating tables and chairs and added a fireplace to complete the interior.

At the same time she also made preparations for restaurant management. In cooperation with the chamber of commerce and industry and using its start-up support system, she registered as a private business owner and applied for permission to open the restaurant. Surely, these preparations alone would have been hard enough for any regular housewife. But for her, this was not the end, this was only the beginning.

◆ Leap forward for the business

Hospitality focused on local products gathers those seeking a relaxing time and space

The name of the completed restaurant is “*Kominka* hospitality – Hiruzen Tahouan.”

It comes from Tahoji Temple, a now-abandoned temple of the Rinzaï school of Zen Buddhism that existed in Fukiage at the beginning of the Meiji period. “This house, the customers, the region’s residents and family are all treasures. I decided to call it ‘Tahouan’ because I want it to be a place where these treasures can find happiness,” explains Tomari.

Tomari’s concept for Tahouan is local products. Both the rice and vegetables served in the restaurant are grown in Fukiage. Its dishes are made by the local Fukiage potter. Tomari shows her attention to details when she says, “I interact with the dishes in thinking about food arrangement. Each customer’s plate is different, so comparing them can be another point of conversation.”

Despite this, Tomari is actually new to the restaurant business. She had a hotel head chef sample the food and has received advice multiple times on points such as color and flavoring.

The restaurant finally opened in May 2014. She entered the kitchen at 4 a.m. to begin preparations. At 11:30 she opened for business. The first customers were neighbors who had observed the remodeling of the residence with much interest. They gave rave reviews. Word spread and within two months the place was packed. The initial “Hiruzen” menu limited to 20 items grew to 40 and even with three part-time staff it remained at maximum capacity. Most of the clientele are elderly women. Half of those are apparently repeat customers.

“I’m extremely grateful to the customers, who take pride in the restaurant as if it is their own, saying things



The monthly Hiruzen fare

like, ‘I first came with my friend, then I brought my mother and this time I’ve come with my daughter,’ ‘My friend introduced me to this place and I really liked it so I brought other friends this time’ or ‘I’ve come with my father, mother and grandparents,’” says Tomari with glee.

What is the secret to her success? Perhaps it is the way that the attention to detail in the food, the calm that the interior decorating instills and the mountain village view afforded by the balcony windows combine to produce a tranquil passing of time. The fact that most visitors spend about two hours there also speaks to how pleasant it is to be there.

“I want to treasure this atmosphere. I was first thinking jazz for the music, but actually the smoothness of bossa nova suits it the best,” says Tomari, again displaying her admirable attention to the small things.

◆ Future development and tasks

A hidden hometown to ponder and taste the time makes people happy and draws people to happiness

Tatami mat seating was switched out for table seating for the comfort of the many elderly customers. The small kitchen typical of *kominka* is also a concern. Requests abound to extend the hours, open in the evening as well, offer the option to rent the entire space and more. Currently the restaurant is open from Thursday to Sunday from 11:30 a.m. to 2:00 p.m. and serves 40 items. “This is as much as I can do on my own. I can’t open in the evening because I have to look after my parents,” says Tomari with a thoughtful look on her face. “For now I’ll see how things go as they are. I’m not sure what I’ll do beyond that.” Her future also flows with tranquility.

Hiruzen Tahouan, a hidden hometown to ponder and taste the time. The space represented by this phrase invites people to gather and speak and through this, something new is born. Here there is a community that cannot be found in the city. Its destination is for each person to taste the happiness. A happy place always draws people. This in turn is likely to lead to rejuvenation of a region struggling with depopulation.

“A founding of happiness” – these were the words that came to mind as I felt the light Minamikyushu breeze.

Section 2 Cases of support from SME coordinators

This section introduces the following five cases of support initiatives by SME coordinators belonging to support bases across all 47 prefectures of Japan and actual recipients of support.

Case 2-4-6 Hokkaido SME Support Base (Sapporo City, Hokkaido)

Coordinator: Takahide Nakano

Support recipient: Kinako Kashi Kobo Y.K. (Sapporo City, Hokkaido)

Representative Director: Katsuji Honma

(Sweets manufacturing/sale)

Case 2-4-7 Iwate SME Support Base (Morioka City, Iwate Prefecture)

Coordinator: Akira Ito

Support recipient: Vive Les Mamans (Hanamaki City, Iwate Prefecture)

Representative: Kozue Hayano

(Consulting)

Case 2-4-8 Aichi SME Support Base (Nagoya City, Aichi Prefecture)

Coordinator: Etsuji Tawada

Support recipient: Knit Nagoya (Nagoya City, Aichi Prefecture)

Representative: Kiyoaki Taniguchi

(Babywear manufacturing/sale)

Case 2-4-9 Okayama SME Support Base (Okayama City, Okayama Prefecture)

Coordinator: Kazuhiko Suzuka

Support recipient: Kaede Y.K. (Niimi City, Okayama Prefecture)

Representative Director: Tomio Inoue

(Food services)

Case 2-4-10 Miyazaki SME Support Base (Sadowara City, Miyazaki Prefecture)

Coordinator: Futoshi Nagatomo

Support recipient: Bridge the blue border (Takanabe Town, Koyu District, Miyazaki Prefecture)

Representative: Yoshiji Tada

(Top-class architect office, rental housing)

Case

2-4-6: Hokkaido SME Support Base

Coordinator: Takahide Nakano

(Sapporo City, Hokkaido)



Hokkaido SME Support Base
coordinator Takahide Nakano
(front row center)

Using his experience at a city bank to offer close support on any topic

Hokkaido SME Support Base coordinator Takahide Nakano worked at a city bank and then for a consulting firm before founding Astep-Keiei in 2007. His public positions include SME support center coordinator and network advisor for strengthening the SME support network.

15 years have passed since he became involved in supporting businesses in their management and over this period he has met a large number of business owners and heard a wide variety of concerns. In initial consultations he gets asked, “Is it alright to consult on something like this?” or “I don’t know what sort of consultation I need.” Because of this his priority is to always try to a source of close, reassuring support on any topic. Business concerns are wide-ranging and cause great stress to more than a few managers. In such a context his role is that of a doctor of businesses, listening to identify and categorize the real issues and propose countermeasures to try to resolve those issues.

It’s not about finding faults, it’s about finding potential, and offering support that will energize Hokkaido

“Consultation support involves listening to all of their goals and advising them on ordering priorities and formulating plans. With micro businesses, there’s a difference between what they want to achieve and what they can achieve quickly, so I think it’s important to order priorities and be able to feel like they’re moving forward. The support I give is not about finding faults, it’s about finding potential – that’s my priority,” says Nakano.

He also believes that it is important for those receiving consultation to, while balancing it with their own businesses, work to energize Hokkaido as well.

“I think that if companies are energized, jobs for private consultants will also increase. First we must create many good companies. We coordinators consult on around 180 cases a month, but we could do more,” he says.

He does visiting consultations for concerns unique to Hokkaido, valuing the face-to-face

Due to the size of Hokkaido, some are not able to come even if they want to, so from last fall the support base has

offered visiting consultations. For example, a coordinator may take an entire day to visit clients like rural credit unions or accounting offices. Not being able to see the other’s face can making consulting over telephone difficult, so they value the face-to-face.

Support recipient case

Kinako Kashi Kobo Y.K.

(Sweets manufacturing/sale)

<Employees: 2, capital: ¥4 million>

(Sapporo City, Hokkaido)



Katsuji Honma,
Representative Director

From the architecture industry to manufacturing and selling Japanese sweets. Rebuilding the business by escaping OEM

◆ Background of the business

Turning from the architecture industry to manufacturing and selling Japanese sweets.

Launching manufacturing and sales in a space of 33 m² with a focus on domestic products

Kinako Kashi Kobo Y.K. was established in 1998 and is now in its 16th year. Its representative director Katsuji Honma was a salaried employee in an architectural firm but, after doing this for 10 years, decided he wanted to start his own business, so he quit the firm and got a job at a Japanese sweets manufacturer in Sapporo City to learn the trade. That company went under, however, so he decided to start his own. Together with a more senior employee of the former company, he founded a Japanese sweets manufacturer with a focus on domestic ingredients. His partner is currently the factory chief.

When they first started the company they borrowed a space not even 33 m² in size and made Japanese sweets to sell at product displays at department stores all over Japan.

Making soy flour sweets involves softening starch syrup, adding the roasted soy flour to it and kneading it by hand, so it requires only a pot to soften the starch syrup. However the factory chief wanted the pots to be custom-made. Hokkaido products were chosen for the starch syrup, roasted soy flour and other ingredients.

For the first five years they traveled the country, meeting customers directly at Hokkaido product displays and giving

manufacturing demonstrations while selling samples. Their products sold very well at these. Perhaps for nostalgic reasons, they sold better in the Tohoku region than in major cities. "Sometimes we wouldn't even have time to give a demonstration, they would start selling as soon as we laid them out," Honma recalls.

◆ Turning point for the business

Rebuilding the business with the help of a coordinator after OEM sales backfire

After displaying their products at department stores' Hokkaido product displays, orders began to come in by phone and sales surged. At the time, Hokkaido product displays were popular and official subsidies were available for travel and accommodation costs. Later, however, these subsidies disappeared due to the recession and organizers began to demand that they cover their own costs as well as pay advertising fees. On the other hand, supermarkets and mass marketers began to hold Hokkaido fairs with a lump-sum payment format. Participating in these led to wholesale inquiries from supermarkets, but when orders came from a large number of supermarkets in units of several million yen, their manufacturing could not keep up with the volume. Therefore in their 10th year they opened a new location in the same Teine Ward and installed manufacturing equipment.

They installed a bean paste-kneading machine in the new factory, began manufacturing new products with bean paste and also engaged in retail. They also experimented with flavors such as melon and honeysuckle in addition to roasted soy flour. However, adding color and fragrance proved difficult and required coloring and added flavors, which conflicted with their choice to be a no-additives brand, so they gave these up and stuck with manufacturing and selling four flavors: soy bean, sesame seed, green tea and roasted barley.

After that came an even greater turning point. They connected with an e-commerce company focused on natural foods and began to sell their products wholesale under this company's brand, also called supplying by OEM. When they began to OEM to other wholesalers, sales went through the roof. For those products, the flavors and fact



Kinako Gashi products



The products are handmade



Cutting a roasted soy flour twist

that they contained no additives did not change but they received requests from the sellers regarding design and packaging. In order to handle the increase in production, they closed their first location in Teine three years ago and moved to their current location, where they introduced new equipment to stabilize production.

However, Honma says, “It appears we made a mistake. Relying on OEM sales was a big part of our failure.”

The large number of requests from resellers were difficult to handle and varied significantly based on the state of the reseller. At the time, because OEM accounted for over half of total sales, when OEM sales began to fall, their performance deteriorated and the financial burden became heavy to the point where ultimately they were forced to consider closing their original store. They looked online for a law office to consult with but were advised to shut down the business while they still had funds.

There was a period where they thought recovery might be impossible, but after that, they found out about the Hokkaido SME Support Base and met a coordinator.

◆ Leap forward for the business

Reviving their hopes, recovering clients and gaining approval with their focus on domestic products

Hokkaido SME Support Base coordinator Takahide Nakano told them he believed their business was well able to survive. A few days later they brought a financial statement and together they quickly calculated how much

they needed to increase sales to escape their predicament, and how much they would need to sell per month to reach that. This made them realize that they would be alright if they winnowed their buyers and restructured the business.

“Basically the biggest thing he did was help us realize we would be alright,” says Honma.

With Nakano’s advice their hopes were revived and as they began to go around to sellers with whom they’d had previous dealings as well as potential sellers, their clients slowly multiplied.

Their newly-increasing sales have been between 1.5 and 2 million yen per month since January of this year. They have begun to expect to be able to cover the loss of OEM.

While other companies’ products are in the sweets sections of supermarkets, their products are displayed in the domestic products section, selling in spite of a higher unit price. Consumers seem to like the quality standards. Furthermore, although OEM necessitated wrapping each sweet individually, wholesaler products do not need to be individually wrapped, streamlining the work considerably and improving profitability.

◆ Future development and tasks

Aiming to return to their original location, prioritizing nationwide recognition over new product development

In Teine they used to sell “Teine Box Dango,” a product unique to the area and purchased by many local residents. Therefore many were disappointed when they closed the store.

“People were glad to read in the free local newspaper that we were restarting. If we can establish the production line here, we’d like to return to our roots and reopen a store. More than develop new products, we’d like more people across the country to hear about us,” says Honma regarding the future.

Case

2-4-7: Iwate SME Support Base**Coordinator: Akira Ito**

(Morioka City, Iwate Prefecture)

Iwate SME Support Base coordinator
Akira Ito**Partnering with Iwate Industry Promotion Center, forming shifts of private consultants to offer consultation**

Straight out of a technical college, Iwate SME Support Base coordinator Akira Ito worked 15 years in general construction management for an atomic power-related manufacturer. After that he worked in company support for business renewal before arriving at his current business consulting company.

Because SME support bases are run by private consultants formed into shifts of coordinators offering consultation, each person does not work a full five days a week. Free consultations are usually done by visitation and with no limit on number of consultations, some business owners come every week.

The base has five coordinators and cooperates with the Iwate Industry Promotion Center to offer company support when highly-specialized knowledge is required.

Offering tailored support, simulating failure on paper or whiteboard

It has consulted on around 240 start-ups between when it began at the end of last June and January of this year. These entail all kinds of topics but in the case of women in particular, instances like the following example of Kozue Hayano – seeking to turn what she wants to do into a job when she wants to do it – are the most common.

Ito advises, “Support for SMEs and micro businesses does not end when they access financing or subsidies; properly starting and stabilizing the business are vital. In order to keep the business from becoming ‘business as usual,’ one must take things on little by little while focusing on improving both one’s environment and oneself. First comes thinking about and simulating failure on paper or whiteboard. This helps form targets suited to oneself.”

Supporting businesses so that they will return for more consultation like a necessary second-stage rocket thrust

Ito adds, “SME support bases do compete with the private consultants’ own firms to an extent, but we support them in hopes that they will see the advantages of receiving consulting. We have the start-up support system but no support measures in place for two or three years down

the road. The SME support base roughly defines the start-up period as three years, so I think it’s good to also have support after that period, like a second-stage rocket thrust.”

Support recipient case

Vive Les Mamans

(Hanamaki City, Iwate Prefecture)

(Consulting)

<Employees: 1>



Kozue Hayano,
Representative

Using her own experiences and skills to support mothers returning to work

◆ Background of the business

Working part-time at a social contribution organization after her second pregnancy, she struggles to balance work and life and falls ill

Kozue Hayano started a freelance business teaching secretarial skills exam prep and reception manners and called it Vive Les Mamans, which in French means to celebrate the mothers.

She is planning to expand the training to include exam prep for service reception, business writing, and telephone manners, training for confirmed/recent hires, career counseling, career education, personal branding, work/life balance consulting, hotel and airline exam prep and more.

Hayano is currently 36 and the mother of two. After graduating university she worked as secretary at a venture capital firm in Tokyo and other companies but then returned to her hometown, Hanamaki City, and became a permanent employee in a medical administration job. When her then-partner (now husband) was suddenly relocated, they married and moved to Kansai. She quit her permanent employee job of five years.

She had one child in Kansai and returned to Hanamaki two years later. Three months later the Great East Japan Earthquake hit. Living in a low-income regional city was financially difficult, so she decided to return to work when her child turned one, working as a temp, part-time and other non-permanent employee positions. There, for the first time, she experienced how hard it was to work and raise a child. Even when the child began to attend preschool, with fever and other things, she struggled to both take care of the child and work. She was not a permanent employee and so could not take childcare leave.

One month after the birth of her second child, not even fully recovered, she had no choice but to begin looking for a permanent job.

An entrepreneurship seminar she attended while pregnant with her second child led to her becoming an entrepreneur herself. The organizing group was involved in small-scale childcare and empowerment of mothers. Through this she got a job at the NPO, supervising the administrative center as a part-timer. However, as she gave birth and had to look after the child while working at times

during the day, at times at night, she was unable to properly look after herself and the fatigue and lack of sleep began to accumulate. Two months after giving birth she was forced to do housework, childcare and work while in the breastfeeding period, even busier than the first time, and this began to take its toll on her. Still determined, she had to return to work two months after giving birth and had no time to take care of herself. Ultimately, due to fatigue and stress she not only stopped producing milk but developed shingles and conjunctivitis.

◆ Turning point for the business

Aiming to help rural residents realize themselves, she seeks the advice of the SME support base and starts a business

She took this opportunity to examine her lifestyle and way she worked, and decided to use the network she had cultivated from working at the NPO as well as her own strengths to start a business.

Her idea was to give instruction in business manners, reception manners and secretary certification to support working mothers with small children in rural regions or the disaster-affected coast with few technical schools or job openings.

Thinking about starting it in Hanamaki, she first talked with the SME support center's contact point coordinator over the phone. After that the SME support base was opened and she went there for consultation around 10 times, primarily on IT use.

"One-hour sessions would often go on for two hours and I was able to thoroughly talk things through. When I first looked the place up on the internet I had a quite severe image of it, but the reality was totally different and I was able to speak frankly. It was a place I was energized by and always wanted to return, an oasis for the spirit," Hayano recalls.

◆ Leap forward for the business

Launching school programs in Kamaishi and Rikuzentakata with a limited number of custom courses

Compared with major cities, Iwate Prefecture offers



Inside a school (1)



Inside a school (2)

few environments in which one can learn secretarial skills. There are technical schools for students but none that adults and housewives could attend with ease, she says.

As soon as she began a session put on by an NPO supporting mothers and children in Kamaishi City, a request came from Rikuzentakata City and in total she did 10 programs in each city and by registering the programs with each city's certifying body, they were able to take the examinations as school groups. The Rikuzentakata City request came from a group active in empowering women and she held sessions in temporary rental spaces and other places.

At first she prepared numerous courses but after consulting with SME support base coordinator Akira Ito, decided that at first, rather than be able to say, "We offer all these courses," it would be better to start with something simple and easy to understand and expand in line with word of mouth – for now, to make business service reception training and secretarial skills certification sessions the core. She says she was also able to customize these courses to various needs.

◆ Future development and tasks

Building a new network and taking the business forward at an appropriate pace

The truth is that there are many women struggling to work and to live.

"For many in rural areas, even if they want to go to schools there are none nearby, so I wanted to put on 'traveling schools' in regional cities and coastal disaster-affected areas. I think that more than anything, people's views on life and work changed after the disaster," says

Hayano.

Another major factor appears to be the connections of Iwate Fukko Collaboration Center coordinators. She was endorsed at an International Grassroots Women's Academy official pre-event to the UN World Conference on Disaster Risk Reduction in Sendai in March 2015 and was able to link with women leaders in Tohoku and the world. There she made new contacts from the three disaster-affected prefectures (Iwate, Miyagi and Fukushima) and is now being invited to Miyagi and Fukushima prefectures as well, demonstrating that her efforts thus far are beginning to bear fruit. Starting from emergency support after the disaster, she is expanding her domestic and international grassroots activities network on a global scale.

Until now she has held her school programs in Kamaishi City and Rikuzentakata during the day but in response to the needs of participants she is now thinking that she needs to consider doing them on Sundays or at other times. She also plans to expand to Hanamaki City as well.

In addition, from about half a year ago, based on coordinator guidance, she began Facebook and a blog. This means of communication is creating unexpected but precious connections with people.

"From here I'd like to take the business forward in a sustainable manner, promoting gender-equal participation in society and focusing on teaching work-life balance so that no one works themselves into the ground," says Hayano energetically.



With seminar participants

Case

2-4-8: Aichi SME Support Base

Coordinator: Etsuji Tawada

(Nagoya City, Aichi Prefecture)



Aichi SME Support Base
coordinator Etsuji Tawada

Wanting to use business know-how cultivated through many years in the private sector to play a consulting role for regional SMEs

Aichi SME Support Base coordinator Etsuji Tawada quit his job as a director of a major beverage manufacturer headquartered in Tokyo to return to his hometown. In April 2011 he became general manager of the Aichi Small Business Support Center, which was eager to have the diverse experience, accomplishments and network of such as rare human resource. At his previous company he had been head of a production technology department, executive director of technical strategy and more, and now uses this experience to handle over 600 cases a year of market analysis, marketing, buyer negotiation and especially distribution channel discovery.

Forming a consultation support team of diverse specialists to consult as many times as businesses want

The Aichi Small Business Support Center was founded in 1971 as the Aichi Small and Medium Enterprise Promotion Corporation. In June 2014 it became an Aichi Prefecture SME support base and has a total of 13 coordinators and sub-coordinators, ranging from those with private sector experience to young specialists in a variety of fields, consulting on various business concerns. Tawada is the leader of this SME support base and was in charge of offering consultation support to Knit Nagoya.

The center handled approximately 1,600 cases and 800 companies from when it became an SME support base to the end of the year. Their policy is to offer consultation support “for free as many times as businesses want,” and have consulted up to 15 times with a single business.

Many of the consultants are small or individual business owners and with only about 30% in the manufacturing industry, the proportion of service and retail are high.

Thinking together on the same level as the business owner and drawing out his or her potential

Tawada endeavors to listen carefully to business owners during consultations and grasp both the concerns and everything underpinning them. “I try to think about why the current problems are occurring and organize the

company’s resources and issues in developing its business, things the business owner may not even realize, in order to draw out the potential of the owners to the fullest,” he says. He never forces his thinking on them. Ultimately it is the owners that will take the risk, so he believes in support that runs alongside and offers suggestions for measures to take.

In the support for Knit Nagoya representative Kiyooki Taniguchi, “one could tell by looking at their product that it was very high-quality babywear, but the issue was how to convey that quality to consumers,” recalls Tawada.

As a perfect opportunity to do a public presentation, he introduced Taniguchi to call for presenters at the Aichi Small Business Support Center’s “Business Plan Conference,” and Taniguchi was selected. Beginning with concept materials, Tawada helped him carefully prepare materials for the presentation, and gave a presentation to related businesspeople and the mass media in September 2014. Furthermore, after introducing him to a local TV station, after the broadcast, a local department store carrying the product was flooded with orders and they made a year’s worth of sales in one month.

Tawada says that his policy as a supporter is to “maintain a position of thinking together on the same level as the business owner and use one’s own wisdom to continually propose courses of action that are not too costly.”

Support recipient case

Knit Nagoya

(Babywear manufacturing/sale)

<Employees: 0>

(Nagoya City, Aichi Prefecture)



Kiyooki Taniguchi,
Representative

Starting a factory-less babywear manufacturer as a second life. Receiving support to open up distribution channels from the perspective of consumers/buyers

◆ Background of the business

From medical laboratory scientist to a second life at 60 starting a business to contribute to children's health

Each person faces a decision at some point in their life as to whether they will devote themselves entirely to a single calling or take a chance and try something new. At age 55, Knit Nagoya representative Kiyooki Taniguchi chose to quit his job of 35 years as a medical laboratory scientist. Choosing to pursue a second life was a major decision.

"When I was a medical laboratory scientist I mainly dealt with adult health but having a grandchild with atopic dermatitis made me want to have a job involved with children's health," he remembers.

While thinking about what type of work to pursue, he happened to be introduced to organic cotton material, good for atopic skin, by Tokai Knit Union's managing director, an acquaintance. With his encouragement and introductions to business partners, Taniguchi quickly set about trying to make babywear out of organic cotton through trial and error of fabric, knitting, color and more. It was not so easy, however, to realize the product he had in mind.

"During this period I worked both part-time at a hospital as a medical laboratory scientist to cover living expenses and on my new project," Taniguchi says of the difficult time.

◆ Turning point for the business

Told that it was not yet a product, he returns with a quality product and logo

Taniguchi decided to establish Knit Nagoya as an individual business in 2008 at age 60 and applied to display his product at an exhibition, but unfortunately was not selected. The reason given was that it was not yet a product. Taking this criticism onboard, he went once again to Tokai Knit Union to discuss what to do, the result of which was choosing to use cotton with a staple longer than three centimeters (extra-long staple cotton) and loose ply and figuring out thread thickness and gauge. Through this he succeeded in making a 100% organic, extra-long staple cotton babywear product that was strong, long-lasting and

soft. It took two full years to arrive at this product.

It was said that soft, double-gauze knit, loose ply undergarments did not have the lifespan of regular versions. Taniguchi used a variety of methods to improve this and convinced an acquaintance at a maternity hospital to test-buy them to test their lifespan. He promised that if they became unusable within one year they could return them, but after withstanding almost three years of use and 500 washes, they were proved to be long-lasting.

He began selling them in January 2014. First he went around to department stores in Nagoya but none placed any orders. A big reason was that, in addition to product design and label, he did not have a registered trademark.

After that, a local department store interested in buying the product contacted him and entered into talks on the condition that he take the necessary steps to make it a product.

He went to the Aichi Small Business Support Center and consulted with the intellectual property general support contact point regarding product design and trademark registration. Taniguchi was set on naming the brand "Pure Organic" but this was initially rejected at the Patent Office review for being too common a name. He was insistent, however, and with the addition of a logo finally had his application approved.

Registering a trademark and hiring a logo designer, however, is a considerable burden for an individual business, but the center introduced him to an official subsidy program and he applied, was selected and through this a sophisticated logo was produced. As for the trademark



Undergarments for babies (form-fitting type)

registration, Taniguchi says he applied on his own so that it would cost less.

In February 2012 he opened an account with the well-known Nagoya department store that had shown interest and began to sell his product there. His customers were mainly senior citizens that wanted high-quality babywear to give their grandchildren as gifts and parents that wanted their children to have safe clothing to wear.

◆ Leap forward for the business

Valuing the perspective of consumers/buyers in developing a high-quality, well-fitting new product

He continued to work to develop new products. Conventional babywear products tended to be large onesies that would easily slip off of the baby's shoulders. Listening to consumers' voices, in fall of 2014 he launched a more form-fitting, high-quality new product with the seams on the outside to improve the feel even further.

At the same time, Taniguchi decided to stick with the department store route as his distribution channel and made numerous visits to well-known department stores in Tokyo. Despite repeated meetings with buyers, none of these went forward.

Even so he did not give up, sparing no effort. He began to visit the Aichi Small Business Support Center (currently Aichi SME Support Base), which he'd made contact with through consulting on trademark registration, two or three times a month to consult on opening up distribution channels. It was through the help of SME support base coordinator Tawada that the following department store transaction came about.

Taniguchi says that Tawada said to him, "One would think that if a product is good it will sell, but get transactions with department stores you need to make proposals on the level of a major company."

A perfect opportunity for crafting proposals came in the form of Aichi Small Business Support Center and Nagoya Industries Promotion Corporation's joint "Business Plan Conference 2014." Taniguchi took this opportunity and enthusiastically presented his business plan for designing and selling his organic cotton products. He was approved as a recipient of official support and gained a more favorable

social evaluation.

Taniguchi, who had no marketing experience, recalls, "The guidance and support I received was the epitome of attention to detail."

Then in February 2015 he successfully opened an account with a well-known department store for whom direct transactions with individual business owners was extremely rare.

◆ Future development and tasks

Increase brand value through transactions with well-known department stores, expand direct distribution routes with own website and proposal-based marketing

Taniguchi is currently running the individual business out of his home with two part-time employees. He hopes to expand distribution through department stores but appeals to raise sales commissions are increasing. To this he needs to reduce the manufacturing cost, which means producing in greater volume.

Furthermore, he needs to deal with risks related to inventory and orders to the manufacturer. Normally it takes around two months from order to delivery, but buyers can only wait a week for resupply, which necessitates somehow holding inventory. Problems resupplying lead to losing the transaction itself.

Of his future business policy, Taniguchi says, "Transactions with well-known department stores contributes to brand value but I'd like to open up high-yield direct distribution routes through the company website or proposal-based marketing to maternity hospitals and homes."



Gathering information at a partnered maternity home



Consulting with coordinator Tawada

Case

2-4-9: Okayama SME Support Base

Coordinator: Kazuhiko Suzuka

(Okayama City, Okayama Prefecture)



Okayama SME Support
Base coordinator
Kazuhiko Suzuka

Switched from prefecture official to SME support base member to “revive Okayama through industry revitalization”

Okayama SME Support Base coordinator Kazuhiko Suzuka is a unique type of human resource who quit his job as an Okayama prefectural official to work at the base. It was apparently abrupt, as he says, “My wife was shocked when I talked to her about quitting.” As prefectural official, Suzuka supervised the prefecture’s industry support institutions. He was furthermore a determined, hard worker, getting qualified as an SME management consultant, social insurance and labor consultant and administrative scrivener in order to improve his ability to support companies. He used his network and expertise to work with the young businesspeople belonging to each group within the prefecture. As he did this work he began to think, “Rather than inevitably get reshuffled to a department not engaged in industry revitalization, I want to work together with this people to stimulate Okayama’s economy.”

Forming intimate partnerships with the prefecture’s industry support institutions with a personal policy of “traveling support”

The SME support base employs former employees in charge of production management and distribution at major companies, certified public tax accountants, designers, system engineers and others to handle diverse micro business owner consultation needs including distribution channel expansion, productivity improvement, labor, subsidy information, etc. It has consulted on over 1,500 cases. “One that I remember in particular was consultation concerning fruit distribution, just after we opened. The business was in the red but by changing the packaging to show the products, they became popular as gifts and I was much relieved when the business became profitable within half a year.”

Believing that in order to support small and individual businesses in their context, consultation must be done in the locality of the business, Suzuka partners with prefecture municipalities, chambers and societies of commerce and industry, the National Federation of Small Business Associations and others to offer regular free business consultations in every part of the prefecture, called a “traveling SME support base.” He also offers consultation

in the evenings and on holidays for business owners who cannot leave their shops during the day or salarymen planning to start businesses who cannot do weekdays. “So I’m rarely in the office,” he says happily.

Overwhelmed by the unexpected number of consultations but energizing small businesses with “running-alongside” support

He has concerns too, however. Since beginning, the number of consultations has exceeded expectations by far and in some cases he is unable to do follow-up.

“We need to give these business owners careful support. From now on I want to stay with them right through until the issues are fully resolved,” he says.

The support base believes that working toward the government’s goal of regional renewal requires energizing Okayama’s small businesses, including those in mountainous parts. The recipient in the following case, Kaede Y.K., is one such business.

“In order to do that,” Suzuka says, his ambition is to use his official position to “provide solid support that comes alongside the region’s SMEs and micro businesses.”

Support recipient case

Kaede Y.K.

(Food services)

<Employees: 4, capital: ¥3 million>

(Niimi City, Okayama Prefecture)



Tomio Inoue, Representative Director

Living a life full of ups and downs while being supported by the region. Suddenly finding himself in a leadership position contributing to regional stimulation

◆ Background of the business

He conveyed his wish to run his own restaurant and attempted it independently at age 27

Approximately one hour by express train from Okayama Station, Niimi City sits atop Kibi Plateau in a mountainous region in northwest Okayama Prefecture. From olden days an imperial fief under the direct control of the Edo shogunate, it flourished for its limestone and foot-bellow iron production using molten iron sand, and in 2005, the old Niimi City and the towns of Osa, Shingo, Tetta and Tessei in the Atetsu District merged to form the current Niimi City.

Kaede Y.K. representative director Tomio Inoue was born in Niimi City to parents who ran a bistro. Through that he came to love and be familiar with cooking from a young age, and after graduating he made a living working as a French chef in a hotel. He says, however, “There was something lacking, though. I wanted to someday run my own restaurant,” and was always looking for a good property at which to do so. Lacking sufficient funding, however, anything promising was difficult to find. Then, along came word that the pre-merger town of Tetta would open a public-facility, private-management restaurant. Inoue was immediately interested, and in 1993, he was appointed to manage Tetta Shokugen no Sato Shoka, the setting for this case. “I didn’t care if it was a café or anything. I just wanted to have my own place,” he says.

The year his wish was granted was the year the Crown Prince and Princess were married and the inaugural year of the internet, a period of good news. Inoue reflects, “I had

no money or business experience. All I had was my drive and love for cooking. I think that was enough.”

At 27, it was a slightly reckless endeavor.

◆ Turning point for the business

Smooth sailing as the business becomes a corporation, then a sudden collapse into debt hell

Shoka’s concept was medicinal cooking using wild local plants. The town of Tetta provided the facility, cooking utensils, cutlery, etc. but Inoue was responsible for gathering ingredients, cooking and serving. He hired five workers and, sleeping little, spent all his time reading up on medicinal cooking, managing the restaurant with his wife Kazumi. Expecting demand for parties, he bought a used bus from the town and sometimes even drove it for pickup and drop-off himself. His efforts were rewarded as customer numbers slowly grew and it achieved annual sales of 90 million yen in its 12th year. Business was good and he was able to make it a corporation.

However the days of smooth sailing did not last long. Shoka sat in a remote, mountainous area with poor access from its surroundings. The novelty of the medicinal cooking, its main attraction, was beginning to wear off. Customer numbers fell further and further, and before they knew it sales had dropped to almost half that of their peak. Inoue took measures to try to turn things around such as changing the ingredients and replacing the air conditioning and other equipment but these superficial changes had no effect. To the contrary, debts from financial institutions for working capital began to pile up, amounting to a massive 40 million yen. Making matters worse, he was also forced to take on his father’s debt from when he was still living. Things were tough for Inoue as he had to support five children while in the midst of taking loans to repay other loans. “It got to the point where it seemed better to give up everything, including myself,” he says of this difficult period. At this point it would be normal to call it quits for the business. However Inoue had still not given up. No matter how much he shamed himself, it would not be solved. Finally he made up his mind to put everything on the table, strengthened his resolve to ask for help and went



Tetta Shokugen no Sato Shoka

to the Atetsu Society of Commerce and Industry, which he had consulted previously.

◆ Leap forward for the business

Uniting with the society with the sole purpose of reviving the business, his 49 years of hardship were rewarded

Atetsu Society of Commerce and Industry business advisor Yosuke Shida took on the case from his predecessor and listened intently to Inoue. The business was in bad shape. However, Shida told him, “It’s not as if you have no sales. If you can implement immediate strategies to draw customers and organize your debt, the business can be revived.” He decided this based on Inoue’s reserved but magnetic sincerity.

Shida partnered with Okayama SME Support Base coordinator Kazuhiko Suzuka and sprang into action. He used the Business Plan Innovation System and, after gaining its approval, confirmed the nature of Inoue’s debts, separated them into institutional and individual debts and worked with each financial institution to shape repayment plans. This was first and foremost to solidify Inoue’s living foundation.

Next was the strategy to draw customers. Normally to attract business it is necessary to simultaneously improve the appeal of the product and figure out how to convey this appeal to customers. Shida chose to first carefully work out business plans and prepare a roadmap to rejuvenation. They began to develop a new menu based on the roadmap, but for that, they needed the advice of a restaurant management expert. They appealed to the chef of a famous Okayama hotel. From him, Inoue and the other staff learned ingredient selection, cooking methods, arrangement, customer service and more. The resulting menu was “Shoka Gozen.” Including tempura of seasonal vegetables and river fish, sashimi and other small dishes, this became the feature menu. In consideration of the large number of elderly customers, they added a large table to the tatami room. They brought these improvements to tour companies inside and outside of the city and succeeded in being incorporated into tours of Niimi City. Shoka currently attracts 40,000 customers per year from the city and beyond with a repeat rate of 90%. The restaurant has also rapidly recovered to



The colors of the four seasons in Shoka Gozen

annual sales exceeding 100 million yen, increased its staff to 22 and even plays a role in regional job creation with childcare support measures.

“I still have debts but I am really glad I kept going without giving up,” says Inoue. The 49-year-old’s smile is a welcome sight.

◆ Future development and tasks

From establishing a new attraction in Niimi with his family to busily working to stimulate the region as head of the young business owners group

Inoue purchased the Shoka restaurant, which was a public facility, in 2014 and became the independent owner and manager in name and reality. He is also taking on more diverse business, opening a café/restaurant called Suzuran in Niimi City, where his wife has also begun a barbecue restaurant.

Inoue says his five children, who are now adults, also return home during the busy end-of-year period to all help out. “I couldn’t have made it this far without the support of my wife,” he says gratefully. And now he is hard at work to stimulate the Niimi City region as head of the society of commerce and industry’s young business owners group. He continues, “The greatest support is the delight of my customers and everyone in the region.” Inoue, who together with his family wishes fervently for the renewal of the region, appears to be lighting the way for Niimi City.

He says he is also planning to expand beyond the city. “Greater things are yet to come!” he promises. This kind, unrelenting worker is awaiting chances to go even farther.

As I listened to Inoue talk about his life and the unity of his family, he appeared to be a very reliable guidepost toward regional renewal.



The table in the tatami room

Case

2-4-10: Miyazaki SME Support Base

Coordinator: Futoshi Nagatomo

(Sadowara City, Miyazaki Prefecture)



Miyazaki SME Support
Base coordinator
Futoshi Nagatomo

Experienced in working in depopulated areas in the prefecture, he believes interaction with local residents is the first step of support

Miyazaki SME Support Base coordinator Futoshi Nagatomo is a former bank employee. He entered a regional bank after graduating university and after working in the main branch he moved to a related research center, retired at age 44 and responded to open recruitment for the Miyazaki Prefectural Industrial Support Foundation (currently Miyazaki Enterprise Promotion Organization). “I think I was probably a little tired of a job that was all about money,” he jokes. “But when I worked for the bank I got certified as an SME management consultant, so I wasn’t very worried about not being able to find another job.” Then last year he applied as the SME support base as being established and became a coordinator.

As a university student Nagatomo had often been encouraged to become a full-time employee at the places he worked part-time. He says, “A lot of my jobs involved dealing with customers, so maybe I was good with people,” and that he really enjoyed interacting with local people. One of these jobs while in university was working as a tour guide for a Buddhist pilgrimage for three years. He reflects, “I consider these pilgrimages, established by great Buddhist teachers 1200 years ago, to be business models for continuous regional stimulation. They’re a reference.” Taking advantage of his experience and expertise, he is busily working to create region-stimulating structures through interaction with the people in the region.

Establishing satellite bases to cover the region with expert groups thoroughly supporting businesses

There are currently five coordinators at the Miyazaki SME Support Base. Four of these are SME management consultants, making it an expert group. Miyazaki Prefecture is long to the north and south, and because the mountains press up against the coast, much of the area is mountainous. Because of this, rather than have the coordinators travel around offering free consultation, a detailed support structure has been established with satellite bases in Nobeoka, Nichinan and Miyakonojo and supervisors in charge of various mountainous areas.

One characteristic of the region is its large number

of small businesses employing two to three people. The sectors are wide-ranging, including the service industry, dining, retail and construction. Small businesses such as these tend to be isolated as one person makes all the business decisions. No matter how trivial, the coordinators devote themselves to thorough consultation as many times as necessary until results emerge. “Every business has some kind of strength. It’s important for us to search for that,” says Nagatomo.

Finding successors for these small businesses is the problem – are young entrepreneurs the solution?

Once the business’ issues or needs are identified – “I want to increase sales,” “I want to open up distribution channels,” “I need to raise working capital,” etc. – there are any number of solutions. Seminars and workshops focused on taking advantage of Miyazaki Prefecture’s abundance of ingredients in the food industry are beginning to bear fruit. However, one problem for these often family-run businesses is finding successors. More companies are going out of business because they have no one to pass it on to. “One aspect of support is helping companies going out of business to have a soft landing, but that invites regional decline. Like in Yoshiji Tada’s case below, I hope that entrepreneurship by young successors can lead regional stimulation,” Nagatomo says. He seems to have begun thinking about the next step in stimulating the region.

Support recipient case

Bridge the blue border

(Takanabe Town, Koyu District, Miyazaki Prefecture)

(First-class architect office, rental housing)

<Employees: 0, capital ¥1.5 million>

Pursuing the relationship between architecture and local life. The community that nature-abundant Miyazaki fosters



Yoshiji Tada, Representative
(second from the left)

◆ Background of the business

His research theme was “the relationship between architecture and local life.” He returned to his home of Miyazaki to realize that theme

Atop a small hill overlooking Hyuga-nada Sea from the town of Takanabe, Miyazaki Prefecture, stands a long, white, peculiar-looking wooden structure. A large roofed garage in the entryway stands out. It was built by Bridge the blue border representative Yoshiji Tada and it is called the M&R HOUSE project. M&R stands for model houses and rental houses. As the name implies, this is a concept product of Tada’s, both a model house featuring a large roof and garage and a rental house meant to gather the people of the region.

Sometimes locally active artists display their works here, sometimes the people of the region bring agricultural products and processed food, furniture and groceries that were not sold and have a bazaar here. Many from around the prefecture bring their families to these events and the place serves as a community hub.

Tada, the project supervisor, graduated from a technical college in Miyazaki Prefecture and studied architecture at a university in Aichi Prefecture. The theme of his research was “the relationship between architecture and local life.” After graduating university he worked for residence manufacturers, design offices and developers in Shizuoka and Tokyo to put this theme into practice. During that time he obtained certification as a first-class architect and lived a big city life.



The model house with a large roof and garage

“Because I worked for a company a lot of my jobs were public projects, but I never lost my passion for individual residences,” he says.

A chance for a change came when he was 34. This opportunity was the need for a successor at the engineering firm his father was running in Miyazaki.

“Taking over my father’s company was of course important to me, but I also really wanted to realize my theme of ‘the relationship between architecture and local life’ in my own way in the rich nature of my hometown,” Tada says.

Tada packed his bags and left Tokyo behind for his hometown, where he entered his father’s engineering firm, Tada House, and began designing houses and products.

◆ Turning point for the business

Finally completing the model house that would be the base of his pursuit of his research theme in his hometown

Tada returned to Miyazaki in 2011 and, while planning and designing houses for Tada House, also developed new residential products. The house with the large roof and garage mentioned above was already designed and shown in a pamphlet about Tada House’s development products at this time. Then in 2012, he also used the business innovation support system to develop furniture and more. “I think it’s important to offer furniture and furnishings that fit the space,” he says. It was also around this time that he met Miyazaki SME Support Base coordinator Futoshi Nagatomo.

The following year, 2013, Tada took his “relationship between architecture and local life” theme and made it into a concept called “M&R HOUSE Project – Using the Locale for Model Houses” and entered it in the Good Design Award contest. Central to the project was the model house with the large roof and garage. However at this time it had yet to be built. He appealed to his father to try to get it built but could not make his traditionally-minded father understand. What he needed to construct it was around 15 million yen in funding, which he could not procure on his own. He consulted with SME support base coordinator Nagatomo regarding his concerns and decided to begin a

personal business called “Bridge the blue border” and use the startup support system to borrow money from financial institutions. Fortunately for Tada, with contract revenue from design work for Tada House and forecast rental income from the model house, it was easy to draw up a business plan.

Thus, the model house he had earnestly pursued was completed in 2014 and Tada’s local M&R HOUSE pilot project began.

◆ Leap forward for the business

Holding regular events at the model house gives birth to a new local community

The model house with the large roof and garage is the platform of the M&R HOUSE project. The large garage offers a unique intermediary space between the life-enriching nature outdoors and the living space indoors.

The model house has “viewings” two or three times a year in which farmers, service industry workers, artists, musicians and others gather to exhibit and perform, stimulating interaction between local producers and residents. What is unique is the rule that any product being sold must come with something free. These freebies can apparently be just about anything – fruit that cannot be sold, a recipe, a song or performance or something else. There is also coffee and snacks for participants, making it easy to naturally strike up conversations with strangers.

It is also possible to rent the venue as a company or individual for events such as exhibitions or meals. Local residents gather and mingle at this model house and temporarily forget about their daily lives. This is truly

building a “relationship between architecture and local life.”

“Mr. Tada and many other skilled people have begun to meet here,” says designer and friend of Tada named Ono who provides coffee at the model house.

He has made it a place for children to play after school and is working on a plan that will keep it a play-place from generation to generation. A new community, one that transcends generation, is being born as a result of local people of all ages gathering and communing. Just as intended, it has begun to draw the region together.

◆ Future development and tasks

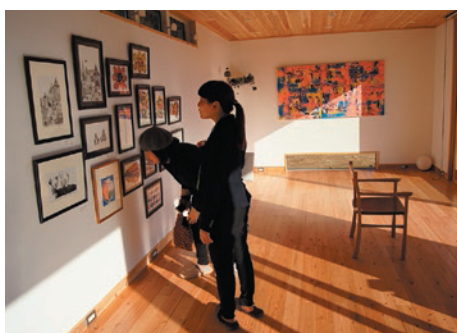
Never losing sight of the original objective, he also wants to make the region more livable

Coordinator Nagatomo says of Tada’s business, “I’ve seen a lot of businesses started over the years, but I can think of no other example of starting a business based on community-building. I think it’s very suited to the times.” Indeed, for a private individual to borrow money for a community-building endeavor without even a public project precedent is admirable. But Tada is incredibly determined. It must be his resourcefulness as an architect that drives him.

Tada will try for the Good Design Award again this year. He wants to continue to pursue his theme of the relationship between architecture and local life. At the same time, he says he also wants to renovate vacant houses to make the area easier to live in.

There is an indescribable sense of safety in having a conversation in the model house. Time seems to drift by slowly. In the city, people are physically close but not necessarily emotionally in touch. In this sunny natural setting, it is as if the rich environment brings people together, cultivates seeds of mutual understanding and fosters a community. The main stage of that development is this model house. Regional revitalization likely begins in community creation efforts such as these.

Such were my thoughts as I looked out over the gentle Hyuga-nada Sea from the house with the large roof and garage.



A gallery exhibiting the work of local designers



Local residents gathered at an exhibition

Policies for small enterprises implemented in fiscal 2014

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Policies for small enterprises implemented in fiscal 2014

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 2014 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 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. Comprehensive support for enhancement of core manufacturing technologies among SMEs [fiscal investment and loan program]

Support was delivered by such means as low-interest loans provided by the Strategic Core Technology Advancement Program and by the Japan Finance Corporation (JFC), offered to SMEs with approved specific R&D plans that had been formulated in accordance with the advancement guidelines under the SME Technological Advancement Law.

In February 2015, the design development technologies field was added to specific core manufacturing technologies to support the development of technologies that enhance the added value of products.

[Results] (Fiscal 2014) * As of 28 February 2015

- Approvals of specific R&D plans: 389 (cumulative total: 4,653)
- New proposals adopted in the Strategic Core Technology Advancement Program: 150
- Plans funded: 26 (cumulative total: 626)

2. Low-interest loans for SMEs engaging in trial manufacture and development of new products/technologies and development of new markets [fiscal investment and loan program]

By examining their business plans, the JFC provided low-interest loans to businesses engaged in the trial manufacture and development of new products and technologies and/or market development involving the outcomes of such trial manufacture and development using the specific core manufacturing technologies stipulated under the SME Technological Advancement Law. In fiscal 2014, 36 loans were provided (cumulative total of 358 loans* as of the end of February 2015).

3. R&D promotion tax system (for strengthening the technological bases of SMEs) [taxation scheme]

A tax credit equal to 12% of the total cost of the testing and research expenses of SMEs and micro businesses

conducting research and development activities (not exceeding 30% of the total amount of corporation tax) was provided through the end of fiscal 2014. In addition, a measure was prepared whereby enterprises can choose either (1) in cases where their expenditure on testing and research has increased by a rate of at least 5%, 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).

4. Program for promoting the creation of business collaborations in manufacturing SMEs and micro businesses, etc. [Fiscal 2014 budget: Included in ¥12.6 billion]

This program provided integrated support for market development and research and development that has a high likelihood of assisting in product creation or that helps advance specific core manufacturing technologies (11 technologies including precision processing and solid molding), where those activities involve cooperation between SMEs and micro businesses and universities or research institutes such as publicly funded laboratories. In fiscal 2014, this program adopted 150 initiatives implemented in accordance with approved plans.

Support was also provided for seeding or mediation research that uses knowledge from large enterprises or universities and is carried out based on the judgment of specialists capable of evaluating the technology's market value. In fiscal 2014, this program adopted one seeding initiative and 11 mediation research initiatives.

Section 2 Developing new sectors and businesses and collaborating with other industries

1. Support under the Small Business Innovation Research (SBIR) Program

The provision of central government-allocated R&D spending for SMEs and micro businesses continued to be expanded and the commercialization of the results of technological development activities continued to be promoted, such as 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 JFC. At the same time, the multistage selection process for the allocation of special subsidies was introduced and expanded.

2. New Collaboration Support [Fiscal 2014 budget: Included in ¥1.08 billion]

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 in different sectors and the effective combination of their management resources (such as technology and markets). It also provided wide-ranging support through grants and subsidies and through financing and special exemptions for guarantees. A total of 44 business plans were authorized in fiscal 2014.

3. Support for measures to promote agricultural-commercial-industrial and other collaborations [Fiscal 2014 budget: Included in ¥1.08 billion]

This program provided authorization under the Agricultural-Commerce-Industry Cooperation Promotion Act for business plans for developing and marketing new products and services through organic collaborations between SMEs and workers in the agriculture, forestry and fisheries sectors and the effective utilization of their respective management resources. It also provided wide-ranging support through grants and subsidies and through financing and special exemptions for guarantees. A total of 46 business plans were authorized in fiscal 2014.

4. Support for the creation of new businesses

Experts in marketing and other areas of business were stationed at the 10 branches and offices of the Organization

for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ) across Japan to provide detailed, integrated support to SMEs and other entities undertaking new business within the framework laid down by the SME New Business Activity Promotion Act, Regional Resource Utilization Promotion Act, and Agricultural-Commercial-Industrial Collaboration Promotion Act. In fiscal 2014 (as of the end of December 2014), assistance was provided on 15,456 occasions, of which 2,851 were help desk consultation at branch offices, 3,540 were coaching to support approved plans by business owners, and 9,065 were follow-up support for market development, etc.

5. Program to promote business creation through medical-engineering collaborations [Fiscal 2014 budget: Included in ¥3.05 billion]

This program provided assistance with issues such as dealing with approvals for drugs, conducting clinical evaluations and carrying out development and improvements aimed at commercializing medical equipment where those issues are addressed by medical-engineering collaborations made up of enterprises/coordinators that oversee manufacturing and sales, SMEs with the manufacturing skills to develop and improve products, and medical institutions that bear the burden of clinical assessment and evaluating the effectiveness of the products against the problems that arise in medical treatment facilities. In fiscal 2014, this initiative supported the realization of 53 items of medical equipment, including those continued over from development programs for problem-solving medical equipment in the previous fiscal year.

6. Program for promoting global agricultural-commercial-industrial collaborations [Fiscal 2014 budget: Included in ¥680 million]

To promote exports of agricultural, forestry and fishery products and foodstuffs, this program supported 9 demonstration and other projects by consortia that are building up brands in overseas markets and constructing manufacturing, processing and distribution systems (including plant factories and cold chains) using the advanced technologies and expertise of commercial and industrial businesses.

Section 3 Support for moving beyond subcontracting

1. Stricter enforcement of the Subcontractor Payment Act [Fiscal 2014 budget: Included in ¥570 million]

To ensure fair treatment of subcontractors and protect their incomes, the Fair Trade Commission (FTC) and SME Agency collaborated closely to enforce the Subcontractor Payment Act. In fiscal 2014, the FTC and SME Agency carried out audits of the documentation at principal contractors. In addition, they took steps to more rigidly enforce the Subcontractor Payment Act by collecting information relevant to the Act with a “reporting information receipt office” to ensure that information on the particulars of violations of the Act is provided and reported.

Also, as a countermeasure to passing on increases in raw materials and energy costs, site inspections were conducted at 462 large enterprises from October 2014 through March 2015.

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 (645 bodies).

2. Strengthening consultation systems and raising awareness of the importance of fair subcontracting transactions [Fiscal 2014 budget: Included in ¥570 million]

Consultation services concerning SME transactions were provided by the 48 Subcontracting Help Centers set up throughout Japan (5,473 consultations and 681 free consultations by lawyers in fiscal 2014). Courses were also held to prevent the occurrence of violations of the Subcontractor Payment Act, etc. A total of 151 seminars were held

targeting the procurement managers at principal contractors to further raise awareness of the Subcontractor Payment Act, etc., while examples of initiatives by principal contractors were presented at 8 venues around the country and symposiums and other events were held to promote broader adherence to the Subcontractor Payment Act, etc. Under the guidelines for building better business relationships between principal contractors and subcontractors (Guidelines for the Promotion of Fair Subcontracting Practices), 233 information sessions on the guidelines for 16 industries were held.

3. Self-reliance support for SME and micro subcontractors [Fiscal 2014 budget: Included in ¥700 million]

Under the revisions to the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises (20 September 2013), 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. 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.

4. Support for market expansion through subcontracting business mediation and business fairs [Fiscal 2014 budget: Included in ¥50 million]

Using Business Matching Stations (BMS) ([http:// biz-match-station.zenkyo.or.jp/](http://biz-match-station.zenkyo.or.jp/)), SMEs looking to solicit new clients were provided with information on orders issued and received for business such as outsourced manufacturing in the SME's preferred industry and where the SME can provide the required equipment or technology. As of the end of March 2015, 26,172 companies were registered. Broader regional information sessions were also held at 8 venues to support new market development.

5. Request for consideration toward small and medium subcontractors [Fiscal 2014 budget: Included in ¥570 million]

Courses and other events were organized to raise awareness of the general standards (development standards) that subcontractors and principal contractors are expected to observe under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises.

Section 4 Market development assistance

1. Project to advance measures for micro businesses [Fiscal 2014 budget: Included in ¥1.88 billion]

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: 87; production businesses: 83 (year 1) and 39 (year 2)).

2. Project for micro businesses support packages [Fiscal 2014 supplementary budget: ¥25.22 billion]

This project provided assistance for 13,000 plans with the “Subsidies for Sustainable Micro Businesses” which subsidize costs for joint market development by micro businesses, commerce and industry associations and chambers of commerce and industry, provided support for market development using traveling exhibits and so called “antenna shops” in big cities featuring products made using local resources, and implemented other budgetary measures to support sustainable management of micro businesses. An integrated micro business database for the provision of policy and other information responding to the needs of micro businesses was arranged, and e-learning and on-line consultation to promote market development using IT was provided.

3. Support for cultivation of markets through exhibitions, business fairs, and other events [SMRJ subsidy program]

The SMRJ provided support for the development and expansion of markets for products and services developed through agricultural-commercial-industrial collaborations or by using local resources, as well as for undiscovered attractive regional products, by organizing exhibitions, business fairs, and other such events. The SME Fair 2014 in Kansai held in May 2014 had 301 companies exhibit and 24,455 visitors. The New Value Creation Exhibition held in Tokyo in November 2014 had 565 companies exhibit and 48,550 visitors.

4. Market Development Coordination Program [SMRJ subsidy program]

SMEs with management innovation plans approved under the New Business Activity Promotion Act were helped to translate their plans into the development of new markets by market development experts with experience working at trading companies, manufacturers, etc. (market development coordinators) assigned to the SMRJ. Specific measures included introductions or mediation for newly developed products with trading companies or enterprises and assisting enterprises with new products or services with everything from marketing plans through to test marketing at enterprises in prospective markets in the wider Tokyo and Kinki regions. In fiscal 2014 (as of the end of January 2015), 104 projects were supported.

5. Project to support market development [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. Matching support was provided to 146 projects in fiscal 2014 (as of the end of December 2014).

6. J-Good Tech [SMRJ subsidy program]

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 5 Support for overseas business development

1. Program for supporting overseas expansion by SMEs and micro businesses [Fiscal 2014 budget: Included in ¥ ¥2.28 billion]

The Japan External Trade Organization (JETRO), in collaboration with SMRJ, supported the development of overseas markets by SMEs. Specifically, JETRO supported the development of overseas markets through initiatives such as matching enterprises with overseas companies that have overseas market access or technology and by holding exhibitions and business fairs in ASEAN and other countries. Through overseas support platforms for overseas expansion by SMEs established at 17 locations in 12 countries, they provided assistance in solving legal and labor force problems and help with issues such as business transfers and withdrawals. SMRJ also conducted training for private-sector support agencies and other approved support agencies in how to support overseas expansion and provided training that allows participants to gain practical support expertise by doing internships at top-performing support agencies.

2. Support for overseas business development and commercialization by SMEs and micro businesses [Fiscal 2014 budget: Included in ¥2.28 billion]

JETRO and the SMRJ cooperated to support overseas expansion by SMEs. Specifically, SMRJ provided preliminary assistance to inexperienced SMEs in the formulation of overseas development strategies and the translation of brochures, etc. into foreign languages, with the aim of increasing the number of SMEs interested in developing operations overseas. It also provided support at trade fairs in Japan, which receive large numbers of foreign buyers. JETRO, for its part, used its extensive network to help SMEs participate in overseas trade fairs, organize business

fairs attended by foreign buyers, provide opportunities for business match-ups, and provide information and deliver wide-ranging support with respect to overseas markets.

3. Overseas information services [Fiscal 2014 budget: Included in ¥50 million]

In order to promote industrial partnerships between Japan and Taiwan, support was given for friendship associations to collect and distribute information about Taiwanese enterprises and for seminars and business fairs to promote alliances between Japanese and Taiwanese enterprises.

A total of 16 seminars and 6 business fairs were held in fiscal 2014 (as of 27 February, 2015).

4. Support for development of human resources to cultivate new markets [Fiscal 2014 budget: Included in ¥1.21 billion]

In a collaboration between the government and the private sector aimed at supporting economic growth in developing countries and assisting overseas business expansion by Japanese enterprises, managers, engineers, and similar personnel from developing countries who are engaged in management, manufacturing, operations, or similar areas were brought to Japan for training, while Japanese experts were dispatched to developing countries. In fiscal 2014, training was provided to 1,332 personnel and 71 experts were dispatched to developing countries.

5. Trade investment promotion project [Fiscal 2014 budget: Included in ¥1.96 billion]

Two programs were implemented to secure markets in developing countries where rapid growth is anticipated in the future:

- (1) Training and the dispatching of specialists to promote awareness of the superiority of Japanese technology was implemented with the aim of increasing the rate of infrastructure orders placed. In fiscal 2014, 16 trainings were conducted and 2 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 2014, 191 young Japanese workers were dispatched to 17 countries.

6. Use of Japan Overseas Cooperation Volunteers and private-sector partnership volunteer program [Fiscal 2014 budget: ¥160 million]

The JICA Japan Overseas Cooperation Volunteers (JOCV) program was used to help match people who are very familiar with specific developing countries with the human resource requirements of enterprises, and a private-sector collaborative volunteer program was used to dispatch employees matched to the needs of the enterprises and developing countries as JOCV Senior Overseas Volunteers in an effort to develop personnel capable of active involvement in the global community.

7. Funding to develop overseas operations [fiscal investment and loan program]

Loans were provided by the JFC (SME Unit and Micro Business and Individual Unit) to assist with the cash flow of SMEs that for business reasons need to expand overseas to adapt to structural economic changes. In fiscal 2014 (as of the end of February 2015), 1,108 loans were provided totaling ¥21.3 billion.

8. Support for overseas subsidiaries to obtain capital, etc.

Under the SME Business Capabilities Enhancement Support Act, for SMEs with management innovation plans approved under the New Business Activity Promotion Act, the JFC provided loan guarantees to their overseas subsidiaries for loans from local financial institutions. In fiscal 2014 (as of the end of December 2014), 40 guarantees were provided.

9. 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. This facility was used 375 times in fiscal 2014 (as of 24 February, 2015).

10. Activities to expand and publicize use of trade insurance by SMEs (seminars, consultation events, etc.)

To promote their use of trade insurance by SMEs, in fiscal 2014 the website for SMEs was revised, and NEXI hosted 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 (85 instructors dispatched), and worked to raise awareness and encourage wider use of trade insurance at 165 SMEs which are their customers.

11. 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. In addition to the 18 banks enrolled in fiscal 2012 and the 20 banks added in fiscal 2013, collaborations were organized with 6 new banks in fiscal 2014, expanding the bank network to 55 banks in all. Moreover, collaborations with 22 credit unions were established in fiscal 2013 forming a credit union network. With this the total network grew to 77 financial institutions nationwide. The creation of this network has made trade insurance more accessible to local SMEs and easier for them to use.

12. Support for security export control

Information sessions were held at around 60 locations nationwide to improve the efficacy of security export control based on the Foreign Exchange and Foreign Trade Act. Additionally, by dispatching experts in collaboration with the one-stop general support program for SMEs and micro businesses, support was provided for the improvement of voluntary management systems for security export control at SMEs exporting goods and providing technologies.

13. Promotion of BOP business [JETRO grant]

To promote the BOP/volume zone business, JETRO provided sustained support to over 30 individual enterprises in accordance with the business phase. JETRO also posted local coordinators to a total of 11 locations including Uzbekistan and Kazakhstan in addition to locations in Southwest Asia and Africa, and strengthened its support system. JETRO also sent a mission to Central Asia, conducted acceptance surveys in Nigeria and Bangladesh, and a business verification project in Africa.

14. ODA match-up program for SME products, technologies, etc. [Fiscal 2014 budget: Included in ¥4.55 billion] [Fiscal 2014 supplementary budget: Included in ¥2.22 billion]

Through ODA, the superior products, technologies, etc. of Japanese SMEs are being used for the development of developing countries. The goals are both for the development of developing countries and for invigorating the Japanese economy. In fiscal 2014, 101 projects were adopted (4 needs surveys, 51 proposal surveys, and 46 distribution and demonstration programs; as of the end of March 2014).

15. Support for the development and acquisition of skilled human resources abroad by SMEs [Fiscal 2014 budget: Included in ¥50 million]

To help SMEs and micro businesses acquire outstanding local human resources abroad, support was provided for holding job fairs and corporate culture classes overseas in coordination with universities and technical colleges in Thailand, Viet Nam and Indonesia. In fiscal 2014, 7 job fairs were held in Thailand, Vietnam and Indonesia, and Japanese corporate culture classes were held in coordination with 16 universities, etc.

16. Program to dispatch experts to support midsize, SMEs and micro businesses advancing into emerging countries [Fiscal 2014 supplementary budget: Included in ¥1.5 billion]

Budget allocations were continued for midsize, SMEs and micro businesses working to advance into emerging countries, to dispatch senior human resources such as retirees from enterprises and similar individuals with abundant

business experience in emerging countries and know-how to provide support for advancing into emerging countries with a high business risk.

17. Cooperation with Non-Project Grant Aid utilizing SMEs [Fiscal 2014 budget: Included in ¥2.4 billion] [Fiscal 2014 supplementary budget: Included in ¥3 billion]

Providing products made by Japanese SMEs based on the requests of governments and 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) were drawn up based on the development needs of the developing countries and shown to those countries in the form of packages for each of the various sectors, such as medical services, agriculture, and job training, and products were provided in accordance with the requests from the developing countries.

Fiscal 2014 result: 13 cases (initial budget 12 cases + supplementary budget 1 case; as of March 2015)

18. Global Niche Market Top Support Lending Facility [fiscal investment and loan program]

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 provided long-term, lump-sum repayment and successful interest payment-type loans through the Global Niche Market Top Support Lending Facility (112 loans for ¥13.5 billion in fiscal 2014; as of the end of March 2015).

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 Business startup assistance

1. Regional Startup Promotion Support Delegation Program [Fiscal 2014 budget: ¥750 million]

“Business Startup Schools” were held in 227 locations 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.

2. Construction of startup support system in the regions

Under the Industrial Competitiveness Enhancement Act, municipal governments worked with private-sector enterprises assisting with business startups to formulate a plan for a program assisting business startups in order to encourage startups in the regions. Where authorization was obtained from the national government, business founders who had received startup assistance under the plan were supported through measures such as improved credit guarantees and tax incentives (reduced or halved 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 in business startups. A total of 186 business plans (with 207 municipal governments) were approved in fiscal 2014.

3. New Business Support Fund (for businesses)

Partial assistance was provided for the costs of starting up a business, such as equipment costs and shop rental expenses, for business startups (including secondary startups) that will supply new goods and services which in turn create new demand. Support was provided to 3,124 startups in fiscal 2014.

4. Program to foster support personnel and acumen for launching new businesses

A program was implemented to foster the development of expert support staff and promote the creation of ventures by sharing and circulating the relevant expertise and instances of success. This was achieved through active hands-on support for business seeds and ideas that have a high growth potential and by enhancing cooperation between the support personnel for public-private startups, such as venture funds, financial institutions, certified public tax accountants and accountants.

5. Program to support the commercialization of ventures responding to leading issues [Fiscal 2014 budget: Included in ¥1.16 billion]

Initiatives were made for the creation of new businesses by providing management support from experienced entrepreneurs and venture capital (VC) to entrepreneurs with growth potential. Initiatives were also made to form networks of these entrepreneurs, support personnel and large enterprises, and to promote business cooperation and personnel development by spreading new business creation know-how, and funds were otherwise allocated to upgrade the environment for the creation of new businesses.

6. Subsidies for startups and secondary startups [Fiscal 2014 supplementary budget: Included in ¥5.04 billion]

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. Also partial support was provided for the expenses of startup support implemented based on approved startup support plans by enterprises that assist in business startups under the Industrial Competitiveness Enhancement Act.

7. New Startup Loan Program [fiscal investment and loan program]

Under this program, unsecured, unguaranteed loans are provided by the JFC to persons embarking on new ventures and persons who have just started up in business. In fiscal 2014 up to the end of February 2015, 18,808 loans were

given totaling ¥73.1 billion, bringing the total since the program was established in fiscal 2001 up to 130,400 loans totaling ¥451.3 billion.

8. 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 February 2015, the program has made 125,916 loans totaling ¥651.2 billion.

9. New business development fund (to support global business-oriented startups) [fiscal investment and loan program]

Under this financing scheme, the JFC provides low-interest loans to SMEs engaging in new business expected to exhibit high growth that develop their own products based on marketing (including overseas) or that develop markets in Japan or overseas. Between the establishment of the scheme in December 2011 and the end of February 2015, the fund has financed 13 businesses at a total cost of ¥520 million.

10. 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 offered loans to candidates who faced difficult circumstances in re-launching their businesses. In fiscal 2014, JFC provided 403 loans for a total of ¥1.5 billion (as of the end of February 2015).

11. Guarantees for founders

The purpose of this program is to boost lending to startup entrepreneurs by private financial institutions through the provision of guarantees by credit guarantee corporations to individuals who are starting up in business or who started up in business less than five years ago. In fiscal 2014 (as of the end of December 2014), 10,247 guarantees have been approved totaling ¥46.7 billion.

12. Improving supply of “risk money” needed when starting a business

Funds were supplied to support ventures requiring “risk money” during startup or commercialization making use of the Development Bank of Japan (DBJ) and the Shoko Chukin Bank, and at the same time assistance to venture enterprises was encouraged through measures such as the simplification of procedures for venture proposals by the Innovation Network Corporation of Japan (INCJ).

13. 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 was 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. The Startup Support Fund has committed a cumulative total of approximately ¥145.2 billion in 90 investment funds investing in a total of 2,327 companies (as of the end of March 2014). The SME Growth Support Fund has committed a total of approximately ¥332.9 billion in 65 investment funds investing in a total of 644 companies (as of the end of March 2014).

14. 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 February 2015, the scheme has been used to invest a total of around ¥11.77 billion in

423 companies.

15. 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 write off that cost as expenses.

16. Subsidies for business generating regional economic activity [Fiscal 2014 budget: ¥1.5 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 launches local-based enterprises that can absorb large employment, constructing regional roundtables drawn from industry, academia, financial institutions and government, and using regional assets and funds (drawn from regional financial institutions, etc.)

Section 2 Support for business succession

1. Small Enterprise Mutual Relief System [Included in SMRJ subsidy program]

The Small Enterprise Mutual Relief System is essentially a retirement benefit scheme for small enterprises under which sole proprietors of small enterprises and corporate directors accumulate installments and then receive mutual relief money when they close their business or retire. As of the end of December 2014, 1,243,000 people were enrolled in the scheme, including over 57,000 new subscribers in the period from April to December 2014.

2. System of deferral of payment of inheritance tax and gift tax on non-listed shares (business succession taxation scheme) [taxation scheme]

The business succession taxation scheme is designed to help successors to 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. The scheme works by allowing the deferral of payment of inheritance tax and gift tax and, in certain circumstances (e.g., the death of a successor), exemption from payment of the tax for a grace period, presuming a successor subsequently continues the business. Approvals to qualify for this scheme commenced in fiscal 2009, and as of the end of February 2015, 651 approvals had been granted for inheritance tax and 346 approvals had been made for gift tax.

3. Expansion of the system of deferral of payment of inheritance tax and gift tax on non-listed shares (business succession taxation scheme) [taxation scheme]

Under the taxation system reforms in fiscal 2013, the business succession taxation system was expanded through measures such as relaxation of the applicable requirements. With some exceptions, the revisions are to be applied to inheritances, bequests or donations as of January 2015. The key points in the revisions are as follows:

- (1) Whereas the system previously applied only to successors who were members of the former owner's family, it now applies also to succession outside the family.
- (2) The provision that employment be maintained at 80% or higher “every year for 5 years” will now be estimated on the basis of employment at 80% or higher “for 5 years on average”.
- (3) When the provisions under the taxation system are no longer met and the deferral of tax payments ends, individuals are required to pay interest tax in addition to the deferred amount. However, under the revised system, the taxation rate for interest tax has been lowered (from 2.1% to 0.9% as of January 2014). Also, if the deferment ends more than 5 years after succession, 5 years of interest tax will now be exempted.
- (4) The amount of deferred tax payments will now be recalculated and partial exemptions from the deferred amount will also be granted for civil rehabilitation, corporate rehabilitation or business rehabilitation by an SME Revitalization Support Council.

- (5) Of the provisions that apply to the deferment of payments of gift tax, the provision that the current owner retires from office when the gift is made has been revised so that the current owner retires as representative when the gift is made.
- (6) The procedure for receiving prior approval from the Ministry of Economy, Trade and Industry, which was a requirement for the deferral of tax payment, has been abolished (as of April 2013).

4. Business succession support [Fiscal 2014 budget: Included in ¥4.44 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” were established in regions with strong demand for support for business successions that have a well-developed capacity to deliver support.

During fiscal 2014, new “Business Succession Support Centers” were established in Akita, Hiroshima, Okinawa, Mie, Kagawa and Tochigi. As of the end of March 2014, “Business Succession Support Centers” had been established in 16 locations: Hokkaido, Miyagi, Akita, Tochigi, Tokyo, Nagano, Shizuoka, Aichi, Mie, Osaka, Okayama, Hiroshima, Kagawa, Ehime, Fukuoka, and Okinawa.

Also from fiscal 2014 a Business Succession Support National Headquarters was established inside the SMRJ and conducted guidance, advice and other support works for the “Business Succession Help Desks” and “Business Succession Support Centers.”

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 February 2015, 85 confirmations of qualification for this special treatment had been granted by the Minister of Economy, Trade, and Industry.

6. Support to facilitate business successions

Business succession support networks for providing wide-ranging and in-depth support for SME business successions have been developed throughout Japan, and various events were held to provide training for SME support providers and raise SME proprietors’ awareness through business succession forums.

7. SME regeneration facilitation program [Fiscal 2014 supplementary budget: Included in ¥2.39 billion]

Funds were allocated to hold lectures and explanation meetings on measures to regenerate enterprises and to dispatch experts for individual consultations to help the proprietors of SMEs and small enterprises prepare for planned business succession or business closure.

Section 3 Human resources and employment programs

1. Human resource countermeasures program for SMEs and micro businesses

The following types of support aimed at securing outstanding personnel for SMEs and micro businesses were provided: (1) For new graduates who are not yet employed support was provided for internships at SMEs and micro businesses to give them the opportunity to obtain the skills, techniques, and know-how needed for actually working at SMEs and micro businesses; (2) For women and others who left the workforce temporarily to raise children or for similar reasons and want to re-enter the workforce, support was provided for internships at SMEs and micro businesses to give them the opportunity to fill in gaps in their workplace experiences. End-to-end support was provided that ranges from creating opportunities for SMEs and micro businesses to meet students face-to-face through to employing and retaining new graduates, etc. Support was also given for securing and retaining senior personnel with extensive business experience, and for securing and retaining non-regular employees who want to become regular employees, young employees, and housewives and others who seek employment.

2. Human resource development at the Institute for Small Business Management and Technology [Included in SMRJ subsidy program]

Training was provided at nine Institutes for Small Business Management and Technology around Japan 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.

3. Measures to maintain workers' employment [Fiscal 2014 budget: Included in ¥54.52 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 were 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.

4. Support for improvement of employment management toward the creation of attractive employment

To support initiatives by companies to improve employment management and create attractive employment conditions, subsidies were provided to fund SME organizations (business cooperatives, etc.) in key sectors where they have implemented projects to improve their working environment. Subsidies were also provided for SMEs and micro businesses in key sectors that introduced and implemented a new employment management system by changing their workplace regulations and labor agreements.

5. Regional employment development fund [Fiscal 2014 budget: Included in ¥3.29 billion]

To create and provide stable regional employment, employers who build or establish an office in regions where employment opportunities are particularly lacking and who also 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.

6. Project for employment creation in strategic industries [Fiscal 2014 budget: Included in ¥10.03 billion]

To promote initiatives aimed at creating favorable and stable employment opportunities, a project for employment creation was launched for manufacturing industries and other strategic industries. The project will supplement regional projects for voluntary employment creation, and will be implemented in conjunction with industrial policies.

7. 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 in 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.

8. Promotion of employment shifts with no loss of employment (labor insurance special account) [Fiscal 2014 budget: Included in ¥30.13 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 re-employment 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 was provided to business owners who conduct on-the-job or off-the-job training for workers taken on as a result of transfers or workers employed who are eligible under a re-employment support plan approved by the public employment security office.

9. 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 assisted with human resources development in accordance with regional conditions.

10. Employment creation program to support startups

By providing startup support in line with regional industry and employment promotion measures, projects conducive to securing local employment and creating stable employment were outsourced to private enterprises and similar enterprises that hire the unemployed.

11. Welfare Worker Recruitment Project [Fiscal 2014 budget: Included in ¥1.41 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. In “Hello Work” centers without a “Welfare Worker Corner”, services including vocational counseling, job placements and employment information were provided and clients encouraged to use a “Welfare Worker Corner”.

12. Support for SMEs and micro businesses in raising the minimum wage [Fiscal 2014 budget: Included in ¥2.75 billion] [Fiscal 2014 supplementary budget: Included in ¥1.42 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; (2) Aid for measures by industry-specific SME organizations (grants of up to ¥20 million to industry-specific organizations targeting 33 industries); and (3) Expenditure subsidies to promote workforce efficiency (job reform subsidies of up to ¥1 million for 42 prefectures). From February 2015, the maximum subsidies were increased (up to ¥1.5 million) in accordance with the number of employees receiving higher wages.

13. Regional Youth Support Station Program [Fiscal 2014 supplementary budget: Included in ¥3.46 billion]

To assist young people who are “NEET” (Not in Education, Employment or Training) or similar circumstances, funds were allocated for “Regional Youth Support Stations” that provide a diverse employment assistance menu, including specialist advice and guidance to the appropriate agencies via networks. In fiscal 2014, these initiatives were implemented at 160 locations nationwide and internship coordinators who request and develop new internships, follow up on the companies and interns, and provide know-how were assigned to four locations nationwide.

14. Career-oriented personnel training program (universities, etc.) (Promotion of career education, etc.) [Fiscal 2014 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.

15. Career education program development initiative (Promotion of career education, etc.) [Fiscal 2014 budget: Included in ¥10 million]

To implement career education effectively, this initiative developed programs for career education that provide

information on required occupations and utilize the knowledge held by labor administration, such as career consulting tools and know-how. It also developed educational materials relating to employment information and promoted career education in institutions such as universities.

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. (cited earlier) Project to advance measures for micro businesses [Fiscal 2014 budget: Included in ¥1.88 billion]

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: 87; production businesses: 83 (year 1) and 39 (year 2)).

2. (cited earlier) Project for micro businesses support packages [Fiscal 2014 supplementary budget: ¥25.22 billion]

This project provided assistance for 13,000 plans with the “Subsidies for Sustainable Micro Businesses” which subsidize costs for joint market development by micro businesses, commerce and industry associations and chambers of commerce and industry, provided support for market development using traveling exhibits and so called “antenna shops” in big cities featuring products made using local resources, and implemented other budgetary measures to support sustainable management of micro businesses. An integrated micro business database for the provision of policy and other information responding to the needs of micro businesses was arranged, and e-learning and on-line consultation to promote market development using IT was provided.

3. JAPAN Brand Development Assistance Program [Fiscal 2014 budget: Included in ¥1.46 billion]

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. A total of 78 projects were supported in fiscal 2014.

4. Assistance Program to Develop New Businesses Utilizing Regional Resources [Fiscal 2014 budget: Included in ¥1.46 billion]

This program provides authorization for business plans to develop and establish markets for new products and services that utilize regional industrial resources (agriculture, forestry, fisheries, industrial technology, tourism, etc.) under the Regional Resource Utilization Promotion Act. It also provides wide-ranging support through grants and subsidies and through financing and special exemptions for guarantees. A total of 120 business plans were authorized in fiscal 2014.

5. Program to support regional specialties [Fiscal 2014 budget: Included in ¥4 billion]

This program supports efforts to develop and establish markets for “regional specialties” using regional resources. Support is given to fostering producers and disseminating information about “regional specialties.” In addition, funds were allocated to support overseas development using these regional resources.

6. Network building program for regional resource utilization [Fiscal 2014 budget: Included in ¥200 million]

This program provided support for initiatives that assist in increasing the non-resident population in the regions and revive consumption and investment by building new business models that unearth dormant assets in each region and then combine and network those assets.

7. 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 item listed below was designated as traditional craft products after hearing the views of the Industrial Structure Council.

- Tokyo “Edo Glassware” designated on 26 November 2014

8. Traditional Craft Product Subsidy Program [Fiscal 2014 budget: Included in ¥1.26 billion]

(1) Based on the Traditional Craft Industries Act, the following support was provided to promote the traditional crafts industries below.

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

9. 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 2014, a national convention was held in Saga 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 for shopping district revitalization projects and similar initiatives planned by shopping district promotion associations and 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 established jointly 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 city centers, 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 city centers established in the Organization for Small & Medium Enterprises and Regional Innovation, Japan (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 city centers.

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 city centers and similar organizations, seminar planning support and instructors were supplied and advice, analyses, assistance with identification of issues, and information provided 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 allowed a special deduction of up to ¥15 million for income from such transfers was continued.

7. Central urban district revitalization program (central urban district restoration strategy)

To move up the realization of revitalization of central urban districts centered on encouraging private investment set out in the Japan Revitalization Strategy and support local shopping districts concerned about the severe effects of consumption tax rises, support was given to selected central urban districts that play important roles in regional economies on an intensive basis. Specifically, this support consisted of the provision of high-quality commercial facilities designed to effectively spread benefits from the core central urban districts out to the peripheral shopping districts, and support for commercialization feasibility studies prior to the provision of high-quality commercial facilities.

8. Program for the revival of central urban districts [Fiscal 2014 supplementary budget: ¥2.2 billion]

This program provided support for renovations by private enterprises of facilities required for revitalization of regional central urban districts (e.g., unification of townscapes and landscapes to attract more visitors) and other projects based on central urban district revitalization basic plans set by municipalities expected to have immediate effect on employment and revitalization of local consumption, limited to projects that boost economic activities in central urban districts and adjoining areas. Funds were also allocated to prepare as soon as possible a support model to be developed nationwide to take measures for individuals with poor access to shopping, which are essential for advancing countermeasures for under-populated areas and more compact municipalities.

9. Program to promote independence in regional commerce [Fiscal 2014 budget: Included in ¥3.9 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.

10. Strategic program for central urban district restoration [Fiscal 2014 budget: Included in ¥690 million]

This program provided support to private projects (improvement of commercial facilities, etc.) with a strong commitment from local residents and government bodies, and 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.

11. Taxation measures to revitalize central urban districts [taxation scheme]

Two measures were established 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 structures or equipment, and (2) a 50% reduction in the registration and license tax payable when real estate ownership is registered

12. Act on the Partial Amendment of the Act on Vitalization in City Centers

The Act on the Partial Amendment of the Act on Vitalization in City Centers was put into force in July 2014.

Section 3 Other regional revitalization

1. Support to encourage enterprises to locate in regional areas [Fiscal 2014 budget: Included in ¥2.5 billion]

Partial subsidies for facilities and other preparations expenses were provided 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 Japan Finance Corporation (JFC), and tax allocations to local governments taking steps to attract enterprises to their regions.

2. (cited earlier) Subsidies for business generating regional economic activity [Fiscal 2014 budget: Included in ¥1.5 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 launches local-based enterprises that can absorb large employment, constructing regional roundtables drawn from industry, academia, financial institutions and government, and using regional assets and funds (drawn from regional financial institutions, etc.)

3. Assistance program for building platforms to cumulatively create new industries [Fiscal 2014 budget: Included in ¥850 million]

To build new industrial clusters, support was given to activities forming industry-government-academia networks centered on regional core enterprises and to matching market needs and technology seeds toward development of new products.

4. Building new wide-area linkages through coordination core cities [Fiscal 2014 budget: Included in ¥130 million]

The government gave active support and arranged leading models to form bases in regional areas that have a certain population and can maintain a vibrant society and economy even in an aging society with a low birth rate and declining population by linking and networking municipalities in regional areas with substantial scale and core functions, and developing compact cities.

5. 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 14,406 loans for ¥142.2 billion were disbursed in fiscal 2014 (through the end of February 2015).

6. Regional management promotion and survey programs for functional collaboration [Fiscal 2014 budget: Included in ¥100 million]

Support was provided for projects in areas that extend beyond municipalities that generate flows of people, goods and money and vitalize the area through collaboration among industry, academia, financial institutions and government in constructing bases that contribute to promoting industry and securing employment.

7. Comprehensive support for business creation in tourist areas [Fiscal 2014 budget: Included in ¥70 million]

Promotion was provided for measures for business models that develop markets for destination-based travel services where the organization itself drives efforts to create tourist areas, and that allow profits to further drive the development of destination-based travel. In March 2014, 45 areas were selected for investigation, and assistance

given for building portal websites for sharing know-how among regions, providing opportunities for training, holding business fairs, and independent, ongoing initiatives to build tourist areas.

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. Revision of the Small Business Support Act

The Act for the Partial Revision of the Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry (the Revised Small Business Support Act) came into force in September 2014.

Approval of “Management Development Support Plans” prepared by commerce and industry associations and chambers of commerce and industry nationwide under the Revised Small Business Support Act began from January 2015 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.

2. (cited earlier) Project to advance measures for micro businesses [Fiscal 2014 budget: Included in ¥1.88 billion]

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: 87; production businesses: 83 (year 1) and 39 (year 2)).

3. (cited earlier) Project for micro businesses support packages [Fiscal 2014 supplementary budget: ¥25.22 billion]

This project provided assistance for 13,000 plans with the “Subsidies for Sustainable Micro Businesses” which subsidize costs for joint market development by micro businesses, commerce and industry associations and chambers

of commerce and industry, provided support for market development using traveling exhibits and so called “antenna shops” in big cities featuring products made using local resources, and implemented other budgetary measures to support sustainable management of micro businesses. An integrated micro business database for the provision of policy and other information responding to the needs of micro businesses was arranged, and e-learning and on-line consultation to promote market development using IT was provided.

4. Program to foster personnel and support personnel for micro businesses [Fiscal 2014 budget: ¥470 million]

Training was carried out in regions across Japan to provide a service whereby business advisors and others who are assisting micro businesses can analyze the strengths of the individual micro businesses and then propose and implement measures tailored to those strengths.

This program is aimed at candidates for the next generation of managers in small and medium service providers and trained personnel who will coordinate and draw up plans for revitalizing the deeply rooted regional service industry, in part by providing them with opportunities to learn from experience what makes a successful enterprise.

5. Programs promoting measures to support cooperative SME organizations [Fiscal 2014 budget: Included in ¥560 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 that included partial subsidies for the costs of implementing those innovations or reforms, along with training for instructors.

6. Support for capital investment 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 have been collaborating to provide diagnoses and advice on business plans together with long-term, low-interest (or interest-free) loans to fund the required capital expenditure.

7. One-stop comprehensive support programs for SMEs and micro businesses [Fiscal 2014 budget: Included in ¥4.12 billion]

“Yorozu Support Centers” were established in all 47 prefectures in June 2014 to provide consultations in collaboration with various regional support agencies on expanding sales and other management advice, and specialist advisors were dispatched to deal with high-level specialized management issues. Additionally, a system for management consultation through the “Mirasapo” portal website was constructed.

Chapter 5

Other measures for the promotion of small enterprises

Section 1 Measures for small enterprises with respect to the Great East Japan Earthquake

1. Great East Japan Earthquake Recovery Special Loan [Fiscal 2014 budget: Included in ¥10.5 billion]

Since May 2011, there has been ongoing provision of the Great East Japan Earthquake Recovery Special Loan program, which is provided by the JFC (SME Unit and Micro Business and Individual Unit) and the Shoko Chukin Bank 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 February 2014, a total of 277,000 loans have been made with a total value of ¥5.8 trillion. Those measures that were created 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 when they were imposed 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 2014.

2. 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 Marukei and Eikei loans provided by the JFC to micro businesses affected directly or indirectly by the Great East Japan Earthquake were raised (by ¥10 million separately from ordinary loans) and interest rates were 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). Between April 2014 and the end of February 2015, 635 Marukei loans were made with a total value of ¥2.37 billion and 17 Eikei loans were made with a total value of ¥60 million.

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 2014 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 though the end of February 2015, guarantees were provided for 114,404 loans with a total value of ¥2.4 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 Fukushima Prefecture in the specified area affected by the nuclear disaster for necessary business funds (working capital and capital expenditures) required to continue or resume business.

5. Exemption for small enterprises etc. from stamp duty on equipment funding program

In order to counter the impact of the Great East Japan Earthquake, under the Act on Partial Review of the Act on Temporary Special Provisions of Acts Related to National Tax, in Relation to Victims, etc., of the Great East Japan Earthquake, exemptions from stamp duty were introduced for businesses specified under Article 129 of the Act on Special Fiscal Aid and Subsidy Recovery from the Great East Japan Earthquake where such business have entered contracts for monetary loans using equipment funding programs to rebuild facilities.

6. Revival assistance from Industrial Recovery Consultation Centers and Industry Reconstruction Corporations [Fiscal 2014 budget: Included in ¥3.55 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 27 March 2015, 4,081 consultations from business owners had been handled by Industrial Recovery Consultation Centers in each prefecture, including 3,900 consultations that were carried through to completion. A key achievement was the 753 cases where organizations such as financial institutions agreed to provide financial support, including 302 cases of debt-factoring.

7. 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 2,203 consultations and in 579 of those cases has decided to support business owners to revive their businesses through measures such as debt-factoring (as of the end of March 2015).

8. Reduction of interest burden during assessment of the potential for business regeneration [Fiscal 2014 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 was continued in fiscal 2014. Through the end of December 2014, interest expenses were defrayed on 434 loans for a total of ¥2.09 billion.

9. Provision of light trucks to assist mobile vendors serving temporary housing [Fiscal 2014 budget: Included in ¥390 million]

In order to provide a shopping environment for victims residing in temporary housing, and to help SMEs that have lost customers or business due to the Great East Japan Earthquake to acquire new customers and resume business as soon as possible, approximately 100 mobile vending vehicles (light trucks) were deployed to the affected areas. These trucks were loaned to SMEs to help them to sell their goods to the residents of temporary housing and at various events.

10. 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.

11. Post-disaster recovery project on joint facilities of small and medium business associations, etc. [Fiscal 2014 budget: Included in ¥22.07 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.

12. Program for preparation of temporary business facilities and subsidy for effective use of temporary business facilities [Fiscal 2014 budget: Included in ¥2.07 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 February 2015,

facilities were installed at 577 locations in 52 municipalities in six prefectures. Also, from April 2014, aid is being given for the expenses required to make move, remove, or make temporary facilities permanent, with assistance given for 5 facilities through the end of February 2015.

13. 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 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.

14. Program to create employment that promotes business recovery

Employment assistance consistent with industrial policy was given to create stable employment in the disaster-affected areas.

15. 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.

16. 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

17. Consideration for SMEs in disaster-affected regions by the government and other public agencies

Under the “Policy on State Contracts with Small and Medium Enterprises”, which is formulated each fiscal year, consideration was again given in fiscal 2014 to SMEs and micro businesses in areas affected by the Great East Japan Earthquake, and the following measures were implemented :

- (1) On 27 June 2014, the Minister of Economy, Trade and Industry issued a request regarding the Cabinet approval of the 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 (1,814 organs), and also requested that they take steps to increase the opportunities available for SMEs and micro businesses to receive orders.
- (2) Between July and August, 51 information sessions (Councils to Promote Local Access to Public Sector Demand) were held all around Japan to actively raise awareness of the “Policy on Contracts” in regional areas.
- (3) 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.

18. 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. A consultation service was also set up inside NEXI to provide advice (available also to non-enrollees in trade insurance) on how to deal with harmful rumors.

19. Employment development subsidies for disaster victims [Included in ¥20.33 billion]

Subsidies were provided to employers who hire workers who lost their jobs due to the Great East Japan Earthquake and job seekers living in affected areas 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.

20. Guidance and advice on measuring radiation levels [Fiscal 2014 budget: Included in ¥60 million]

As a countermeasure against harmful rumors regarding industrial and other products, specialist teams were dispatched to provide guidance and advice on measuring radiation levels. (The guidance and advice consists of measuring surface contamination on items such as industrial products, or providing information on that measurement together with guidance and advice based on various analyses.)

21. Support for business matching and product development related to industrial products [Fiscal 2014 budget: Included in ¥200 million]

To promote the sustainable reconstruction and revitalization of the economies of disaster-affected areas, support was provided for the cultivation of markets (business matching, product development, etc.) in Japan and abroad for local products produced in such areas.

22. Waivers of repayment of advancement loans

Existing debts on advancement loans held by SMEs that suffered damage caused by the Great East Japan Earthquake were waived, and their settlement smoothly advanced.

Section 2 Measures for normalization of trading prices and passing along consumption tax

1. Programs to enhance monitoring and inspection regimes for charging consumption tax [Fiscal 2014 budget: Included in ¥4.6 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, documentation inspections were carried out in association with the Fair Trade Commission (FTC), and supervision and control exercised.

2. Office for consultation regarding measures to pass on consumption tax (Program to prevent business bullies in trading) [Fiscal 2014 supplementary budget: Included in ¥3.74 billion]

To facilitate consumption tax rate hikes and system changes, funds were allocated for measures to raise awareness in collaboration with SME business associations and similar entities, such as holding lectures and forums, setting up consultation services, providing detailed support by visiting specialists, and preparing pamphlets and other materials.

Section 3 Policy consideration by advisory councils and similar bodies

1. Enforcement of the Basic Act for Promoting Small Enterprises (Small Enterprises Act) and the Act for the Partial Revision of the Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry (Revised Small Business Support Act)

The Basic Act for Promoting Small Enterprises (Small Enterprises Act) came into force in June 2014 and the Act for the Partial Revision of the Act on Supporting Small Business through Commerce and Industry Associations and Chambers of Commerce and Industry (Revised Small Business Support Act) came into force in September 2014.

The five-year Basic Plan for the Promotion of Small Enterprises which presents the system of measures to promote

small enterprises based on the Small Enterprises Act was adopted as a Cabinet resolution in October 2014, and the approval of “Management Development Support Plans” prepared by commerce and industry associations and chambers of commerce and industry based on the Revised Small Business Support Act linking commerce and industry associations, chambers of commerce and industry, municipalities, regional financial institutions and other parties nationwide to advance the preparation of systems to support micro businesses uniting all efforts of communities began from January 2015.

2. “Small Enterprises” Growth Headquarters

The “Small Enterprises” Growth Headquarters, headed by the Minister of Economy, Trade and Industry, was established in February 2013 to ensure continued growth among SMEs and micro businesses. In June of the same year, an “Action Plan” was drawn up after listening directly to SMEs, micro businesses, support agencies and other bodies, and after drafting the “Action Plan” which also reflects the Japan Revitalization Strategy which is the government’s growth strategy, follow up meetings were held to insure that the plan is fully implemented, and the bold efforts of SMEs and micro businesses, the issues they are facing, and the proposed measures were summarized.

Section 4 Cash-flow assistance and strengthening business revitalization assistance

1. Highly detailed cash-flow assistance and business revitalization assistance

In securing the cash flows of SMEs and micro businesses, recognizing the great importance of realizing this together with management improvement, under the fiscal 2013 supplementary budget passed 6 February, 2014, support measures were implemented which expand financing together with management support by government-affiliated financial organs. Specifically, the scale of safety net financing by Japan Finance Corporation (JFC) and the Shoko Chukin Bank was increased beyond the 2013 performance, and refinancing guarantees by credit guarantee corporations were set at the scale of the 2013 performance. At JFC, financing was advanced for forward-looking business development such as renewing outdated facilities, increasing total compensation, and creating businesses, and to promote “Guidelines for Personal Guarantees Provided by Business Owners”, explanation meetings were held, consultation offices established and experts dispatched for SMEs and micro businesses.

Additionally, regarding business revitalization support, the same supplementary budget strengthened the system of SME Revitalization Support Councils in 47 prefectures nationwide toward steadily supporting the preparation of business revitalization plans at SMEs and micro businesses, enhanced the functions of the National Headquarters for SME Revitalization Support Councils, and otherwise promoted the business revitalization of 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 2014, 146,603 loans were provided with a total value of ¥3.1 trillion (as of the end of February 2014).

3. Loans to improve the management of micro businesses (Marukei Loans) [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 who 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 2014, the term of loans was extended from five to seven years for working capital and from seven to 10 years for capital expenditure, the deferment period was extended from six months to one year for working capital and from

six months to two years for capital expenditure, and the ceiling on loans was raised from ¥15 million to ¥20 million. Between April 2014 and the end of February 2015, a total of 36,996 loans were provided with a total value of ¥206.9 billion.

4. Promotion of subordinated lending [Fiscal 2014 budget: Included in ¥14.5 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 JFC to provide new financing for business succession and overseas development. A total of 845 subordinated loans were provided in fiscal 2014 with a total value of ¥53.0 billion (as of the end of February 2015).

(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 taken to be equity in financial inspections.

5. SME and micro business management enhancement loan/guarantee program [Fiscal 2014 budget: Included in ¥950 million]

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 diversifying their management or changing business. Also, in fiscal 2014, the amount of funds that can be received by lifestyle-related businesses as additional interest-free uninsured and unguaranteed loans was increased from ¥15 million to ¥20 million.

6. Encouragement of refinancing guarantees

Refinancing guarantees are promoted with the aim of encouraging credit guarantee corporations to consolidate multiple outstanding debts and relieve the repayment burdens at hand. In fiscal 2014, (up to the end of February 2015), 148,824 refinancing guarantees were approved totaling ¥2.7 trillion.

7. 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 standards for designating disaster under safety-net guarantee No. 4 were revised considering the increase in the frequency of occurrence of short-term strong rains and more outstanding damage and other changes in disaster risk. These revisions initiate the designation from the time the Disaster Relief Act is invoked, and others made application faster and more flexible.

Safety-net guarantee No. 5 continued to be actively provided to designated industry types when average monthly sales, etc., for the latest three months fall by a set proportion or more compared with the same period in the previous year. In fiscal 2014, up to the end of February 2015, 20,735 safety-net guarantee No. 5 guarantees were approved, totaling ¥0.5 trillion.

8. Programs to assist with formulating management reform plans by approved support agencies

For SMEs and micro businesses who 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.) provide assistance in formulating management reform plans as well as follow-up for those plans. These programs bear part (2/3) of the costs involved. In fiscal 2014, there were 11,401 consultations with 5,243 new cases accepted. From the time the program was established (March 2015)

through the end of fiscal 2014, there have been a total of 21,928 consultations with 7,524 business revival plans prepared. The period for accepting new applications was through the end of March 2015, but that deadline was abolished and the program extended considering its functions as a safety net.

9. Training programs for approved support agencies [Fiscal 2014 budget: Included in ¥20 million]

To strengthen the abilities to draft business revitalization and management reform plans of approved support agencies under the Act for Facilitating New Business Activities of Small and Medium-sized Enterprises, training sessions were held at 13 locations nationwide with business consulting companies engaged in the preparation of management reform plans and business revival plans as instructors. A total of 398 persons attended, with part of the cost of attending subsidized.

10. SME Revitalization Support Councils [Fiscal 2014 budget: Included in ¥4.44 billion]

The SME Revitalization Support Councils established at the 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 the relevant financial institutions and similar entities. Between April and the end of December 2014, the councils provided 2,727 consultations and completed the drafting of 1,304 revitalization plans. From the time the system was established up to the end of December 2014, 34,448 consultations have been provided and 8,552 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.

11. SME Rehabilitation Plan through Succession (secondary companies)

Where an SME rehabilitation plan through succession is authorized under the Industrial Competitiveness Enhancement Act and business succession occurs as set out in that plan, measures were implemented to reduce the tax burden and support financing, along with special provisions for approval of succession. In fiscal 2014, 4 plans were authorized, bringing the total number since the system was established under the Act for Special Measures on Industrial Revitalization (June 2009) to 23.

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, 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 March 2015, 43 funds had been established with total funding amounting to ¥136.4 billion. Up to the end of February 2015, the revitalization funds had invested approximately ¥59.3 billion in 285 enterprises.

13. Promotion of the use of “Guidelines for Personal Guarantees Provided by Business Owners”

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 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, approaches that should be widely implemented were published as a collection of examples. Moreover, guideline explanation meetings primarily for SMEs and micro businesses were held at 100 locations nationwide from November 2014 through February 2015.

14. Enhanced management support for micro businesses in financial administration

To advance the support of enterprises and industries by financial institutions through financial administration and management reform, improved productivity, and the stronger constitution of small enterprises, based on 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.

15. Promote liquidity of SMEs' export receivables covered by trade insurance

To promote the financing of SMEs, NEXI is collaborating with the Shoko Chukin Bank and other related agencies through initiatives such as granting partial waivers of certain obligations of insured parties, including the obligation to recover an insured export receivable that has been transferred from an SME to a financial institution after the insured event (i.e., the obligation to seek to recover monies even after receiving the payment of the insurance claim following the insured event).

16. Financial measures for SMEs in Okinawa [fiscal investment and loan program]

Regarding 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.

17. 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 2014 as well.

18. Subsidy program for equipment introduction by small enterprises (equipment fund loans and equipment loans)

To promote the installation of equipment needed to enhance management platforms and to create small businesses, which lack credit and fund-raising abilities, this program provided loans for required equipment and interest-free loans for half the amount of capital expenditure via prefectural lending institutions.

Section 5 Enhancing financial capacity

1. Reduced tax rate for SMEs [taxation scheme]

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 maintained.

2. SME investment promotion taxation system [taxation scheme]

The SME investment promotion tax system which permits a 30% special depreciation or a 7% tax credit for the base price of the purchase of set items of machinery or equipment by SMEs was continued. Under the revisions to the tax system in fiscal 2014, new measures were instituted which permit an immediate depreciation deduction or a 7% tax credit (10% when the company has capital of ¥30 million or less) when the concerned machinery or equipment contributes to improvements in productivity.

3. Special provision for inclusion of acquisition cost of petty sum depreciable assets in losses of SMEs [taxation scheme]

Under the revisions to the tax system in fiscal 2014, the special provision that allows enterprises such as SMEs to include in full depreciable assets worth less than ¥300,000 in charges against revenue (limited to total ¥3 million a

year) was extended for two years.

4. Carryover and refund carryback of loss [taxation scheme]

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 for up to nine years. Also, the scheme that allows businesses to receive a one-year carryback refund for losses arising in the current business year was continued.

5. Taxation system for the revitalization of the commercial, service and agriculture/forestry/fishery industries [taxation scheme]

The tax 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% of the cost of acquisition or a 7% tax credit was continued (the tax credit is only approved for SMEs and sole proprietors with capital of ¥30 million or less).

6. Special exemption from inclusion in charges against revenue of entertainment and social expenses, etc. [taxation scheme]

Under the revisions to the tax system in fiscal 2014 application of the measure that permits entertainment and social expenses incurred by SMEs up to a maximum of ¥8 million to be included in charges against revenue was extended by two years. Also, a new measure was added which allows up to 50% of food and drink expenses to be included in those charges, with enterprises free to choose either measure.

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. operated a number of programs to assist in SME development. These included business consultations, assistance with business successions and investment programs involving the underwriting of shares, share warrants and corporate bonds with subscription warrants. As of the end of January 2015, the investment balance was ¥78.9 billion in 2,360 companies.

Section 6 Measures to stabilize business

1. Mutual Relief System for the Prevention of Bankruptcies of SMEs (Mutual Safety-net Relief System)

The Mutual Relief System for the Prevention of Bankruptcies of SMEs is a system that provides unsecured, unguaranteed, interest-free loans 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 January 2015, 373,000 companies were enrolled in the system, with 36,000 new subscribers in the period from April 2014 to January 2015 and new loans totaling ¥7.24 billion.

2. Special Business Stability Advice Centers

To assist in the resolution of the many and diverse administrative problems of SMEs facing management risks, 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. In these centers, support was also provided to initiatives such as guidance programs regarding bankruptcy prevention run by the Japan Chamber of Commerce and Industry and the Central Federation of Societies of Commerce and Industry to facilitate management consultations in a wide range of business sectors.

3. Promotion of wider adoption of Business Continuity Plans (BCPs) by SMEs

BCP drafting and administration support model projects were implemented, BCP preparation workshops held, and a manual and collection of application examples prepared 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 was implemented under the fiscal 2014 supplementary budget, and support given to the drafting and administering of BCPs by SMEs and micro businesses.

Also, support was 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 for upgrading disaster prevention and other equipment in accordance with BCPs drafted by SMEs and micro businesses themselves.

[Financial results] (April 2014 to February 2015): 100 loans totaling ¥9.92 billion (including three new schemes worth ¥300 million)

4. Relief for damage caused by dumped imports [Fiscal 2014 budget: Included in ¥50 million]

Trade remedy measures include anti-dumping (AD) programs to provide relief to domestic industries which suffer damages by imports from foreign companies at unreasonably low prices in violation of WTO rules (dumping imports into Japan), including measures to ensure equitable market competition such as by imposing extra customs duties following a petition by the affected Japanese industry and an investigation by the government. An AD investigation into Chinese-manufactured toluene diisocyanate was initiated in February 2014, and in December 2014 a decision was made to temporarily impose duties based on the provisional findings. Studies were also conducted to ensure that AD investigations are consistent with WTO conventions and information sessions were held for enterprises.

Section 7 Measures concerning public demand

1. Formulation and publicizing of the fiscal 2014 “Policy on State Contracts with Small and Medium Enterprises”

On 27 June, the Cabinet decided to formulate a target for the contracted proportion of government/ public demand going to SMEs and micro businesses of 56.7% in fiscal 2014. Measures to increase opportunities for SMEs and micro businesses to receive orders included new consideration of entrance by SMEs and micro businesses operating for less than 10 years, development of a public demand information portal site so micro businesses can obtain the necessary new information more quickly, and the strengthening of anti-dumping measures and measures for passing on consumption tax appropriately.

The following measures were also implemented to increase the opportunities for SMEs and micro businesses to receive orders:

- (1) On 27 June 2014, the Minister of Economy, Trade and Industry issued a request regarding the Cabinet approval of the 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 (1,814 organs), and also requested that they make efforts to increase the opportunities available for SMEs and micro businesses to receive orders.
- (2) Between July and August, 51 information sessions (Councils to Promote Local Access to Public Sector Demand) were held all around Japan to actively raise awareness of the “Policy on Contracts” in regional areas.
- (3) To provide PR for products and services developed by enterprises operating for less than 10 years, support was given to 28 companies recommended by their prefectures in exhibiting at New Value Creation Exhibition 2014 held at Tokyo Big Sight November 19-21, 2014. A new micro businesses procurement promotion council was formed with department managers responsible for procurement at prefectures as the members, cooperation was requested regarding the revisions to the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprises, procurement made from associations qualified for public procurement, and PR provided for a government demand portal site.
- (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.

Section 8 Promotion of human rights awareness

1. Human rights awareness

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 9 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, based on the provisions of Article 12 of the Small Enterprises Promotion Act put into force in June 2014, examinations were conducted for preparation of an annual report (2015 White Paper on Small Enterprises in Japan), etc.

2. 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 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 along with the certified public tax accountants, lawyers, certified public accountants, and SME management consultants who provide support for SMEs.

(2) Publication of flyers

Materials for SMEs and micro businesses explaining the contents and points of the fiscal 2014 supplementary budget, fiscal 2015 budget and tax systems, and 3.8 million pamphlets on “manufacturing support” “micro business support” “business establishment support” and information related to the fiscal 2014 supplementary budget and the fiscal 2015 budget were produced and widely distributed.

(3) Movie explaining subsidies and other support

A movie was distributed with officials in charge at the Small and Medium Enterprise Agency explaining 21 policies concerning SMEs and micro businesses in the fiscal 2014 supplementary budget and the fiscal 2015 budget.

(4) Organization of “SME Agency for a Day” events

Co-hosted by the SME Agency and host prefectures, these events were held both to explain 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 contributed to future revisions and improvements in SME policy.

These events have been held every year since 1964 and were held in Wakayama Prefecture and Nagano Prefecture in fiscal 2014.

(5) Online publicity activities

1) Website based publicity

The SME Agency website hosted up-to-date information on SME policy, information on public offerings, PR flyers, booklets and other materials. In fiscal 2014, 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 85,000 registered readers (as of the end of February 2015).

3) Mobile SME Agency

The Mobile SME Agency is specifically for mobile phone users and operated as a search site for SME policy, providing information on subjects including the latest SME support policies. In fiscal 2014, the Agency received around 13,000 page views. An e-mail newsletter formatted for mobile phones is also distributed every Wednesday. The mobile phone newsletter has around 2,800 registered readers (as of February 2015).

(6) J-Net21 (portal site for SME business support)

J-Net21 operated as a portal site for SME support and provided a service system that allows quick and straightforward access to required information sources.

3. Production of the White Paper on Small and Medium Enterprises in Japan and other publications

In order to ascertain the current situation for SMEs and the challenges that they face, an annual report (2014 White Paper on Small and Medium Enterprises in Japan) was produced in accordance with the provisions of Article 11 of the Small and Medium-sized Enterprise Basic Act. Also, to grasp the current conditions and issues of small enterprises, based on the provisions of Article 12 of the Small Enterprises Promotion Act put into force in June 2014, examinations were conducted for preparation of an annual report (2015 White Paper on Small Enterprises in Japan).

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 industries and 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 2014 budget: Included in ¥2.13 billion]
[Fiscal 2014 supplementary budget: Included in ¥1.24 billion]

To promote initiatives aimed at creating a sixth sector through cooperation between agriculture, forestry and fishery businesses and various other businesses in the same region, support was provided to initiatives such as building networks to develop new products and cultivate markets for them, and providing processing and marketing facilities for agriculture, forestry and fishery products.

- (2) Support program for sixth sector industrialization [Fiscal 2014 budget: Included in ¥230 million]

Support was provided to programs such as those that provide the machinery and infrastructure needed to build networks between agriculture, forestry and fishery businesses and various other businesses that extend beyond prefectural boundaries by developing new products, cultivating markets and adding value to agriculture, forestry and fishery products.

- (3) 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.

- (4) Promotion of the comprehensive utilization of intellectual property [Fiscal 2014 budget: Included in ¥150 million]
Support was provided to initiatives such as disseminating the principles of intellectual property management and the cultivation of personnel with that capacity, and measures to prevent overseas third parties from infringing intellectual property rights.
- (5) Comprehensive program to promote renewable energy to revitalize rural areas [Fiscal 2014 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 2014 budget: Included in ¥70 billion]
In order to streamline lumber production and distribution, loans were provided through the Wood Industry Upgrading Promotion Fund, while loans through the Wood Industry Improvement Fund were provided to implement measures such as management reforms in the forestry and lumber industries.
- (2) Interest subsidy for the installation of lumber processing facilities [Fiscal 2014 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 2014 budget: Included in ¥2.2 billion]
To promote and revitalize the forestry and lumber industries through the increased use of regional raw materials, support was provided for the development of the lumber processing and distribution facilities needed to ensure a stable supply of reliably high quality, high-performing products made using local materials. Assistance was also provided for initiatives to ensure a stable supply of such products through cooperation between small and medium factories and mid-tier factories.
- (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 2014 budget: Included in ¥23.39 billion (Subsidy for building strong agriculture), included in ¥2.88 billion (Comprehensive measures for revitalization of production areas)]
In addition to further promoting the widespread reorganization and streamlining of dairy industry factories, this measure assisted in integrating production in dairy industry facilities with advanced standards of hygiene management.
- (5) Support for export initiatives using programs to support the development of overseas markets for milk and dairy products [Fiscal 2014 budget: Included in ¥10 million]
To create new demand for Japanese milk and dairy products, assistance was provided with the expenditures needed to create an environment conducive to future full-scale exports, such as running trial exports and investigating the issues that arise with the delivery for exports. This assistance was for small and medium-sized dairy businesses that would like to export but lack the necessary management resources.
- (6) 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) Provision of infrastructure and equipment for hygiene and product quality control as preliminary steps towards HACCP introduction (advanced platform provision). (Fund for promoting advanced quality control in the food industry)

3. Support for R&D and other cross-field activities

- (1) The following programs were implemented through competitive funding and other methods:
 - 1) Promotion of studies of scientific technologies for the agriculture, forestry, fishery and food industries [Fiscal 2014 budget: Included in ¥5.22 billion) (Ongoing)

R&D initiatives were 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.

In fiscal 2014, new support was provided that utilizes the technical skills in the industrial, academic and government sectors to develop new product types that address the diverse needs of actual prospective users.

2) Promotion of private sector research into practical applications (Newly adopted, ended in fiscal 2010) (Ongoing)

(2) Various forms of lending by JFC [fiscal investment and loan program]

Funding was provided to promote initiatives such as the following: (1) management improvements at specified agricultural product processors; (2) the development of new uses for specified agriculture, forestry, livestock, and fishery products and the adoption of new breeds and varieties for processed materials; (3) the development of stable business relations between food manufacturers and agriculture, forestry, and fishery businesses and the development of agriculture, forestry, and fishery facilities; (4) the improvement of dairy facilities; and (5) the strengthening of businesses in the marine product processing industry.

4. Subsidy for comprehensive measures for urban-rural coexistence and interchange [Fiscal 2014 budget: Included in ¥2.1 billion]

In order to boost the interchange of populations between urban and rural areas, support was given to a model initiative that utilizes assets such as vacant stores in shopping districts as centers for distributing information on exchanges with rural areas and on the many agricultural and specialty products that are produced in rural areas.

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 (Ongoing) [fiscal investment and loan program]

(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) Promotion of the construction of highly efficient environmentally friendly coastal vessels using the joint shipbuilding program [fiscal investment and loan program]

In order to revitalize coastal shipping, construction of environmentally friendly and highly efficient vessels such as “super eco-ships” was promoted by utilizing the Japan Railway Construction, Transport and Technology Agency’s (JRJT) joint shipbuilding program. As of the end of February 2015, 24 super eco-ships had been commissioned and one more was scheduled for construction.

3. Measures for small and medium shipbuilders and related manufacturers [1]Fiscal 2014 budget: Included in ¥50 million] [2]Fiscal 2013 budget: Included in ¥16.0 billion] [3]Fiscal 2014 budget: Included in ¥890 million]

(1) In addition to taking steps to develop 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 at one location to help prevent industrial accidents. Efforts were also made to enhance technological capabilities by providing support for the commercialization of three new technologies through the Japan Railway Construction, Transport and Technology Agency (JRRTT). (Ongoing)

- (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, provided them with assistance in using the Subsidy for Restoration and Reconstruction of (Groups of) SMEs, and helped (ongoing) 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, efforts were made to promote the use of a fund that provides 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, as well as for assisting with the costs of constructing and repairing facilities to be used jointly by the businesses and for constructing berthing facilities. 2)[Subsidy for reconstruction assistance projects in the shipbuilding industry] (Ongoing)
- (3) Subsidies were provided for 34 research and development projects (including 13 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] (Ongoing)

Section 3 Measures for small and medium building contractors and realtors

1. Management Strategy Advisory Program for Construction Enterprises [Fiscal 2014 budget: Included in ¥190 million]

Management strategy help desks were established to strengthen the constitution of 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. Advice (consultation support) was also provided by specialists such as SME management consultants and engineers to help small and medium-sized construction enterprises and second-tier construction companies resolve technical issues such as facility management and management issues such as new business development.

Ongoing support (team advice assistance) was provided to enterprises advancing into the infrastructure maintenance field and other new business development, enterprises that are reorganizing, and other projects that serve as a model for other enterprises, with intensive support by specialist support teams until management reform plans are drafted and other goals are met. Also, partial support (step-up assistance) was provided for some of operating expenses in resolving regional issues using the expertise of construction enterprises.

2. Implementation of financial support in the construction industry

(1) Implementation of the Local Construction Management Enhancement Loan Program

To further facilitate funds procurement by construction companies acting as the main contractor, the operating period of the Local Construction Management Enhancement Loan Program was extended to the end of fiscal 2015 to provide assistance with financial burdens such as the interest payable on loans when small and medium-sized construction enterprises or second-tier construction companies procure funding using equity such as the contract value credit from public works as collateral.

(2) Implementation of the Subcontracting Receivables Protection Support Program

The operating 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 also extended to the end of fiscal 2015. 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.

(3) Implementation of the Financial Assistance Program to Disaster-proof the Construction Industry

The Financial Assistance Program to Disaster-proof the Construction Industry, which improves the capacity of the construction industry to cope with disasters, continued to be implemented. The program provides financial support with the interest payable on funding procured by small, medium-sized and second-tier construction enterprises that have entered into disaster agreements with the national government or a regional public body when those enterprises purchase certain construction machinery using borrowed funds or installment payments.

3. Support for overseas business expansion in the construction industry

Seminars for advancing business overseas (seminars for drafting strategies to advance overseas) were held and missions dispatched overseas to support small, medium-sized and second-tier construction enterprises advancing business overseas. Free consultations with experts (advisory services) were provided and information about overseas construction and real estate introduced using retired staff from Japanese affiliated trading companies and other private sector personnel (“private sector attaches”) with extensive knowledge of the local conditions.

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. Promotion of information supply in pre-owned real-estate dealings

The operators of real estate and housing businesses, in cooperation with other specialist business owners, supported model businesses engaged in assisting with: (1) the disclosure of property information by the vendor; and (2) the collection and interpretation of property information by the purchaser.

6. Program to enhance wooden housing production systems in the regions (local home branding program) [Fiscal 2014 budget: Included in ¥9 billion]

Support was provided for the development of long-life, quality wooden housing etc. by groups comprising businesspersons in related fields involved at all stages from provision of materials including local raw materials through to design and implementation.

7. Program to cultivate craftsmen skilled in timber framed building construction and improve technical skills [Fiscal 2014 budget: Included in ¥800 million]

Support was provided for measures such as technical courses 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 2014 budget: Included in ¥1 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. Under the fiscal 2014 budget, programs for regional revitalization through cooperation among environmental sanitation businesses across industries (cooperation promotion programs aimed at promoting environmental sanitation businesses and revitalizing local communities) were implemented intensively, along with other efforts.

2. Loans for environmental sanitation businesses [Fiscal 2014 budget: ¥1.88 billion] [fiscal investment and loan program]

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. In fiscal 2014, the maximum amount of the special loans for management reforms at environmental sanitation businesses was increased from the prior ¥15 million to ¥20 million and the lending terms otherwise improved. In the fiscal 2014 supplementary budget, startup loans were integrated and expanded, and interest rates were reduced on loans to enterprises suffering from increased raw materials or energy costs.

Section 5 Environmental and energy measures

1. Administrative support for the system for certifying greenhouse gas reductions by SMEs (J-Credit Scheme) [Fiscal 2014 budget: Included in ¥620 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 2014 budget: Included in ¥120 million]

This program supported the spread of carbon offset products etc. 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, from procurement of raw materials through to disposal and recycling, is calculated and made visible by the carbon footprint and covered by carbon credits.

The accumulation of these 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. Thirty-three businesses participated in this system through 53 schemes.

3. Environment and Energy Measure Fund (for anti-pollution measures) [fiscal investment and loan program]

To promote anti-pollution measures by SMEs, JFC provides low-interest loans to businesses who install pollution prevention equipment. In fiscal 2014, necessary revisions were made and the period of this scheme was extended until 31 March 2015.

[Financial results] (April 2014 to the end of February 2015)

Atmospheric pollution-related	4 projects	¥134 million
Water contamination related	4 projects	¥407 million
Industrial waste/recycling-related	70 projects	¥3,166 million
Automotive NOx/PM law-related	8 projects	¥160 million

4. Anti-pollution tax system (taxation scheme)

The tax measures provided to support anti-pollution initiatives undertaken by SMEs included the special exemption of anti-pollution equipment from the tax base for fixed asset tax, and special depreciation for acquisitions of anti-pollution equipment. These special provisions were continued in fiscal 2014.

5. Energy Use Rationalization Business Support Program [Fiscal 2014 budget: Included in ¥41 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 in factories and workplaces. From fiscal 2014, subsidies were added for the expenses of measures to deal with peak load and to reduce energy consumption using energy management systems.

6. Program to promote the installation of designated equipment to rationalize energy use [Fiscal 2014 budget: Included in ¥2.4 billion]

To promote the installation of energy-saving equipment and leading devices in the industrial sector, this program subsidized the interest payments on financing received from private financial institutions. From fiscal 2014, ties with regional private financial institutions were strengthened, and the program vigorously pushed low-energy investments by regional small, medium-sized and second-tier enterprises making serious efforts to reduce their energy consumption.

7. Program for promoting the introduction of energy-saving measures [Fiscal 2014 budget: Included in ¥550 million]

This program implemented measures such as assessments to identify potential energy savings by SMEs and similar businesses. To further support energy saving initiatives by SMEs, the program enhanced cooperation with financial institutions to distribute information via a range of media on energy-saving technologies and case studies taken from energy assessments.

8. Subsidies for rationalization of energy use (for demonstration by micro businesses) [Fiscal 2014 budget: ¥380 million]

To promote energy-saving measures by micro businesses, this program provided support through partial subsidies for the costs incurred by micro businesses in installing highly energy-efficient equipment and facilities. In fiscal 2014, 1,138 projects were adopted.

9. Program to create a fund to promote regional low-carbon investment [Fiscal 2014 budget: Included in ¥4.6 billion]

The low-carbon investment promotion fund provided funding for renewable energy and other carbon reduction projects that are likely to be profitable but that need to call on public-sector funding where existing public funding is insufficient and the level of risk is high due to long lead times or a long investment recovery period.

10. Eco-Lease promotion program for homes and businesses [Fiscal 2014 budget: Included in ¥1.8 billion]

The widespread adoption of low-carbon devices was supported through a no-deposit lease scheme targeted at homes and businesses (including SMEs) that have difficulty coping with the very high initial investment costs (deposits) when installing low-carbon devices.

11. Eco-Action 21

The Eco-Action 21 scheme, established by the Ministry of the Environment, is an environmental management system that is readily accessible to second-tier businesses and small and medium enterprises. As of the end of December 2014, nearly 8,000 businesses had been approved and registered for the scheme. Also, trial programs specifically aimed at reducing CO₂ based on Eco-Action 21 were conducted and environmental management instituted at 250 second-tier, small and medium enterprises.

12. Subsidy for the introduction of energy conservation facilities at regional factories, SMEs, etc. [Fiscal 2014 supplementary budget: Included in ¥92.95 billion]

These subsidies supported the promotion of energy conservation from the introduction of the latest-model energy

conservation facilities and equipment at regional factories, offices, shops, etc. suffering from ongoing high energy costs. Especially deep support was provided to SMEs by increasing their subsidy ratio. A platform was also constructed for highly detailed energy conservation consultations in the regions.

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 2014 (as of the end of February 2015), 3,887 loans were issued for a total of ¥42.1 billion.

2. Promotion of the utilization of IT in businesses by SMEs [Fiscal 2014 budget: Included in ¥380 million]

In order to promote the use of IT for corporate management, the development of new products and new services, and the creation of innovations through collaboration among enterprises, success cases were compiled and disseminated through the IT Management Awards for Small and Medium Enterprises.

3. Program for supporting demonstrations of innovative energy savings by SMEs etc. using the cloud [Fiscal 2014 budget: Included in ¥3.5 billion]

In the data center sector, which is experiencing growing global demand, support was provided for transitions from existing in-house (on-premise) information systems to cloud data centers with superior energy efficiency in order to respond to tight electric power supply, boost business continuity, and strengthen international competitiveness.

Section 7 Measures on intellectual property

1. Surveys of technical trends of patent applications [Fiscal 2014 budget: Included in ¥1.17 billion]

Surveys of patent application trends were conducted to assist in the development of 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 2014, surveys were conducted on 20 technology themes including "biomimetics" and other technology fields drawing social interest and on "power semiconductor devices" and other technology fields where patent applications in China are suddenly increasing.

2. International Patent Application Subsidy (support for international patent applications by SMEs) [Fiscal 2014 budget: Included in ¥460 million]

In order to encourage SMEs to file strategic applications for international patents, subsidies were provided via prefectural and other SME support centers and from fiscal 2014 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. The number of projects adopted under this program reached 559 in fiscal 2014 (as of the end of January 2015).

3. Promotion of the wider use of IP systems [Fiscal 2014 budget: Included in ¥80 million]

Information sessions were held for individuals tailored according to their different levels of knowledge and expertise on the intellectual property system. 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 2014, 55 information sessions for beginners were held in 47 prefectures, and 61 sessions for practitioners and 15 sessions explaining legal revisions were held in major cities nationwide.

4. Assistance with countermeasures for imitation products (program supporting measures by SMEs to counter overseas infringements) [Fiscal 2014 budget: ¥60 million]

To promote the timely and appropriate exercise of rights overseas by SMEs, partial assistance was provided via JETRO with the costs incurred by SMEs in cases patents or trademarks they have registered overseas are violated. This includes infringement investigations to identify the manufacturer of the imitation products and their distribution channels, and from fiscal 2014 costs for the drafting of warning statements to the persons responsible for the violations and for filing administrative charges were subsidized. During fiscal 2014, 11 cases were adopted.

5. Patent strategy portal site [Fiscal 2014 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. As of the end of March 2015, approximately 1,300 companies had applied for a password.

6. Reductions in patent fees for SMEs

- (1) SMEs actively pursuing R&D continued to be subsidized through the reduction by half of examination request fees and patent charges (for 10 years from the first year).
- (2) A new measure was implemented 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). The measure also subsidizes amounts equivalent to two-thirds of the amount paid in international patent administration fees and handling fees. (New)

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 2014 budget: Included in ¥2.19 billion]

"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 jointly resolve highly specialist 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 2014, patent attorneys and lawyers are regularly being assigned to the help desks to strengthen the system for swift response to requests for consultation. The number of consultations handled by the help desks reached 123,370 in fiscal 2014 (as of the end of January 2015).

9. Arrangement of one-stop support system for trade secrets (Trade secrets and intellectual property strategy consultation offices – Trade secrets 911) (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,

and other intellectual property strategies and the management of trade secrets. A system was also arranged for contact with the National Policy Agency and Information-technology Promotion Agency, Japan (IPA) regarding trade secrets leaks, information security measures, and cyber attacks, depending on the consultation contents.

10. Emerging Country IP Information Databank [Fiscal 2014 budget: Included in ¥30 million]

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.

In fiscal 2014, new content was created focusing primarily on the ASEAN and BRICs countries (primarily India, Indonesia, Thailand, the Philippines and Hong Kong). (No. of content items as of the end of February 2015: 1,048)

11. Promotion of the acquisition of rights through the sophisticated use of IP information (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 National Center for Industrial Property Information and Training (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 2014, 211 applicants were assisted by six overseas intellectual property producers (as of the end of February 2015).

12. On-site Interview Examinations and On-screen Interview Examinations [Fiscal 2014 budget: Included in ¥10 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.

*Because the budget for on-site interviews was ¥10 million and the budget for on-screen interviews ¥2 million, the budget for on-screen interviews is included in the budget for on-site interviews.

Policies for small enterprises planned for fiscal 2015

Note: The quantities, amounts of money and other figures in this document are approximate and may be changed in the future.

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Policies for small enterprises planned for 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 planned for fiscal 2015 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 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. Comprehensive support for enhancement of core manufacturing technologies among SMEs

Support will be delivered by such means as low-interest loans provided by the Strategic Core Technology Advancement Program and by the Japan Finance Corporation (JFC), offered to SMEs with approved specific R&D plans that had been formulated in accordance with the advancement guidelines under the SME Technological Advancement Law. (Ongoing)

2. Low-interest loans for SMEs engaging in trial manufacture and development of new products/technologies and development of new markets [fiscal investment and loan program]

By examining their business plans, the JFC provides low-interest loans to those businesses that are engaging in the trial manufacture and development of new products and technologies (including the appropriation of existing technologies and the uncovering of previously hidden value (including the use of ideas and designs, etc.)) and/or market development involving the outcomes of such trial manufacture and development using specific core manufacturing technologies stipulated under the SME Technological Advancement Law. (Ongoing)

3. R&D promotion tax system (for strengthening the technological bases of SMEs) [taxation scheme]

Among the so-called “total amount” tax systems which give tax credits based on the total amount of testing and research expenses, the tax credit equal to 12% of the total cost of the testing and research expenses of SMEs and micro businesses conducting research and development activities (8% to 10% for large enterprises) will continue to be provided. Regarding the tax system for research and development, in the fiscal 2015 revision to the tax system while the limit on tax credits was reduced from 30% to 25% of the total amount of corporation tax, a separate deduction

of 5% was established for joint research and other open innovation type research and development, shifting the focus of assistance. In addition, a measure will continue to be 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%, 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)

Section 2 Support for research and development & products and services development

1. Program to promote collaboration for the creation of innovative manufacturing industry [Fiscal 2015 budget: Included in ¥12.87 billion]

This program provides support to research and development and other efforts conducted by SMEs and micro businesses under plans that have been authorized under the SME Technological Advancement Law in collaboration with universities or research institutes such as publicly funded laboratories.

It also provides support for research and development by SMEs and micro businesses utilizing the knowledge of large enterprises, universities and other bodies conducted based on the judgment of specialists capable of evaluating the market value of technologies. (New)

2. Program to support collaboration to strengthen competitiveness of commerce and services [Fiscal 2015 budget: Included in ¥990 million]

This program provides support, in new service models of SMEs and micro businesses developed with industry-academia-government collaboration, to those which are recognized to specially contribute to strengthening the competitiveness of regional industries. (New)

3. Program to promote mediation research and development to second-tier companies and SMEs [Fiscal 2015 budget: Included in ¥1.42 billion]

Even when second-tier companies, SMEs and venture companies have specific superior technologies, by themselves they 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, SMEs and venture companies.

Toward those ends, New Energy and Industrial Technology Development Organization (NEDO) provides subsidies (assistance rate of up to two-thirds, maximum assistance of ¥100 million) when second-tier companies, SMEs and venture companies implement joint research using the abilities of organs with “mediation” functions that bring innovative technology seeds to commercialization. (New)

Section 3 Developing new sectors and businesses and collaborating with other industries

1. Support under the Small Business Innovation Research (SBIR) Program

The provision of central government-allocated R&D spending to SMEs and micro-businesses will continue to be expanded and the commercialization of the results of technological development activities will be promoted, such as 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 technical development results, SMEs and micro-businesses will be informed and encouraged to take advantage of commercialization support available, such as the database of technological capabilities of enterprises granted specific subsidies, and the low-interest loans by JFC. At the same time, the multistage selection process will be adopted and expanded for allocation of special subsidies. (Ongoing)

2. New Collaboration Support [Fiscal 2015 budget: Included in ¥990 million]

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)

3. Support for measures to promote agricultural-commercial-industrial and other collaborations [Fiscal 2015 budget: Included in ¥1.61 billion]

This program provides authorization under the Agricultural -Commerce-Industry Cooperation Promotion Act for business plans for developing and marketing new products and services through organic collaborations between SMEs and workers in the agriculture, forestry and fisheries sectors and the effective utilization of their respective management resources. It also provides wide-ranging support through grants and subsidies and through financing and special exemptions for guarantees. (Ongoing)

4. Support for the creation of new businesses

Experts in marketing and other areas of business are stationed at the 10 branches and offices of the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ) across Japan and provide detailed, integrated support to SMEs and other entities undertaking new business within the framework laid down by the SME New Business Activity Promotion Act, Regional Resource Utilization Promotion Act, and Agricultural-Commercial-Industrial Collaboration Promotion Act. (Ongoing)

5. Program to promote business creation through medical-engineering collaborations [Fiscal 2015 budget: Included in ¥3.19 billion]

This program builds a medical equipment development support network and provides seamless support from the initial development stage through to commercialization. It also promotes the development of medical equipment through collaboration between manufacturing enterprises and medical organs, etc. In fiscal 2015, in business verification, support is being given to about 50 medical equipment commercialization projects. (Ongoing)

6. Program for promoting global agricultural-commercial-industrial collaborations [Fiscal 2015 budget: Included in ¥800 million]

This program supports 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. (Ongoing)

Section 4 Support for developing markets and demand**1. Project to advance measures for micro businesses [Fiscal 2015 budget: ¥4.65 billion]**

This program promotes 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 revised 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. (Ongoing)

2. Support for cultivation of markets through exhibitions, business fairs, and other events

The SMRJ provides support for the development and expansion of markets for products and services developed through agricultural-commercial-industrial collaborations or by using local resources, as well as for undiscovered attractive regional products, by organizing exhibitions, business fairs, and other such events. (Ongoing)

3. Market Development Coordination Program

SMEs with management innovation plans approved under the New Business Activity Promotion Act are helped to translate their plans into the development of new markets by market development experts with experience working at trading companies, manufacturers, etc. (market development coordinators) assigned to the SMRJ. Specific measures include introductions or mediation for newly developed products with trading companies or enterprises and assisting enterprises with new products or services with everything from marketing plans through to test marketing at enterprises in prospective markets in the wider Tokyo and Kinki regions. (Ongoing)

4. Project to support market development

SMRJ promotes 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 supports the development of markets for SMEs and venture businesses. (Ongoing)

5. J-Good Tech

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 5 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 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 and providing support after advancing overseas. (Ongoing)

2. Overseas information services [Fiscal 2015 budget: Included in ¥130 million]

In order to promote industrial partnerships between Japan and Taiwan, support is given for friendship associations to collect and distribute information about Taiwanese enterprises and for seminars and business fairs to promote alliances between Japanese and Taiwanese enterprises. (Ongoing)

3. Support for development of human resources to cultivate new markets [Fiscal 2015 budget: Included in ¥810 million]

In a collaboration between the government and the private sector aimed at supporting economic growth in developing countries and assisting in overseas business expansion by Japanese enterprises, managers, engineers, and similar personnel from developing countries who are employed in management, manufacturing, operations, or similar areas are brought to Japan for training, while Japanese experts are dispatched to developing countries to provide training, etc. (Ongoing)

4. Trade investment promotion project [Fiscal 2015 budget: Included in ¥1.4 billion]

The following three programs are being implemented to secure markets in developing countries where rapid growth is expected in the future. (Ongoing)

- (1) Training and the dispatching of specialists to promote awareness of the superiority of Japan's technology with the aim of increasing the rate of infrastructure orders placed;
- (2) Overseas internships provided to young Japanese workers to foster "international industry-ready personnel" with the aim of securing infrastructure business and developing overseas markets for SMEs; and

- (3) Support to Japanese enterprises working jointly with local universities, research institutes, NGOs, enterprises and other bodies in developing countries for the development etc. of products and services to resolve social issues facing developing countries.

5. Use of Japan Overseas Cooperation Volunteers and private-sector partnership volunteer program [Fiscal 2015 budget: included in ¥160 million]

The JICA Japan Overseas Cooperation Volunteers (JOCV) program is being used to help match people who are very familiar with specific developing countries with the human resource requirements of enterprises, and a private-sector collaborative volunteer program is being used to dispatch employees matched to the needs of the enterprises and developing countries as JOCV Senior Overseas Volunteers in an effort to develop personnel capable of active involvement in the global community. (Ongoing)

6. Funding for overseas development and business restructuring [fiscal investment and loan program]

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)

7. Support for overseas subsidiaries to obtain capital, etc.

Under the SME Business Capabilities Enhancement Support Act, where SMEs have management innovation plans approved under the New Business Activity Promotion Act, the JFC provides loan guarantees to their overseas subsidiaries for loans from local financial institutions. (Ongoing)

8. 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 to bear the cost of providing credit information on business partners required when using trade insurance. (Ongoing)

9. 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 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)

10. 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 creation of this nationwide network through joint action by NEXI and the banks makes trade insurance more accessible to local SMEs and easier for them to use. (Ongoing)

11. 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)

12. Promotion of BOP business [Fiscal 2015 budget: Included in ¥170 million]

To promote the BOP/volume zone business, JETRO is strengthening support to individual enterprises by providing sustained support in accordance with the business phase and expanding its local coordinators (including construction of



hypotheses and legal consultation). JETRO also holds consultation meetings toward supporting market development, promotes active entry into the BOP/volume zone business, and is continuing to implement a verification project toward supporting enterprises seeking to establish bases in Africa. (Ongoing)

13. ODA match-up program for SME products, technologies, etc. [Fiscal 2015 budget: Included in ¥4.56 billion]

Through ODA, the superior products, technologies, etc. of Japanese SMEs are being used for the development of developing countries. The goals are both for the development of developing countries and for invigorating the Japanese economy. (Ongoing)

14. Support for the overseas development (provision of SMEs' products) [Fiscal 2015 budget: Included in ¥160.49 billion]

Providing products made by Japanese SMEs based on the requests of governments and 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 shown 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)

15. Global Niche Market Top Support Lending Facility [Fiscal 2015 budget: Included in ¥18 billion] [fiscal investment and loan program]

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 provides long-term, lump-sum repayment and successful interest payment-type loans through the Global Niche Market Top Support Lending Facility. (Ongoing)

16. Program to support development of overseas markets by regional second-tier companies and SMEs [Fiscal 2015 budget: Included in ¥1.49 billion]

This program promotes the realization of overseas business development by second-tier companies and SMEs by subsidizing part of the expenses incurred (specialist employment expenses, consigned overseas company registration expenses, overseas trade fair rental expenses) when second-tier companies, SMEs and micro businesses work at developing overseas markets and advancing 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 Business startup assistance

1. Regional Startup Promotion Support Delegation Program [Fiscal 2015 budget: Included in ¥440 million]

This program holds “Business Startup Schools” 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 works 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 etc. at primary schools and middle schools. (Ongoing)

2. 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 are sent to Silicon Valley, which produces many leading global venture companies, and to other locations to boost their business acumen. Also the Venture Business Creation Council which comprises entrepreneurs, venture capital (VC), large enterprises and other parties, works at business matching and the formation of networks to produce venture businesses aiming at the global market etc., and at forming a foundation to promote open innovation at large enterprises, etc. (New)

3. 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) is provided to female entrepreneurs and young entrepreneurs and to secondary startups closing an existing business and starting in a new field upon business succession. Also partial support is provided for the expenses of startup support implemented based on approved startup support plans by enterprises that assist in business startups under the Industrial Competitiveness Enhancement Act. (New)

4. New Startup Loan Program [fiscal investment and loan program]

Under this program, unsecured, unguaranteed loans are provided by the JFC to persons embarking on new ventures and persons who have just started up in business. (Ongoing)

5. 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)

6. 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)

7. Guarantees for founders

The purpose of this program is to boost lending to startup entrepreneurs by private financial institutions through the provision of guarantees by credit guarantee corporations to individuals who are starting up in business or who started up in business less than five years ago. (Ongoing)

8. Improving supply of “risk money” needed when starting a business

Continued efforts will be made 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)

9. 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.

10. Angel tax system [taxation scheme]

The purpose of this system is to assist the financing of newly founded SMEs and similar businesses by individual investors (“angels”), and to then raise public awareness of the system so as to provide an environment conducive to business startups. (Ongoing)

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 provisional funding for losses of up to 80% of the amount invested, and write off that cost as expenses.

The initiative will continue to be actively publicized to ensure that this initiative is used effectively and that many outstanding venture enterprises arise in Japan. (Ongoing)

12. Management Innovation Support Program

Support 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)

13. Construction of startup support system in the regions

Under the Industrial Competitiveness Enhancement Act, municipal governments work with private-sector enterprises assisting with business startups to formulate a plan for a program assisting business startups in order to encourage startups in the regions. Where authorization is obtained from the national government, business founders who receive startup assistance under the plan are 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 are also provided to enterprises that assist in business startups. (Ongoing)

14. SME and micro business management enhancement loan/guarantee program [Fiscal 2015 budget: Included in ¥1.1 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, 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 diversifying their management or changing business. (Ongoing)

15. Subsidies for business generating regional economic activity [Fiscal 2015 budget: Included in ¥2.31 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 launches local-based enterprises that can absorb large employment, constructing regional roundtables drawn from industry, academia, financial institutions and government, and using regional assets and funds (drawn from regional financial institutions, etc. (Ongoing)

Section 2 Promoting business renovation

1. Revision of Small Enterprise Mutual Relief System

The Small Enterprise Mutual Relief System, which pays retirement benefits to the proprietors of small enterprises, is being revised to strengthen the function of facilitating regeneration of management, for example, by increasing the reasons for providing mutual relief regarding business transfer to relatives. (New)

2. Program to spread businesses that resolve regional issues [Fiscal 2015 budget: Included in ¥60 million]

To prepare an environment in which SMEs, NPOs and other bodies that use business methods to resolve issues facing regions centered on nursing care, childcare and education can generate new demand and employment in the regions, this program prepares business model assessment methods and funding and support guidelines through questionnaire surveys and advisory committees, holds forums to spread and provide education on the prepared assessment methods and guidelines, establishes locations where specialized liaison support associations (support for building a pro bono fundraising network, etc.) can meet at one place, and provides opportunities to promote collaboration among financial institutions, liaison support organizations, and businesses. (New)

3. Business succession support [Fiscal 2015 budget: Included in ¥4.48 billion]

“Business Succession Help Desks” are established at approved support agencies in each of the 47 prefectures to provide 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” are being established in regions with strong demand for support for business successions that have a well-developed capacity to deliver support. As of the end of fiscal 2014, “Business Succession Support Centers” were established at 16 locations in Hokkaido, Miyagi, Akita, Tochigi, Tokyo, Nagano, Shizuoka, Aichi, Mie, Osaka, Okayama, Hiroshima, Kagawa, Ehime, Fukuoka and Okinawa, and there are plans to expand nationwide within fiscal 2015. (Ongoing).

4. Expansion of the system of deferral of payment of gift tax on non-listed shares [taxation scheme]

The business succession taxation scheme is being expanded as follows. (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).

In cases where the payment of gift taxes is deferred continuously for many generations, when the donor of the oldest approved gift dies, the gift taxes are converted to inheritance taxes. (In cases where shares are given from the 1st generation to the 2nd generation to the 3rd generation to the 4th generation, when the 1st generation dies the 4th generation's taxes are converted to inheritance taxes).

* 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)

(Ongoing)

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 Japan Finance Corporation (JFC) and the Shoko Chukin Bank were established and expanded. Specifically, in-depth cash-flow support including management support are provided to businesses suffering cash flow difficulties from increased raw materials and energy costs and businesses promoting investment in energy conservation, and financing is promoted for startups by women and others, smooth business succession, and 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. (New, ongoing)

2. Safety net loans [fiscal investment and loan program]

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 provided 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., and these are being provided in fiscal 2015 as well. (Ongoing)

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 provides unsecured and unguaranteed low-interest Marukei loans to micro businesses that are receiving management guidance from commerce and industry associations, chambers of commerce and industry and prefectural federations of societies of commerce and industry. (Ongoing)

4. Micro businesses management development support lending [Fiscal 2015 budget: ¥20 million] [fiscal investment and loan program]

To respond to the demand of micro businesses for large-amount financing of up to ¥72 million, JFC is providing low-interest loans to micro businesses with “Management Development Support Plans” approved under the revised Small Business Support Act receiving management guidance from commerce and industry associations and chambers of commerce and industry. (New)

5. Promotion of subordinated lending [Fiscal 2015 budget: Included in ¥15.1 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 JFC to provide new financing for business succession and overseas development, and this is being provided in fiscal 2015 as well. (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 taken to be equity in financial inspections.

6. (cited earlier) SME and micro business management enhancement loan/guarantee program [Fiscal 2015 budget: Included in ¥1.1 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, 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 diversifying their management or changing business. (Ongoing)

7. Encouragement of refinancing guarantees

Refinancing guarantees are being promoted with the aim of encouraging credit guarantee corporations to consolidate multiple outstanding debts and relieve the repayment burdens at hand. (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.) In fiscal 2015, considering that the application of safety-net guarantee No. 4 had been made much more flexible and faster including designation from the time the Disaster Relief Act is invoked, when disasters occur, assistance to affected businesses will be implemented rapidly. Safety-net guarantee No. 5 will continue to be actively provided to designated industry types when average monthly sales, etc., for the latest three months fall by a set proportion or more compared with the same period in the previous year. (Ongoing)

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 are being taken to make them eligible for SME credit insurance, including revision of the Small and Medium-Sized Enterprise Credit Insurance Act.

This will help to further smooth the cash flow of NPOs engaged in business activities such as healthcare, welfare and childcare businesses. (New)

10. 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 (2/3) 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)

11. SME Revitalization Support Councils [Fiscal 2015 budget: Included in ¥4.48 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 that also include coordination with the relevant financial institutions and similar entities. Additionally, advice programs are implemented to strengthen the support system of each council and accelerate the preparation of radical revitalization plans for SMEs and micro businesses. (Ongoing)

12. SME Rehabilitation Plan through Succession (secondary companies) (taxation scheme)

Where an SME rehabilitation plan through succession is authorized under the Industrial Competitiveness Enhancement Act and business succession occurs as set out in that plan, measures are implemented to reduce the tax burden and support financing, along with special provisions for permissible succession. (Ongoing)

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 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)

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 in the regional headquarters of 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 created or enhanced in fiscal 2013 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. (Ongoing)

15. Enhanced management support for micro businesses in financial administration

To advance the support of enterprises and industries by financial institutions through financial administration and management reform, improved productivity, and the stronger constitution of small enterprises, based on Financial Monitoring Policy, financial institutions continue to be 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. (Ongoing)

16. Promote liquidity of SMEs' export receivables covered by trade insurance

To promote the financing of SMEs, NEXI is collaborating with the Shoko Chukin Bank and other related agencies through initiatives such as granting partial waivers of certain obligations of insured parties, including the obligation to recover an insured export receivable that has been transferred from an SME to a financial institution after the insured event (i.e., the obligation to seek to recover monies even after receiving the payment of the insurance claim following the insured event). (Ongoing)

17. Financial measures for SMEs in Okinawa

Regarding support for SMEs in Okinawa delivered via the Okinawa Development Finance Corporation (ODFC), ODFC operates 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)

18. Adoption and application of “Basic procedures for SME accounting”

The adoption and application of the “Basic procedures for SME accounting” is 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 2015 as well. (Ongoing)

Section 4 Human resources and employment programs

1. Human resource countermeasures program for SMEs and micro businesses [Fiscal 2015 budget: Included in ¥1 billion]

To assist SMEs and micro businesses with sparse management resources to secure human resources, this program grasps the needs of regional SMEs and micro businesses, discovers personnel required by regional businesses from among women, youth and seniors and other diverse human resources inside and outside the region, and provides end-to-end support from introduction through to retention. The program also supports human resources development that contributes to boosting productivity through fostering and dispatching continuous improvement activities instructors and through classes and other education for core on-site manufacturing personnel. (New)

2. Human resource development at the Institute for Small Business Management and Technology

Training is provided at nine Institutes for Small Business Management and Technology around Japan 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. Measures to maintain workers' employment [Fiscal 2015 budget: Included in ¥19.27 billion]

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, employment adjustment subsidies are provided. 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)

4. 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 conditions, subsidies are provided to fund SME organizations (business cooperatives, etc.) in key sectors where they have implemented projects to improve their working environment. Subsidies are also provided for SMEs and micro businesses in key sectors that introduce and implement a new employment management system by changing their workplace regulations and labor agreements. (Ongoing)

In addition, the support will be expanded in fiscal 2015 as follows:

- (1) The employment management systems subject to assistance are being expanded (addition of a mentor system), and the amounts of assistance are being revised; and
- (2) The employment management system adjustment plans drafted prior to project implementation will set employment ratio goals for one year after the planning period ends as the effect of system introduction, and a system is being established for a success payment of an additional ¥600,000 in cases where those goals are reached.

5. Program to promote improved employment management to secure human resources in fields facing personnel shortages [Fiscal 2015 budget: Included in ¥1 billion]

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 education conducted.

(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 by employment management improvement advisors 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. (New)

6. Regional employment development fund [Fiscal 2015 budget: Included in ¥3.29 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)

7. Project for employment creation in strategic industries [Fiscal 2015 budget: Included in ¥9.21 billion]

To promote initiatives aimed at creating favorable and stable employment opportunities, a project for employment creation is being implemented for manufacturing industries and other strategic industries. The project supplements regional projects for voluntary employment creation, and is being implemented in conjunction with industrial policies. (Ongoing)

8. Extension of the tax system to promote employment [taxation scheme]

The tax system for employment promotion, which provides a special tax credit on corporate taxes to enterprises that achieve a certain increase in the number of employees or otherwise satisfy relevant requirements, will continue to be implemented through 31 March 2016. (Ongoing)

9. Promotion of employment shifts with no loss of employment (labor insurance special account) [Fiscal 2015 budget: Included in ¥34.94 billion]

Through funds to assist workers changing employment (re-employment assistance payments), aid is provided to business owners who take measures such as commissioning private-sector employment agencies to support the re-employment 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 is provided to business owners who conduct on-the-job or off-the-job training for workers taken on under re-employment support plans or as a result of transfers. Additionally, the subsidies are being expanded from fiscal 2015 so that under the funds to assist workers changing employment (accepted personnel training support subsidies – early acceptance support) assistance is 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. (Ongoing)

10. Regional human resources development program

While working to expand employment by promoting the active involvement of women, youth and the elderly, the program promotes wage increases and other improved treatment, and assists with human resources development in accordance with regional conditions. However, this is limited to projects that were initiated by the end of fiscal 2014. (Ongoing)

11. 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 is 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. In “Hello Work” centers without a “Welfare Worker Corner”, services including vocational counseling, job placements and employment information are provided and clients encouraged to use a “Welfare Worker Corner”. (Ongoing)

12. Support for SMEs and micro businesses in raising the minimum wage [Fiscal 2015 budget: Included in ¥2.41 billion]

Three initiatives are provided to support SMEs and micro businesses in raising the minimum wage: (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 42 prefectures which conduct capital investment to boost increase efficiency, and increase the wages of workers inside the workplace making less than ¥800 per hour. From fiscal 2015, to improve the convenience of business owners using (1), “Comprehensive Minimum Wage Telephone Centers” are being established to provide telephone and e-mail consultations. (Ongoing)

13. 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 similar circumstances, funds are allocated for “Regional Youth Support Stations” that provide a diverse employment assistance menu, including specialist advice and guidance to the appropriate agencies via networks. In fiscal 2015, while establishing Support Stations at 160 locations nationwide, the “Retention and Step Up Program” will follow-up on individuals



who gained employment receiving support from the Support Stations to ensure their retention after being hired, providing support nationwide toward stepping up so they can improve their career toward more stable employment. Also, under cooperation with regional industry groups, the program will hold “Challenge Experience” sessions at 60 locations nationwide to promote employment and as a first step for youth to take responsibility for the future of industry. These efforts aim at securing employment for 17,000 youth. (Ongoing)

14. 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 are 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 is promoted and efforts made to promote the use of career consultants at universities and other institutions. (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 revised Small Business Support Act

“Management Development Support Plans” prepared by commerce and industry associations and chambers of commerce and industry nationwide under the Revised 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. (cited earlier) Project to advance measures for micro businesses [Fiscal 2015 budget: ¥4.65 billion]

This program promotes 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 revised 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. (Ongoing)

3. JAPAN Brand Development Assistance Program [Fiscal 2015 budget: Included in ¥1.61 billion]

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)

4. Assistance Program to Develop New Businesses Utilizing Regional Resources [Fiscal 2015 budget: Included in ¥1.61 billion]

This program provides authorization for business plans to develop and establish markets for new products and

services that utilize regional industrial resources (agriculture, forestry, fisheries, industrial technology, tourism, etc.) under the Regional Resource Utilization Promotion Act. It also provides wide-ranging support through grants and subsidies and through financing and special exemptions for guarantees. (Ongoing)

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 2015 budget: Included in ¥1.36 billion]

(1) Based on the Traditional Craft Industries Act, the following support is provided to promote the traditional crafts industries below.

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 is provided to assist the reconstruction of government-designated traditional crafts in three prefectures (Iwate, Miyagi and Fukushima) devastated by the Great East Japan Earthquake: (Ongoing)

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. (Ongoing)

8. Reduction of corporation tax rate for SMEs [taxation scheme]

Under the fiscal 2015 tax system revisions, 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) is being extended for two years. (Ongoing)

Section 2 Active use of shopping districts toward regional revitalization

1. Comprehensive support for the revitalization of local shopping districts

Pursuant to the Local Shopping District Revitalization Act, support is being provided for shopping district revitalization projects and similar initiatives planned by shopping district promotion associations and approved by the government. (Ongoing)

2. Development of human resources by the Japan Shopping District Support Center

Support is being 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 city centers, 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 city centers established in 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 SMRJ are dispatched to help tackle various challenges faced by councils for the revitalization of city centers. (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 city centers and similar organizations, seminar planning support and instructors are supplied and advice, analyses, assistance with identification of issues, and information provided to raise the efficacy of individual projects using the SMRJ's specialist know-how. (Ongoing)

6. Special deduction for income from land transfers

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 allowed a special deduction of up to ¥15 million for income from such transfers. (Ongoing)

7. Program to promote independence in regional commerce [Fiscal 2015 budget: Included in ¥2.3 billion]

To promote the ongoing development of regional economies based on shopping districts, assistance is provided for (1) use of regional resources, (2) response to foreigners, (3) response to the aging of society and declining birthrate, (4) start-up support, and (5) leading efforts in the field of regional exchange. (Ongoing)

8. Strategic program for central urban district restoration [Fiscal 2015 budget: Included in ¥600 million]

This program provides intensive support to selected projects for central urban districts which play an important role in regional economies. Specifically, the program supports 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 supports non-facilities projects and the use of experts for the formation of attractive central urban districts suitable as regional bases. (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. (Ongoing)

10. Strategic city center energy efficient use project [Fiscal 2015 budget: Included in ¥320 million]

This program supports model projects introducing building energy management systems (BEMS) which work for suitable energy use throughout facilities and high-efficiency air conditioning equipment and other energy conservation equipment at high-level commercial facilities prepared by private business owners based on plans for projects by specific private enterprises to improve the economic vitalization of city centers approved by the Minister of Economy, Trade and Industry under the Act on Vitalization in City Centers. (New)

Section 3 Other regional revitalization

1. Support to encourage enterprises to locate in regional areas [Fiscal 2015 budget: Included in ¥800 million]

Partial subsidies for facilities and other preparations expenses are provided 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 will also be provided by special provisions under the Factory Location Act, low-interest loans to SMEs from Japan Finance Corporation (JFC), and tax allocations to local governments taking steps to attract enterprises to their regions. (Ongoing)

2. (cited earlier) Subsidies for business generating regional economic activity [Fiscal 2015 budget: Included in ¥2.31 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 launches local-based enterprises that can absorb large employment, constructing regional roundtables drawn from industry, academia, financial institutions and government, and using regional assets and funds (drawn from regional financial institutions, etc. (Ongoing)

3. Strategic industry support foundation preparation program [Fiscal 2015 budget: Included in ¥800 million]

This program appoints multiple strategic field coordinators in each strategic field, provides wide-ranging technology information to candidate core enterprises based on the technology needs of large enterprises, gives advice to strengthen publicly funded laboratories and toward promoting wide-area collaboration, and implements human resources development for employees of publicly funded laboratories, etc. This program also promotes the foundation and growth of candidate core enterprises rooted in regions and surrounding enterprises and innovation by supporting the arrangement of enterprise cluster and collaboration bases in strategic fields with human resources development, market development and other support functions. (New)

4. 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. (New)

5. New fields advancement support program [Fiscal 2015 budget: Included in ¥1.67 billion]

Under this program, skillful project managers provide end-to-end support from new business advancement concepts to collaboration with industry and academia during development, discovery of business partners, and development of markets to core enterprises with activities deeply rooted in regions and their candidate business partners (second-tier companies and SMEs). (New)

6. Building new wide-area linkages through coordination core cities [Fiscal 2015 budget: Included in ¥200 million]

The government gives active support to form bases in regional areas that have a certain population and can maintain a vibrant society and economy even in an aging society with a low birth rate and declining population by linking and networking municipalities in regional areas with substantial scale and core functions, and developing compact cities. (Ongoing)

7. 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. (Ongoing)

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. (cited earlier) Project to advance measures for micro businesses [Fiscal 2015 budget: ¥4.65 billion]

This program promotes 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 revised 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. (Ongoing)

2. Program to foster personnel and support personnel for micro businesses [Fiscal 2015 budget: ¥450 million]

Training is carried out in regions across Japan to provide a service whereby business advisors and others who are assisting micro businesses can analyze the strengths of the individual micro businesses and then propose and implement measures tailored to those strengths. This program is aimed at candidates for the next generation of

managers in small and medium service providers and trains personnel who will coordinate and draw up plans for revitalizing the deeply rooted regional service industry, in part by providing them with opportunities to learn from experience what makes a successful enterprise. (Ongoing)

3. Integrated micro business database maintenance program [Fiscal 2015 budget: ¥200 million]

This program collects information on micro businesses and maintains an integrated micro business database to provide policy information in accordance with the management conditions of micro businesses. (Ongoing)

4. SME and micro business information platform use support program [Fiscal 2015 budget: Included in ¥620 million]

This program administers the “Mirasapo” portal website for unified access to policy information and the community of experienced proprietors and experts by SMEs and micro businesses. It also develops and improves systems for the automated administration of “Mirasapo.” (New)

5. Programs promoting measures for cooperative SME organization [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 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)

6. Support for capital investment 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)

7. One-stop comprehensive support programs for SMEs and micro businesses [Fiscal 2015 budget: Included in ¥3.9 billion]

“Yorozu Support Centers” established in all 47 prefectures nationwide provide consultations in collaboration with various regional support agencies on expanding sales and other management advice, and specialist advisors are dispatched to deal with high-level specialized management issues. (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 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 0.9% from the ordinary rate of interest for a period of not more than three years from the initial receipt of loan), and these measures will continue to be provided. (Ongoing)

2. Great East Japan Earthquake Recovery Special Loan [Fiscal 2015 budget: Included in ¥20.1 billion]

Since May 2011, there has been ongoing provision of the Great East Japan Earthquake Recovery Special Loan program, which is provided by the JFC (SME Unit and Micro Business and Individual Unit) and the Shoko Chukin Bank 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 2015. Also, the measures 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 when they were imposed 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 be continued in fiscal 2015. (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 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. (Ongoing)

4. Revival assistance from Industrial Recovery Consultation Centers and Industry Reconstruction Corporations [Fiscal 2015 budget: Included in ¥3.06 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)

5. “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 Fukushima Prefecture in the specified area affected by the nuclear disaster for necessary business funds (working capital and capital expenditures) required to continue or resume business. (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 [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 will be continued in fiscal 2015. (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 2015 budget: Included in ¥40 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 association. (Ongoing)

10. Temporary plants and stores maintenance project [Fiscal 2015 budget: Included in ¥1.47 billion]

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 2015 budget: Included in ¥12.2 billion]

Employment assistance consistent with industrial policy is given to create stable employment in the disaster-affected areas. The program is being expanded to provide subsidies for relocation expenses, within a certain range. (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 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 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 at 51 locations

nationwide to actively raise awareness of the “Policy on Contracts” in regional areas.

- (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 non-enrollees in trade insurance) on how to deal with harmful rumors. (Ongoing)

17. Employment development subsidies for disaster victims [Fiscal 2015 budget : Included in ¥1.93 billion]

Subsidies are provided to employers who hire workers who lost their jobs due to the Great East Japan Earthquake and job seekers living in affected areas 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 2015 budget: Included in ¥40 million]

As a countermeasure against harmful rumors 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 on items such as industrial products, or providing information on that measurement together with guidance and advice based on various analyses). In fiscal 2015, new efforts are also be made to spread accurate understanding regarding measuring radiation levels of industrial products. (Ongoing)

19. Support for business matching and product development related to industrial products [Fiscal 2015 budget: Included in ¥110 million]

To promote the sustainable reconstruction and revitalization of the economies of disaster-affected areas, support is provided for the cultivation of markets (business matching, product development, etc.) in Japan and abroad for local products produced in these areas. From fiscal 2015, the disaster-affected areas are restricted to all of Fukushima Prefecture and the areas that suffered tsunami damage in Iwate Prefecture and Miyagi Prefecture. (Ongoing)

20. Waivers of repayment of advancement loans

Existing debts on advancement loans held by SMEs that suffered damage caused by the Great East Japan Earthquake are being waived, and their settlement smoothly advanced. (Ongoing)

Section 2 Measures for normalization of trading prices and passing along consumption tax

1. Strengthening the “package of countermeasures to passing on increases in raw materials and energy costs”

While strongly implementing the “package of countermeasures to passing on increases in raw materials and energy costs” implemented in fiscal 2014, the following additional measures are being provided.

- (1) Revision of the Guidelines for the Promotion of Fair Subcontracting Practices, and thorough dissemination and awareness activities
- (2) Strict supervision and enforcement based on the Subcontractor Payment Act, etc.

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 SME Agency collaborate closely to enforce the Subcontractor Payment Act. In fiscal 2015 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. Additionally, they will implement intensive site inspections at about 500 large enterprises in the first half of fiscal 2015. 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 (645 bodies). (Ongoing)

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 are provided by the 48 Subcontracting Help Centers set up throughout Japan (5,473 consultations and 681 free consultations by lawyers in fiscal 2014). Courses are 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. Additionally, in fiscal 2015 approximately 500 explanation meetings will be held nationwide considering that revisions were made to the guidelines for building better business relationships between principal contractors and subcontractors (Guidelines for the Promotion of Fair Subcontracting Practices) regarding the 14 industries under the jurisdiction of the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications out of 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 in response to sharp increases in raw materials and other costs. (Ongoing)

4. Self-reliance support for SME and micro subcontractors [Fiscal 2015 budget: Included in ¥500 million]

Under the revisions to the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises (20 September 2013), business plans designed to solve issues in collaborations between 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 2015 budget: Included in ¥550 million]

Using Business Matching Stations (BMS), SMEs looking to solicit new clients are provided with information on orders issued and received for business 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 2015 budget: Included in ¥550 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 2015 budget: Included in ¥3.84 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, documentation inspections are carried out in association with the Fair Trade Commission (FTC), and supervision and control exercised. (Ongoing)

Section 3 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. (Ongoing)

2. SME investment promotion taxation system [taxation scheme]

The SME investment promotion tax system which permits a 30% special depreciation or a 7% tax credit for the base price of the purchase of set items of machinery or equipment by SMEs continues to be implemented. Measures which permit an immediate depreciation deduction or a 7% tax credit (10% when the company has capital of ¥30 million or less) when the concerned machinery or equipment contributes to improvements in productivity are also being continued. (Ongoing)

3. Special provision for inclusion of acquisition cost of petty sum depreciable assets in losses of SMEs [taxation scheme]

The measure that allows enterprises such as SMEs to include in full depreciable assets worth less than ¥300,000 in charges against revenue (limited to total ¥3 million a year) continues to be implemented. (Ongoing)

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. (Ongoing)

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 for 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% of the cost of acquisition or a 7% tax credit (the tax credit is only approved for SMEs and sole proprietors with capital of ¥30 million or less) was extended by two years. (Ongoing).

6. Special exemption from inclusion in charges against revenue of entertainment and social expenses, etc. [taxation scheme]

The measure that permits entertainment and social expenses incurred by SMEs up to a maximum of ¥8 million to be included in charges against revenue, and the measure which allows up to 50% of food and drink expenses to be included in such charges, with enterprises free to choose either measure, continues to be implemented. (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. operates a number of programs to assist in SME development. These include business consultations, assistance with business successions and investment programs involving the underwriting of shares, share warrants and corporate bonds with subscription warrants. (Ongoing)

Section 4 Measures to stabilize business

1. Mutual Relief System for the Prevention of Bankruptcies of SMEs (Mutual Safety-net Relief System) [Fiscal 2015 budget: 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 2015 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 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 2015 budget: Included in ¥50 million]

Trade remedy measures include anti-dumping (AD) programs to provide relief to domestic industries which suffer damages by imports from foreign companies at unreasonably low prices in violation of WTO rules (dumping imports into Japan), including measures to ensure equitable market competition such as by imposing extra customs duties following a petition by the affected Japanese industry and an investigation by the government. An AD investigation into Chinese-manufactured toluene diisocyanate initiated in February 2014, is being advanced fairly and appropriately based on international rules and domestic laws and regulations toward imposition of final measures. Also, information sessions are being held for enterprises and studies conducted to ensure that AD investigations are consistent with WTO conventions. (Ongoing)

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 will be revised to promote the participation of SMEs that were just founded in government demand. Also, the Cabinet will formulate a target for the contracted proportion of government/ public demand going to new 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 at 51 locations all around Japan to thoroughly publicize the “Basic Policy” in regional areas.
 - (3) To provide PR for products and services developed by enterprises operating for less than 10 years, support will be given to a comprehensive exhibition by the concerned enterprises, etc.
 - (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 2015 budget: Included in ¥550 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 the information on public sector orders. (Ongoing)

Section 6 Promotion of human rights awareness

1. Human rights awareness [Fiscal 2015 budget: ¥60 million]

Seminars and other educational events are 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 are held and touring management consultation provided. (Ongoing)

Section 7 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) will be prepared based on the provisions of Article 12 of the Small Enterprises Promotion Act. (New)

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 (2015 White Paper on Small and Medium Enterprises in Japan) will be produced in accordance with the provisions of Article 11 of the Small and Medium-sized Enterprise Basic Act. (Ongoing)

3. Publicizing of policy (Ongoing)

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 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 along with the certified public tax accountants, lawyers, certified public accountants, and SME management consultants who provide support for SMEs. (Ongoing)

(2) Publication of flyers

Materials explaining the contents and points of initial and supplementary budgets and flyers for each program are produced and widely distributed. (Ongoing)

(3) Movie explaining subsidies and other support

A movie will be distributed with officials in charge at the Small and Medium Enterprise Agency explaining

policies concerning SMEs and micro businesses in the initial and supplementary budgets. (Ongoing)

(4) Organization of “SME Agency for a Day” events

Co-hosted by the SME Agency and host prefectures, these events are held both to explain the latest measures to local SMEs and deepen their understanding of the measures. The events also provide a forum for exchanges of ideas and interaction, which contributes to future revisions and improvements in SME policy. These events have been held every year since 1964. (Ongoing)

(5) 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)

(6) J-Net21 (portal site for SME business support)

J-Net21 operates as a portal site for SME support and provides a service system that allows quick and straightforward access to required information sources. (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 industries and 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 is 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 and plans 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) Promotion of the comprehensive utilization of intellectual property [Fiscal 2015 budget: Included in ¥200 million]

Support is provided by establishing consultation offices to support registration of geographical indications,

and strengthening measures to prevent overseas third parties from infringing intellectual property rights. (Ongoing)

- (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 is being promoted by pursuing community-based initiatives to supply renewable energy and to feed the benefits of such initiatives back into local communities. (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 2014 budget: Included in ¥70 billion]

In order to streamline lumber production and distribution, loans are being provided through the Wood Industry Upgrading Promotion Fund, while loans through the Wood Industry Improvement Fund are being provided 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 2015 budget: Included in ¥10 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 2015 budget: Included in ¥2.7 billion]

Support is 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. (Ongoing)

- (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)]

In addition to promoting the widespread reorganization and streamlining of dairy industry factories, this measure assists in integrating production in dairy industry facilities with advanced standards of hygiene management. (Ongoing)

- (5) Support for export initiatives using programs to support the development of overseas markets for milk and dairy products [Fiscal 2015 budget: Included in ¥10 million]

To create new demand for Japanese milk and dairy products, small and medium-sized dairy businesses that would like to export but lack the necessary management foundation are given assistance with the expenditures needed to prepare for future full-scale exports, such as running trial exports and investigating the issues that arise with delivery for exports. (Ongoing)

- (6) 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) Provision of infrastructure and equipment for hygiene and product quality control as preliminary steps towards HACCP introduction (advanced platform provision). (Fund for promoting advanced quality control in the food industry) (Ongoing)

- (7) JETRO comprehensive export support project [Fiscal 2015 budget: Included in ¥1.38 billion]

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)

- (8) Measures for business owners seeking to export [Fiscal 2015 budget: Included in ¥840 million]

Support is given to efforts to promote exports for the purpose of establishing the Japan brand by export

organizations for each principal product where small, medium and micro business exporters participate. Support is also given to efforts to improve the export environment for the acquisition of internationally recognized certifications by exporters. (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 2015 budget: Included in ¥5.24 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, and the technological capabilities of industry, academia and government utilized to support the development of new product types that address the diverse needs of actual 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 of the physical distribution functions of facilities is being 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. (Ongoing)

2. Measures for the coastal and domestic passenger shipping industries [Fiscal 2015 budget: Included in ¥28.4 billion]

- (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.

- (2) Promotion of the construction of highly efficient environmentally friendly coastal vessels using the joint shipbuilding program [fiscal investment and loan program]

The target for joint shipbuilding in fiscal 2015 is on the order of ¥28.4 billion. (Ongoing)

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]

- (1) In addition to taking steps to develop a safety net for business stabilization, 1) courses on modernizing management techniques are held at eight locations nationwide, and a health and safety manager training course is held at one location to help prevent industrial accidents. Efforts are also made to enhance technological capabilities by providing support for the commercialization of new technologies through the Japan Railway Construction, Transport and Technology Agency (JRJT). (Ongoing)

- (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 (ongoing) 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, efforts are made to promote the use of a fund that provides 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, as well as for assisting with the costs of constructing and repairing facilities to be used jointly by the businesses and for constructing berthing facilities. 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)

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]

Regional construction enterprises and construction-related enterprises (surveyors, construction consultants and geological surveyors) play an important role as “region protectors” and “town doctors” in disaster prevention, disaster reduction, infrastructure maintenance and other fields, but they are becoming impoverished from a sudden decline in construction investment and intensified competition for winning orders, resulting in such structural problems as worsening compensation for on-site skilled laborers, increased unemployment, and fewer young workers employed.

Securing and educating workers and improving the productivity of the construction industry are urgent issues to prepare, maintain and manage housing and social capital into the future, and secure its quality, and to maintain the region thorough disaster response and other measures.

For those purposes, this program works for recovery of business strength by providing wide-ranging advice on the management and technical issues facing small and medium and second-tier construction enterprises and related enterprises, and identifies cases with a high potential to serve as model efforts to secure, and educate workers and improve the productivity of the construction industry, and provides intensive support. (New)

2. Expansion of financial support in the construction industry (Ongoing)

(1) Extension of the Local Construction Management Enhancement Loan Program

To further facilitate funds procurement by construction companies acting as the main contractor, the Local Construction Management Enhancement Loan Program will continue to provide assistance with financial burdens such as the interest payable on loans when small and medium-sized construction enterprises or second-tier construction companies procure funding using equity such as the contract value credit from public works as collateral.

(2) Extension 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.

3. Support for overseas business expansion in the construction industry [Fiscal 2015 budget: Included in ¥30 million]

Seminars for advancing business overseas (seminars for drafting strategies to advance overseas) are held and missions dispatched overseas to support small, medium-sized and second-tier construction enterprises advancing business overseas. Free consultations with experts (advisory services) are provided and information about overseas construction and real estate introduced using retired staff from Japanese affiliated trading companies and other private sector personnel (“private sector attaches”) with extensive knowledge of the local conditions. (Ongoing)

4. Financial measures for small and medium realtors

Loan guarantee programs designed to provide guarantees of loans to fund joint initiatives pursued by small and medium realtors along with the business loans for regional revitalization continue in order to supplement the credit and facilitate financing of small and medium realtors. (Ongoing)

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 is 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. (New)

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. (Ongoing)

Section 4 Measures for the environmental sanitation business

1. Measures for the environmental sanitation business [Fiscal 2015 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 2015, to escape the structural vicious cycle surrounding environmental sanitation businesses, vitalize the industry, and support sustainable development, measures are being 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). (Ongoing)

2. Loans for environmental sanitation businesses [Fiscal 2015 budget: Included in ¥2.18 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 2015, loan terms will be improved including lower interest rates for barrier-free related facilities, 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 2015 budget: Included in ¥578 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 provides assistance with administering the scheme and formulating business plans.

This program also develops the foundation for the carbon offset mechanism whereby CO₂ emissions from products 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. 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 supports the spread of carbon offset products etc. 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, from procurement of raw materials through to disposal and recycling, is calculated and made visible by the carbon footprint and covered by carbon credits.

The accumulation of these labels drives 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. (Ongoing)

3. 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)

4. Anti-pollution tax system [taxation scheme]

The anti-pollution tax system will continue to be implemented, to support the pollution prevention initiatives of SMEs and micro businesses. (Ongoing)

5. Energy Use Rationalization Business Support Program [Fiscal 2015 budget: Included in ¥41 billion]

This program subsidizes 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, workplaces, etc. that deal with peak load and reduce energy consumption. Assistance for unified energy conservation efforts among multiple plants is also being added to the items supported. (Ongoing)

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 subsidizes the interest payments on financing received from private financial institutions. 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 enterprises. (Ongoing)

7. Program for promoting the introduction of energy-saving measures [Fiscal 2015 budget: Included in ¥550 million]

This program implements assessments to identify potential energy conservation and energy reductions and other diagnoses of SMEs and second-tier enterprises, and distributes information via a range of media on energy-saving technologies and case studies gained from the assessments. (Ongoing)

8. Taxation scheme to promote environment-related investment [taxation scheme]

This scheme will continue to be implemented subject to a review of some of the targeted equipment with the aim of securing a stable energy supply and achieving a low-carbon society. (Ongoing)

9. Regional low-carbon investment promotion fund program [Fiscal 2015 budget: Included in ¥4.6 billion]

Investment from the regional low-carbon investment promotion fund continues to provide support to carbon reduction projects. To expand the support available for projects of this kind that are considered to be particularly good, using the region's own capacity to make judgments, the formation of sub-funds is being expanded in cooperation with

regional financial institutions, etc. (Ongoing)

10. Eco-Lease promotion program [Fiscal 2015 budget: Included in ¥1.8 billion]

The widespread adoption of low-carbon devices is being supported through a no-deposit lease scheme targeted at SMEs and other entities that have difficulty coping with the very high initial investment costs (deposits) when installing low-carbon devices. (Ongoing)

11. Eco-Action 21

The Eco-Action 21 scheme, which is readily accessible to SMEs and second-tier enterprises, will continue to be promoted, and examinations toward revising the Eco-Action 21 Guideline are being initiated to reflect the revisions to ISO 14001. Also, verification projects specifically aimed at reducing CO₂ will continue to be implemented, and efforts made to increase the number of SMEs and second-tier enterprises implementing 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 and digital content. (Ongoing)

Section 7 Measures on intellectual property

1. Surveys of technical trends of patent applications [Fiscal 2015 budget: Included in ¥1.17 billion]

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, by surveying and analyzing technology development trends centered on Chinese patent information, which is rapidly increasing and decreasing, patent application trends are grasped in greater detail including whether or not applications are increasing in certain technology areas down to the underlying technologies, and information is provided that is useful to Japanese enterprises in the formulation of their R&D strategies and intellectual property strategies. (Ongoing)

2. International Patent Application Subsidy (support for international patent applications by SMEs) [Fiscal 2015 budget: Included in ¥630 million]

In order to encourage SMEs to file strategic applications for international 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 2015, support is being provided for overseas applications to register regional body trademarks not only by SMEs, but by commerce and industry associations, chambers of commerce and industry, and NPO corporations as well. (Ongoing)

3. Promotion of the wider use of IP systems [Fiscal 2015 budget: Included in ¥80 million]

Information sessions are held for individuals tailored according to their different levels of knowledge and expertise on the intellectual property system. 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.

In fiscal 2015, 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 2015 budget: ¥120 million]

To promote the timely and appropriate exercise of rights overseas by SMEs, partial assistance is provided via JETRO with the costs incurred by SMEs in cases where rights are violated by counterfeit goods, and from fiscal 2015 for countermeasures to risks of SME intellectual property violation overseas such as being sued for intellectual property rights violations. (Ongoing)

5. Patent strategy portal site [Fiscal 2015 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 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 is further promoted by such means as using IP experts to work with SMEs to jointly resolve highly specialist 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 patent attorneys and lawyers assigned to the help desks is being doubled in principle, and activities that involve visiting enterprises are being expanded. (Ongoing)

9. Arrangement of one-stop support system for trade secrets (Trade secrets and intellectual property strategy consultation offices – Trade secrets 911) (INPIT subsidy program)

The "trade secrets and intellectual property strategy consultations offices –Trade secrets 911" established at the National Center for Industrial Property and Training (INPIT) provides expert consultation primarily to SMEs in collaboration with General IP Help Desks regarding the acquisition of patents, concealment, and other intellectual property strategies and the management of trade secrets. The National Policy Agency and Information-technology Promotion Agency, Japan (IPA) are contacted regarding trade secrets leaks, information security measures, and cyber attacks, depending on the consultation contents. (Ongoing)

10. Emerging Country IP Information Databank [Fiscal 2015 budget: Included in ¥30 million]

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. Promotion of the acquisition of rights through the sophisticated use of IP information [Fiscal 2015 budget: 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 2015 budget: Included in ¥10 million]

Inspectors continue to be 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 where applicants participate from their computer screens via the Internet. (Ongoing)

* Because the budget for on-site interviews was ¥10 million and the budget for on-screen interviews ¥2 million, the budget for on-screen interviews is included in the budget for on-site interviews.

13. Program to support the use of patent information analysis by SMEs, etc. [Fiscal 2015 budget: Included in ¥140 million]

This program provides comprehensive patent information analysis support in accordance with the needs of each stage of research and development, application, and examination request to promote effective securing of rights and other intellectual property use by SMEs, etc. (New)

14. IP funding promotion program [Fiscal 2015 budget: Included in ¥100 million]

This program provides free assessments of businesses using the intellectual properties of SMEs seeking financing for financial institutions that find it difficult to assess patents and other intellectual properties held by SMEs, to promote financing focusing on intellectual property. (New)

15. Program to create businesses using Japanese IP [Fiscal 2015 budget: Included in ¥560 million]

The following initiatives are implemented through JETRO to assist promotion of business development overseas using the intellectual properties of SMEs and second-tier enterprises. (New)

- (1) Information is 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.
- (2) Support is given by providing opportunities for business discussions with candidate business partners through surveys on intellectual property needs overseas and exhibition at business fairs, etc.
- (3) Advice is provided by intellectual property experts to prevent the leakage of technology.

16. Program to strengthen support for the IP of regional SMEs [Fiscal 2015 budget: Included in ¥150 million]

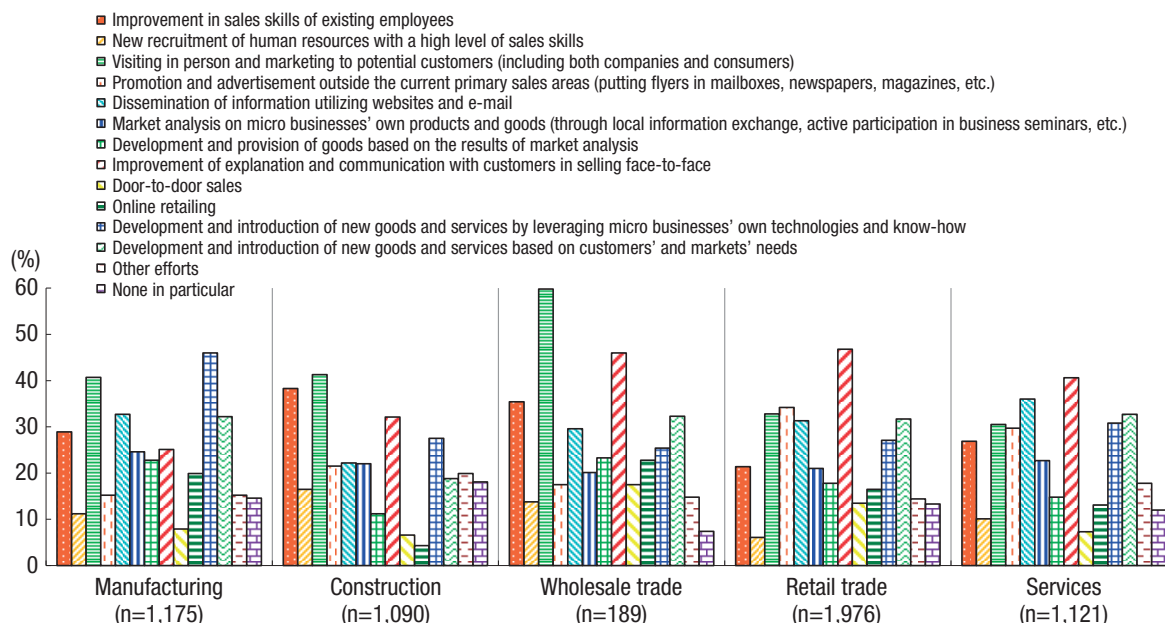
This program gives enthusiastic support to agencies and other bodies for their leading, advanced intellectual property support efforts to promote the protection and use of the intellectual property of SMEs by providing detailed support in accordance with the various issues and regional characteristics of SMEs. (New)

Appended notes

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Appended note 1-3-1 Actions being taken to develop sales channels (by industry; multiple responses)



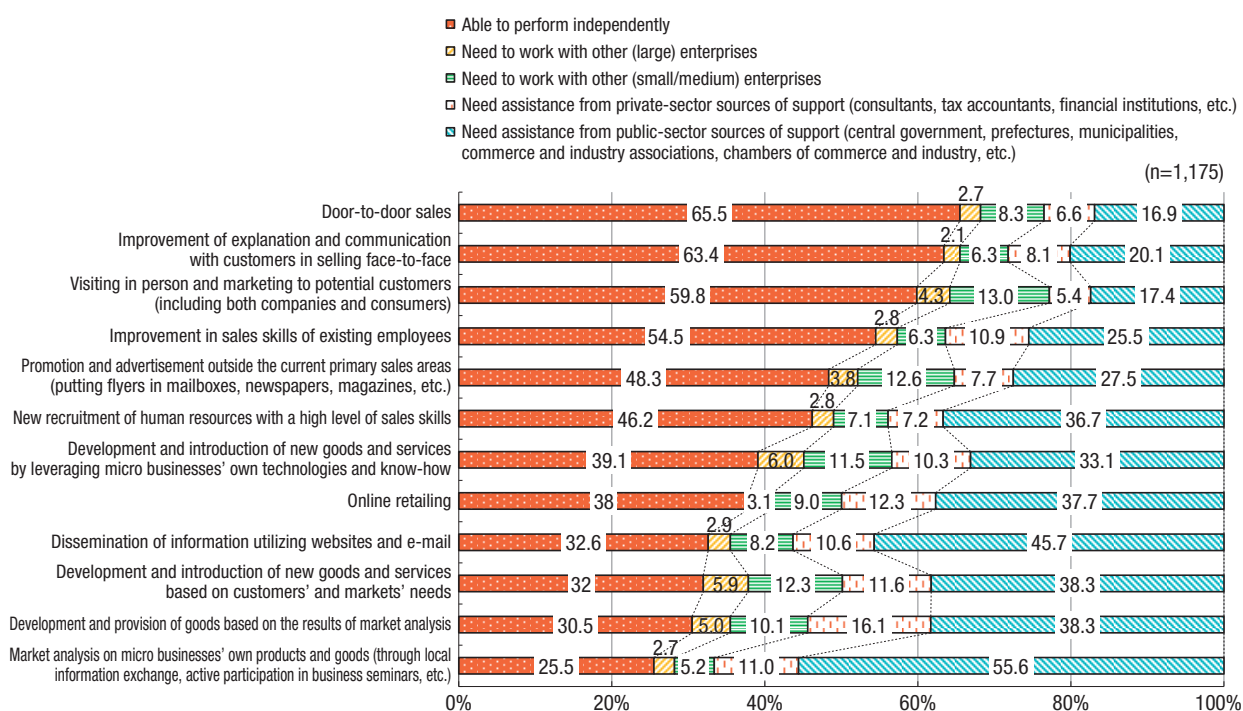
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Notes: 1. Results are for the three commonest responses.

2. "Retail trade" includes eating and drinking services.

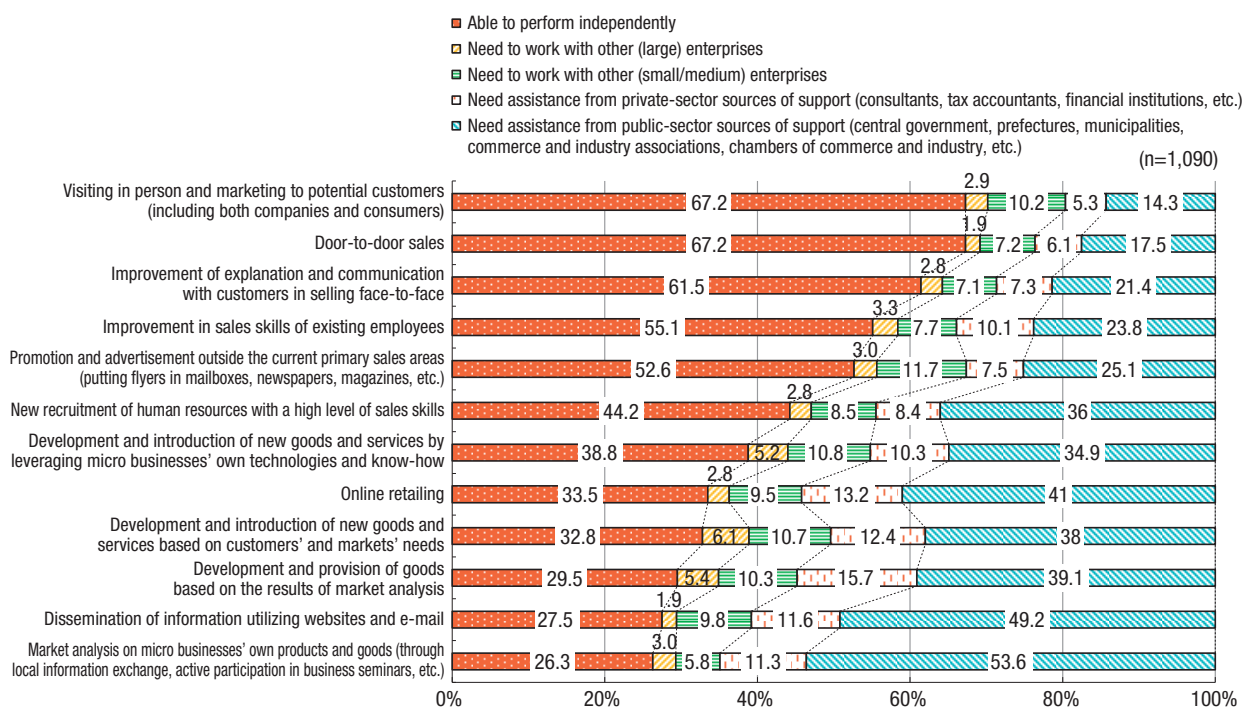
3. "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

Appended note 1-3-2 Sources of assistance with action to develop sales channels in manufacturing



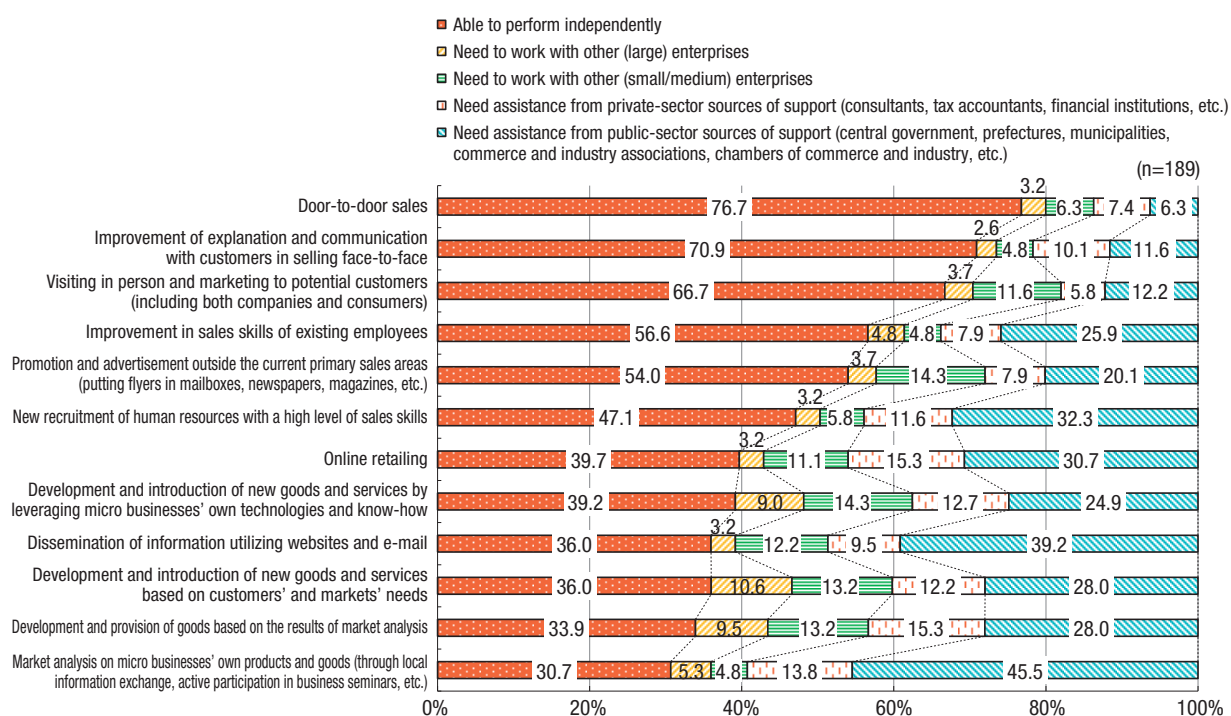
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Appended note 1-3-3 Sources of assistance with action to develop sales channels in construction



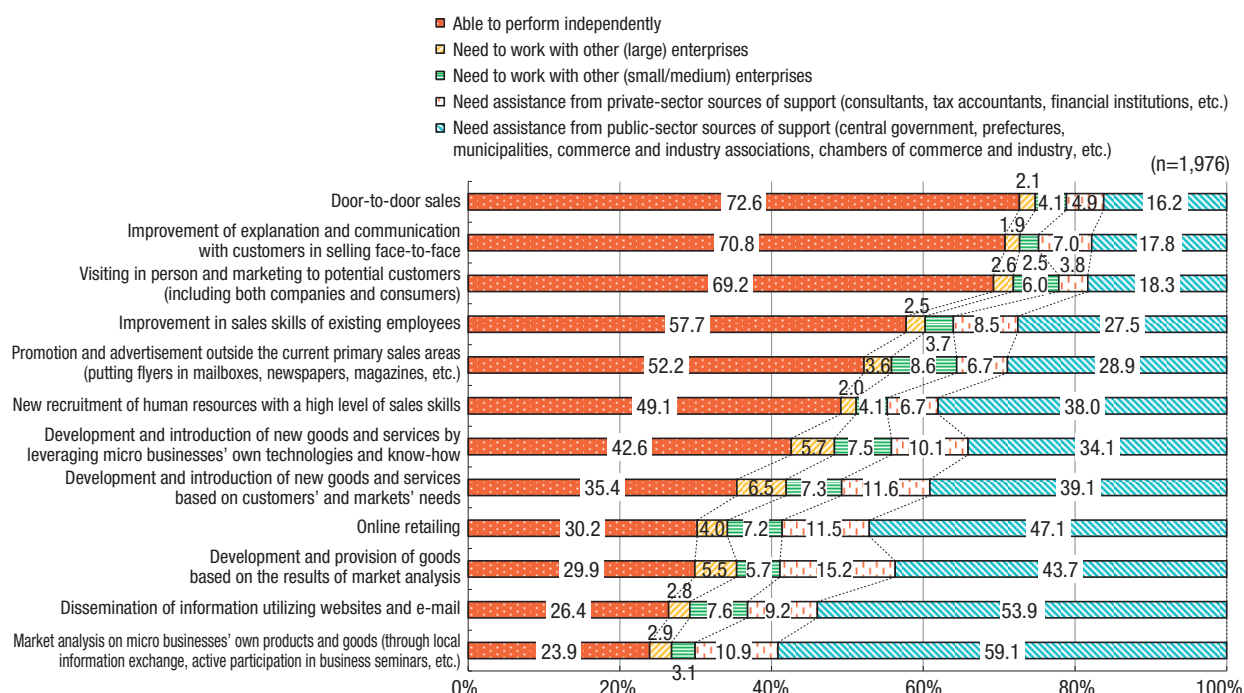
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Appended note 1-3-4 Sources of assistance with action to develop sales channels in wholesale trade



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

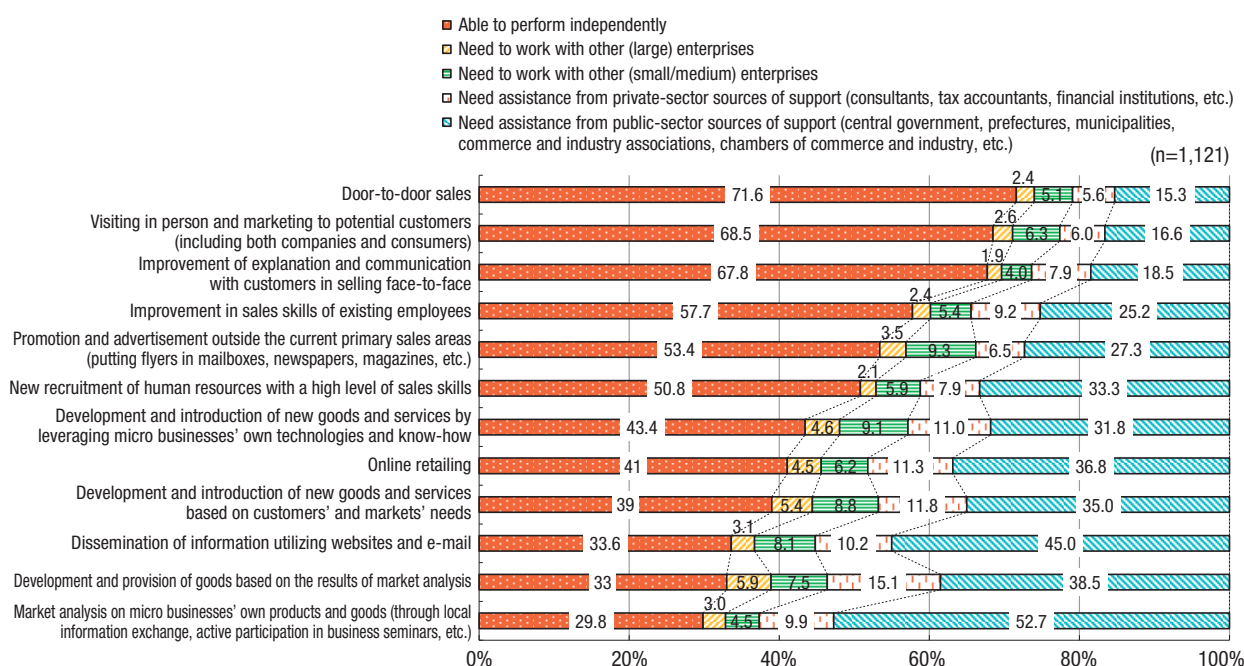
Appended note 1-3-5 Sources of assistance with action to develop sales channels in retail trade



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: "Retail trade" includes eating and drinking services.

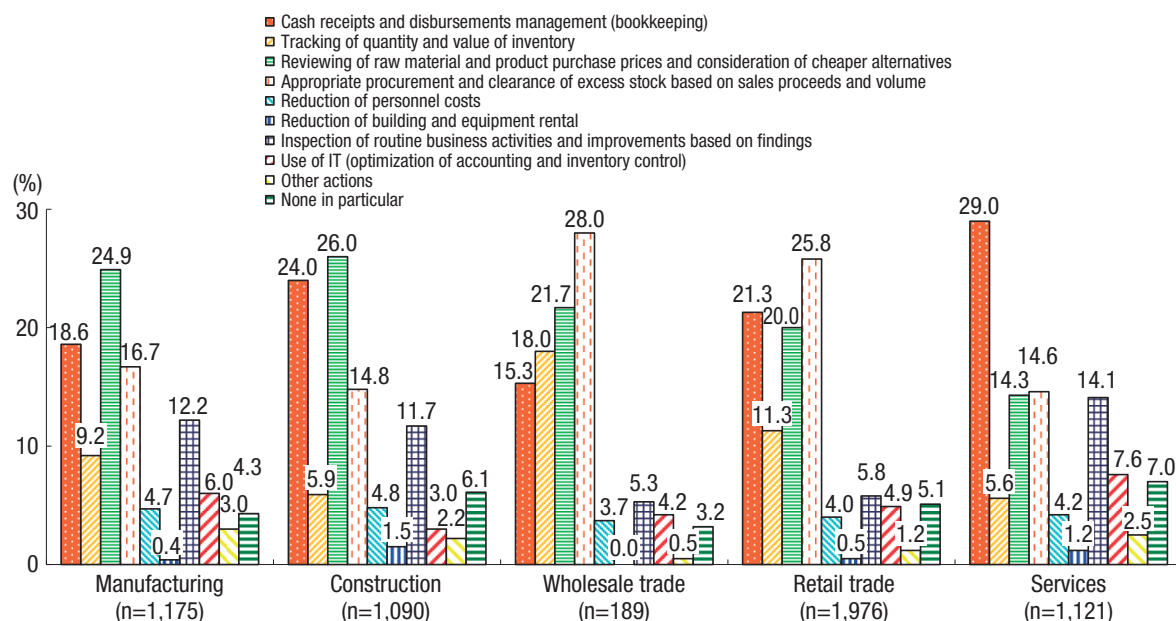
Appended note 1-3-6 Sources of assistance with action to develop sales channels in services



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

Appended note 1-3-7 Actions being taken to ensure profitability (by industry)



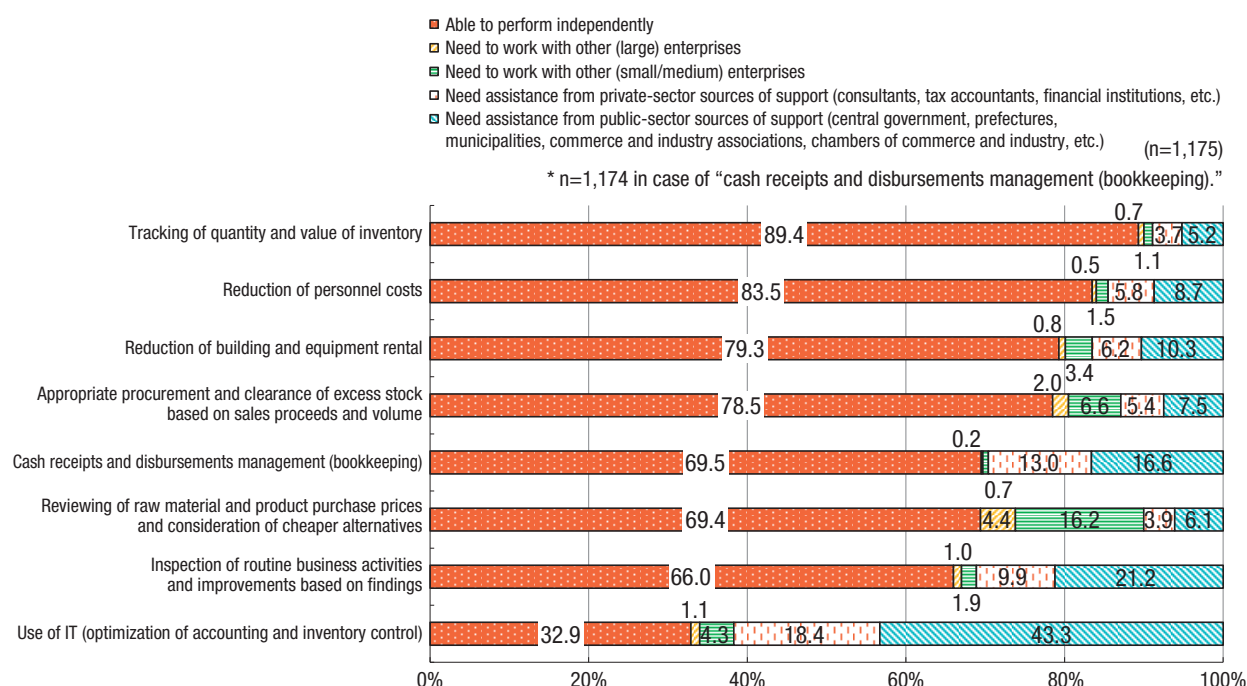
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Notes: 1. Respondents were allowed to choose multiple responses to this question. However, the figure shows only the top responses.

2. "Retail trade" includes eating and drinking services.

3. "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

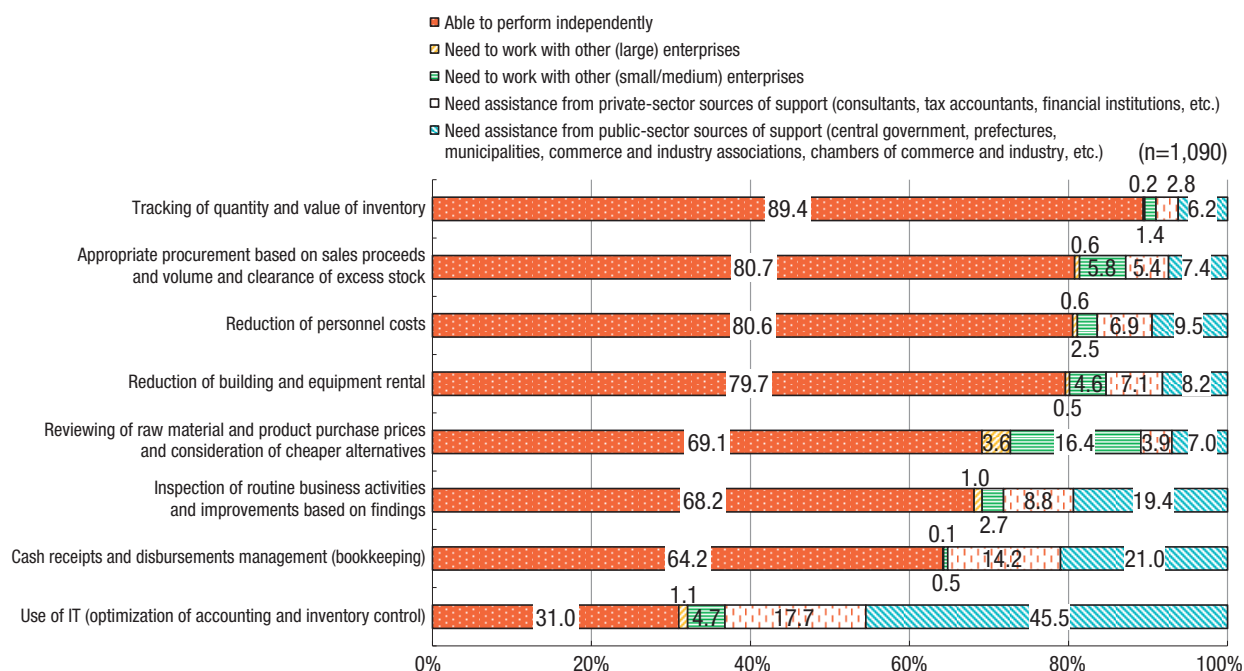
Appended note 1-3-8 Sources of assistance with action to ensure profitability in manufacturing



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Appended note 1-3-9

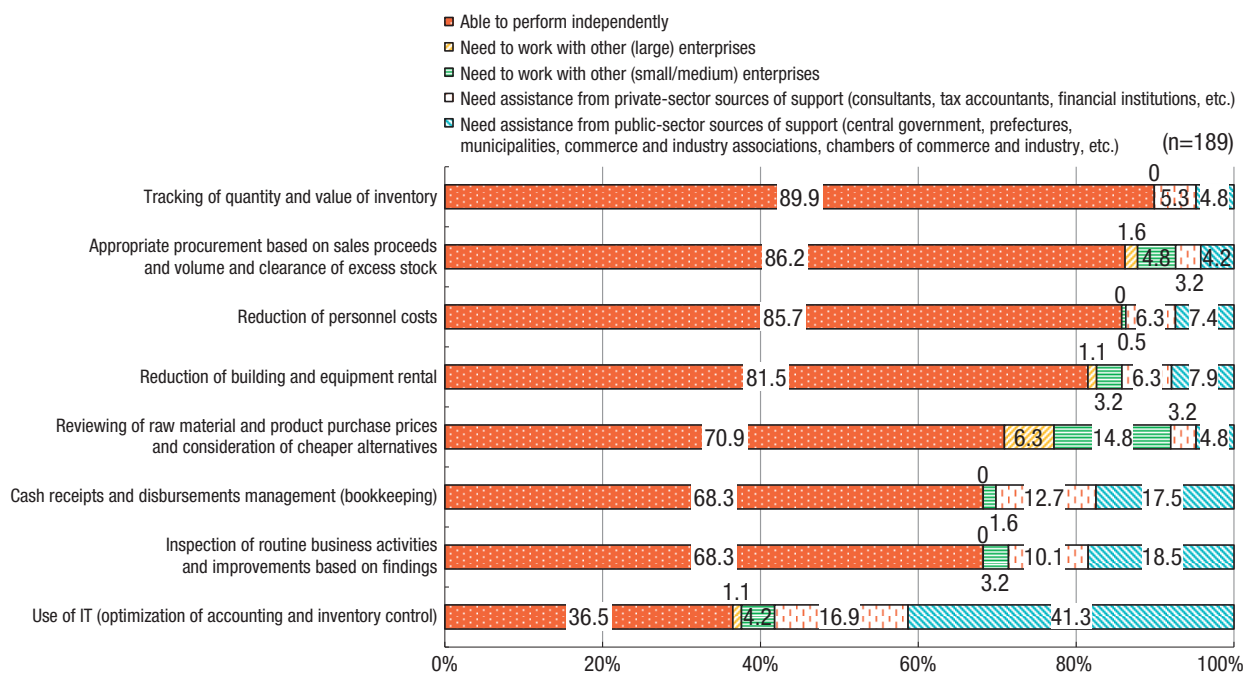
Sources of assistance with action to ensure profitability in construction



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

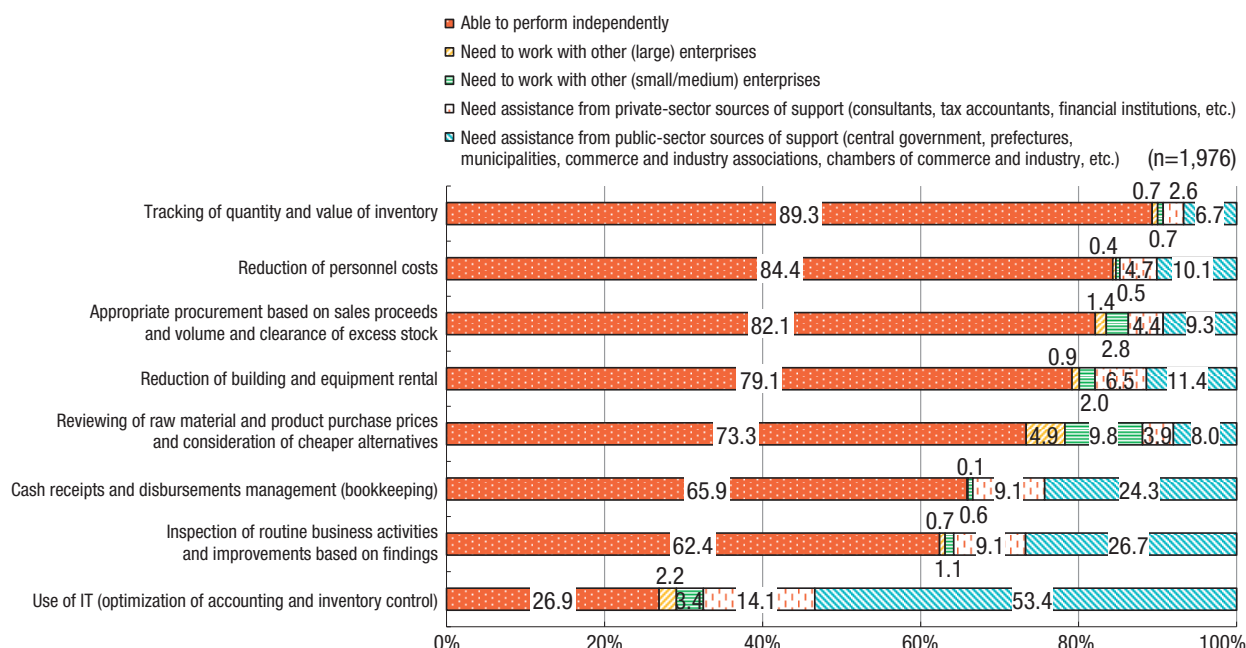
Appended note 1-3-10

Sources of assistance with action to ensure profitability in wholesale trade



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

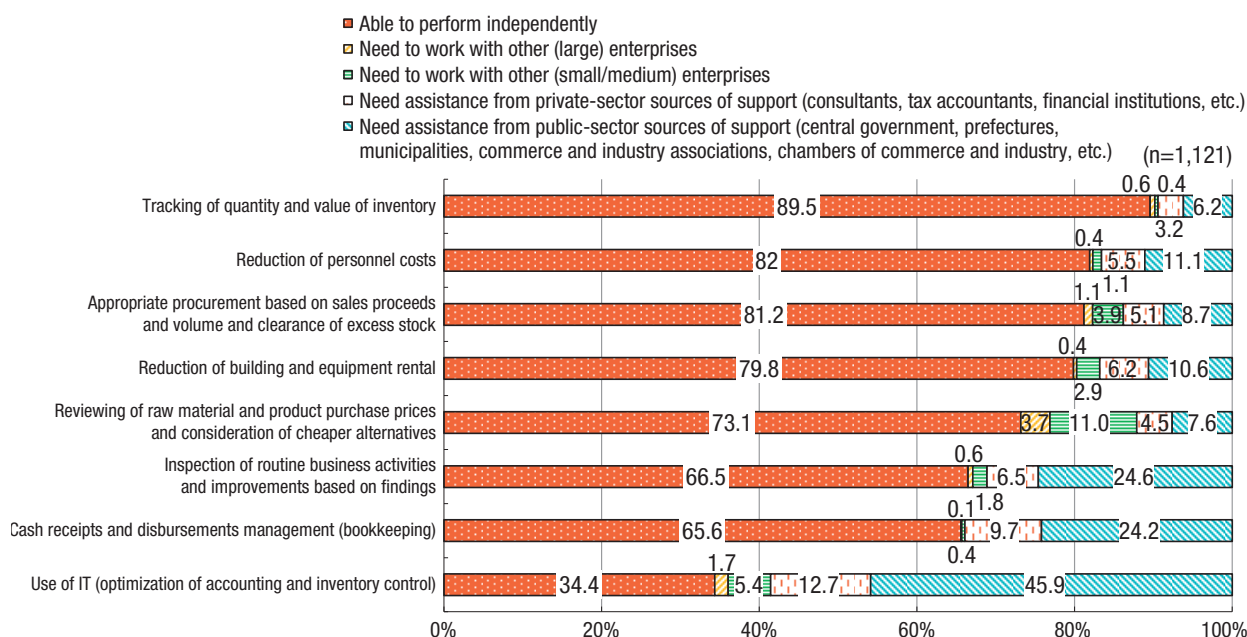
Appended note 1-3-11 Sources of assistance with action to ensure profitability in retail trade



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

Note: "Retail trade" includes eating and drinking services.

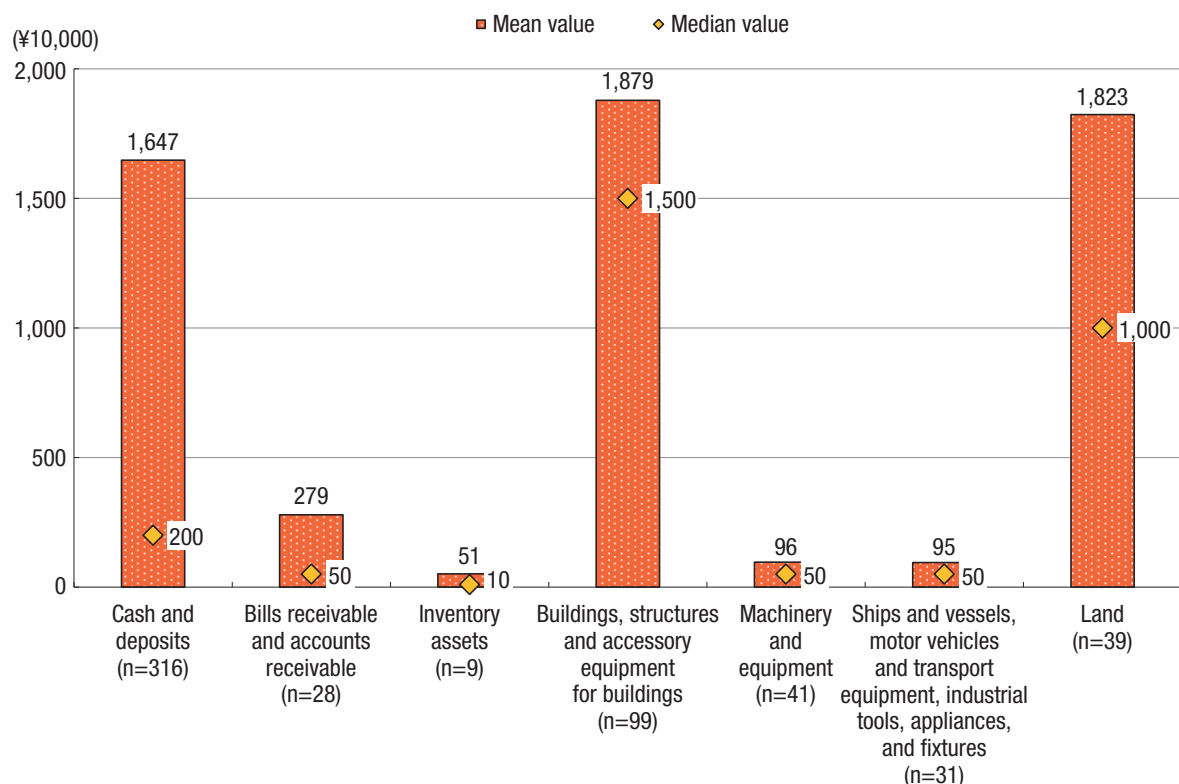
Appended note 1-3-12 Sources of assistance with action to ensure profitability in services



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses* (January 2015), commissioned by SME Agency.

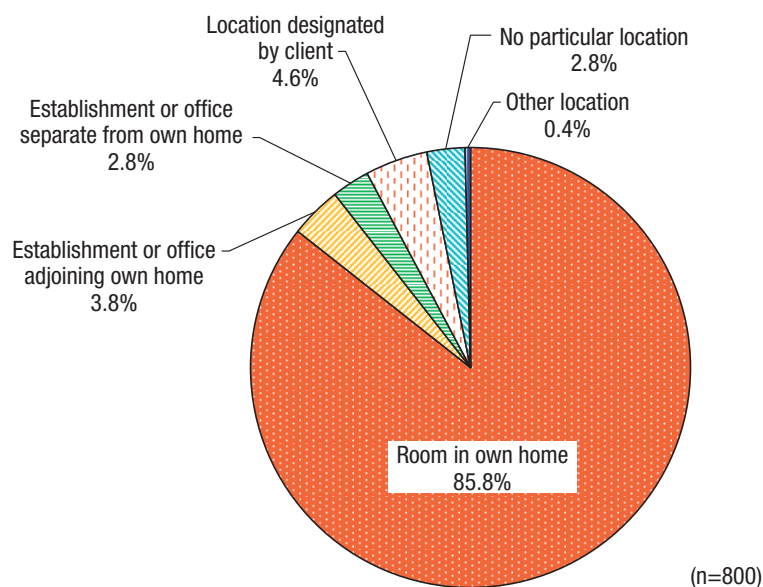
Note: "Services" covers the following: professional and technical services; accommodations services; life-related, entertainment and recreation services; education and learning support; and medical, healthcare and welfare.

Appended note 1-3-13 Value of business assets owed by freelancers



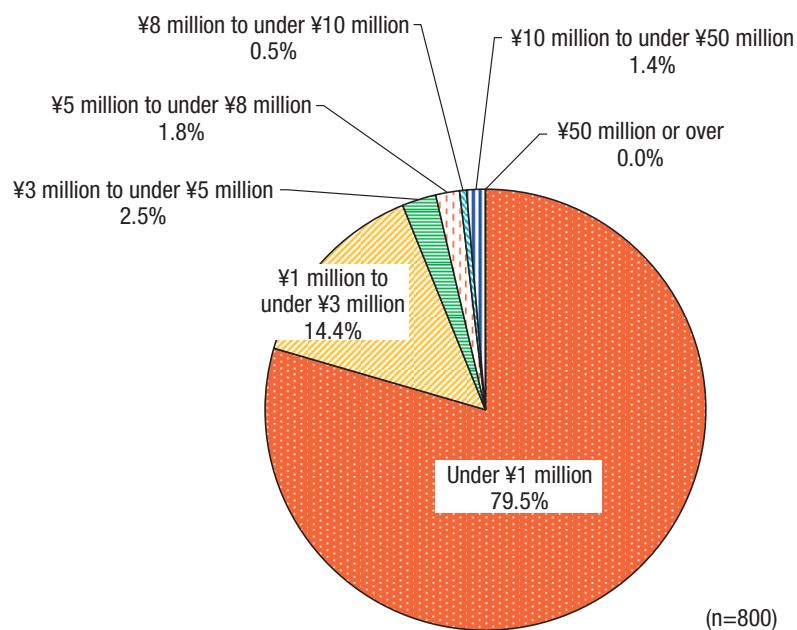
Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Appended note 1-3-14 Locations where freelancers mostly work



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Appended note 1-3-15 Initial costs incurred by freelancers



Source: Applied Research Institute, Inc., *Survey on the Conditions of Business Activities of Micro Businesses: Freelancers* (February 2015), commissioned by SME Agency.

Supplementary statistical data

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Table 1
Small enterprise numbers, workers, sales, and value added in the retail trade
categorized at the intermediate and minor industry group levels
(based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
General merchandise retailers	Miscellaneous retail trade, general merchandise (fewer than five regular workers)	558	1,600	144	22
Woven fabrics, apparel, apparel accessories and notions	Dry goods, cloth and bedding stores	13,376	33,797	1,755	565
	Men's clothing stores	8,286	20,749	1,714	476
	Ladies' and children's clothing stores	33,195	80,317	5,205	1,415
	Footwear stores	5,074	11,619	701	203
	Miscellaneous woven fabrics, apparel, apparel accessories and notions stores	14,893	34,268	1,824	500
Food and beverage stores	Grocery stores	11,731	32,126	2,694	589
	Vegetable and fruit stores	16,206	44,731	3,203	802
	Meat and poultry stores	8,666	25,753	1,992	590
	Fresh fish stores	12,407	33,207	2,381	663
	Liquor stores	33,233	78,627	7,474	1,375
	Confectioneries and bakeries	35,457	102,917	3,689	1,409
	Miscellaneous food and beverage stores	68,097	217,527	14,753	3,740
Machinery and equipment stores	Motor vehicle stores	46,752	142,908	19,861	4,699
	Bicycle stores	10,348	19,331	954	310
	Machinery and equipment stores (except motor vehicles and bicycles)	33,194	93,178	9,227	2,395
Miscellaneous retailers	Furniture, fixture and <i>tatami</i> mat (straw-mat) stores	17,594	43,264	2,673	874
	Household utensil stores	13,374	31,329	1,855	488
	Medicine and toiletry stores	33,864	102,717	13,187	3,308
	Farming supply stores	7,160	21,792	2,555	606
	Fuel stores	21,689	83,116	17,023	3,110
	Book and stationery stores	17,268	61,943	4,571	1,078
	Sporting goods, toys, amusement goods and musical instrument stores	14,977	38,460	3,279	803
	Camera, watch and spectacles stores	11,596	27,647	1,940	618
	Stores not elsewhere classified	72,524	181,728	11,846	3,259
Non-store retailers	Mail order houses and door-to-door sales	15,759	37,420	4,521	1,054
	Vending machine sales	3,344	5,370	343	67
	Miscellaneous non-store retailers	2,576	6,745	672	180
Unclassifiable retailers		4,934	14,789	1,012	332
Total		588,132	1,628,975	143,050	35,528

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with five or fewer regular employees.

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan

published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 2
Small enterprise numbers, workers, sales, and value added in the wholesale trade categorized at the intermediate and minor industry group levels (based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Wholesale trade (machinery and equipment)	Wholesale trade, general merchandise	655	2,550	929	92
Wholesale trade (textile and apparel)	Textile products (except apparel, apparel accessories and notions)	2,914	8,948	2,556	380
	Apparel	5,767	18,762	4,276	733
	Apparel accessories and notions	4,963	16,303	3,464	640
Wholesale trade (food and beverages)	Agricultural, livestock and aquatic products	19,154	73,594	26,071	2,885
	Food and beverages	16,214	53,659	14,970	1,859
Wholesale trade (building materials, minerals and metals, etc.)	Building materials	17,739	60,649	15,443	2,372
	Chemicals and related products	6,776	24,628	13,746	3,925
	Petroleum and minerals	1,641	6,001	8,689	526
	Iron and steel products	3,014	11,259	6,278	705
	Non-ferrous metals	1,846	6,283	5,988	370
	Recycled material	5,907	20,894	4,834	822
Wholesale trade (machinery and equipment)	Industry machinery and equipment	13,554	46,417	13,804	2,115
	Motor vehicles	7,226	25,187	6,892	1,060
	Electrical machinery, equipment and supplies	7,029	23,898	7,070	1,079
	Miscellaneous machinery and equipment	4,356	14,647	5,856	701
Miscellaneous wholesale trade	Furniture, fixtures and house furnishings	6,818	22,301	4,428	809
	Medicines and toiletries	8,337	25,584	6,122	918
	Paper and paper products	3,436	11,633	3,152	445
	Other products not elsewhere classified	22,178	74,948	25,537	2,818
Unclassifiable wholesalers		4,189	14,378	4,147	906
Total		163,713	562,523	184,253	26,161

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with five or fewer regular employees.

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 3
Small enterprise numbers, workers, sales, and value added in the accommodations and food services categorized at the intermediate and minor industry group levels
(based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Accommodations services	Hotels	30,510	184,628	7,391	2,762
	Common lodging houses	1,562	6,804	240	101
	Boarding houses	1,219	3,440	114	44
	Miscellaneous lodging places	1,044	4,394	168	72
Unclassifiable accommodations		82	479	34	12
Eating and drinking places	Eating places (except specialty restaurants)	30,741	93,950	2,351	962
	Specialty restaurants	104,055	367,020	11,568	4,768
	<i>Soba</i> and <i>udon</i> restaurants	21,275	76,450	1,935	862
	<i>Sushi</i> restaurants	18,496	57,184	2,196	881
	Drinking houses and beer halls	90,014	237,301	6,085	2,325
	Bars, cabarets and night clubs	89,804	245,256	4,125	1,825
	Coffee shops	56,441	135,006	2,610	1,014
	Miscellaneous eating and drinking places	17,068	43,769	1,006	372
food take-out and delivery services	Food take-out services	5,551	18,135	509	197
	Food delivery services	4,959	22,188	840	323
Unclassifiable eating and drinking places, food take-out and delivery services		2,362	8,542	306	123
Total		475,183	1,504,546	41,478	16,643

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with 20 or fewer regular employees for accommodations, and five or fewer regular employees for food services.

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 4
Small enterprise numbers, workers, sales, and value added in construction
categorized at the intermediate and minor industry group levels
(based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Construction work, general including public and private construction work	General civil engineering work and building work	5,531	49,817	9,495	1,464
	Civil engineering work (except paving work)	65,501	506,708	61,295	14,553
	Paving work	3,607	34,832	4,921	1,118
	Building work (except wooden building work)	43,839	253,619	52,029	9,269
	Wooden building work	44,763	176,672	32,075	6,186
	Building reform work	21,514	74,188	9,337	2,191
Construction work by specialist contractor, except equipment installation work	Carpentry work	28,855	80,235	6,411	1,826
	Scaffolding work, earth work and concrete work	15,329	105,204	10,560	3,060
	Steel-frame and steel reinforcement work	7,097	46,139	4,717	1,227
	Masonry, brick, tile and concrete block work	7,496	28,644	3,243	799
	Plaster work	13,000	44,752	2,431	916
	Sheet-metal work and hardware work	14,111	47,140	3,943	1,343
	Painting work	22,237	101,226	8,540	2,693
	Flooring and interior finishing work	22,466	87,397	12,506	2,722
	Miscellaneous construction work by specialist contractor	23,421	123,957	13,900	3,715
Equipment installation work	Electric work	46,484	222,758	23,702	7,686
	Telecommunication work and signal system work	6,532	45,823	4,478	1,545
	Piping work (except water-well drilling work)	38,021	199,775	22,138	6,234
	Machine and equipment installation work	6,483	44,396	5,335	1,602
	Miscellaneous equipment installation work	5,039	30,841	3,636	1,109
Unclassifiable construction		6,967	34,040	5,057	1,317
Total		448,293	2,338,163	299,745	72,574

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with 20 or fewer regular employees.

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 5
Small enterprise numbers, workers, sales, and value added in manufacturing
categorized at the intermediate industry group level
(based on private enterprises in non-primary industries, 2012)

Intermediate industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Manufacture of food	33,561	241,086	22,841	5,703
Manufacture of beverages, tobacco and feed	5,529	44,100	5,870	1,485
Manufacture of textile products	40,926	193,246	15,368	5,239
Manufacture of lumber and wood products (except furniture)	12,287	62,785	6,828	1,790
Manufacture of furniture and fixtures	21,727	83,674	6,308	2,129
Manufacture of pulp, paper and paper products	8,174	53,845	5,819	1,686
Printing and allied industries	27,450	143,264	12,175	4,227
Manufacture of chemical and allied products	3,476	27,790	13,644	2,096
Manufacture of petroleum and coal products	485	3,904	5,855	608
Manufacture of plastic products	17,143	117,883	13,079	3,694
Manufacture of rubber products	4,003	24,811	2,257	749
Manufacture of leather tanning, leather products and fur skins	5,210	23,155	2,065	588
Manufacture of ceramic, stone and clay products	15,788	97,662	14,651	3,405
Manufacture of iron and steel	6,199	38,156	8,261	1,764
Manufacture of non-ferrous metals and products	4,352	26,043	10,521	1,685
Manufacture of fabricated metal products	51,479	287,553	28,285	9,772
Manufacture of general-purpose machinery	12,429	72,905	7,998	2,778
Manufacture of production machinery	33,801	194,030	21,441	7,696
Manufacture of business oriented machinery	6,735	42,543	4,673	1,624
Manufacture of electronic parts, devices and electronic circuits	5,085	35,801	3,634	1,051
Manufacture of electrical machinery, equipment and supplies	12,390	81,726	9,096	2,855
Manufacture of information and communication electronics equipment	1,789	13,231	1,721	454
Manufacture of transportation equipment	13,174	88,359	8,930	3,219
Miscellaneous manufacturing industries	27,768	119,995	9,307	3,221
Unclassifiable manufacturing	2,806	12,534	2,076	451
Total	373,766	2,130,081	242,706	69,971

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with 20 or fewer regular employees.

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 6
Small enterprise numbers, workers, sales, and value added in the life-related, entertainment and recreation services categorized at the intermediate and minor industry group levels
(based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Laundry, beauty and bath services	Laundries	37,942	87,552	1,965	969
	Barbershops	100,352	188,890	3,614	2,123
	Hair-dressing and beauty salons	146,288	274,895	7,479	3,915
	Public bathhouses	3,133	10,308	343	154
	Miscellaneous public bathhouses	922	3,684	153	47
	Miscellaneous laundry, beauty and bath services	13,018	30,574	1,035	383
Miscellaneous living-related and personal services	Travel agencies	4,368	20,558	4,869	761
	Garment sewing services and repair shops	5,016	9,366	121	58
	Checkrooms, safety deposit services	1,711	3,528	63	32
	Crematories and graveyard custodians	232	822	80	26
	Ceremonial occasions	3,119	15,918	1,532	520
	Life-related services not elsewhere classified	15,180	39,878	2,047	565
Entertainment and recreation services	Cinemas	160	1,339	120	33
	Performances, theatrical companies	2,052	12,834	1,650	377
	Bicycle, house, motorcar and motorboat race track operations and companies	609	5,408	449	223
	Sports facilities	5,018	37,857	2,320	832
	Public gardens and amusement parks	199	1,782	135	45
	Amusement and recreation facilities	8,859	50,771	18,022	2,042
	Miscellaneous amusement and recreation services	8,198	33,648	1,663	537
Unclassifiable life-related, entertainment and recreation services		1,430	4,014	203	62
Total		357,806	833,626	47,863	13,704

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

- Notes:
1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).
 2. Small enterprises are enterprises with 20 or fewer regular employees for entertainment and recreation services, and five or fewer regular employees for life-related services. However, small enterprises are enterprises with 20 or fewer regular employees for travel agencies.
 3. Industries are classified according to the November 2007 revised system of industry classification.
 4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 7
Small enterprise numbers, workers, sales, and value added in real estate and goods rental and leasing categorized at the intermediate and minor industry group levels
(based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Real estate agencies	Real estate agents and brokers	39,902	127,126	11,556	4,289
	Sales agents of buildings and houses and land subdividers and developers	13,367	55,523	21,286	4,228
Real estate lessors and managers	House and room lessors	158,878	316,000	25,499	10,653
	Real estate lessors (except house and room lessors)	37,608	115,826	19,680	8,486
	Automobile parking	30,227	53,050	1,816	916
	Real estate managers	25,399	80,044	8,348	2,938
Unclassifiable real estate		3,753	10,163	1,054	405
Goods rental and leasing	Miscellaneous goods rental and leasing	3,999	13,534	825	297
	Industrial equipment and machinery rental	3,332	11,214	1,580	455
	Automobile rental	1,369	3,429	378	101
	Sports and hobby goods rental	416	1,842	78	29
	Office machinery rental	245	590	109	25
	General goods rental and leasing	120	429	377	49
Unclassifiable goods rental and leasing		347	1,161	129	39
Total		318,962	789,931	92,714	32,910

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

- Notes:
1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).
 2. Small enterprises are enterprises with five or fewer regular employees for goods rental and leasing, and 20 or fewer regular employees for real estate agencies, real estate lessors and managers (including unclassifiable ones). However, small enterprises are enterprises with five or fewer regular employees for automobile parking.
 3. Industries are classified according to the November 2007 revised system of industry classification.
 4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 8
Small enterprise numbers, workers, sales, and value added in the scientific research and professional and technical services categorized at the intermediate and minor industry group levels
(based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Scientific and development research institutes	Research institutes for natural sciences	886	2,547	309	120
	Research institutes for humanities and social sciences	145	376	17	7
	Unclassifiable scientific and development research institutes	25	93	30	18
Professional services (not elsewhere classified)	Lawyers' and patent attorneys' offices	10,039	29,157	1,933	1,189
	Notaries public's, judicial scriveners' and land and house surveyors' offices	16,405	42,434	1,946	1,184
	Administrative scriveners' offices	5,428	9,794	272	148
	Certified public accountants' and certified tax accountants' offices	23,923	73,726	4,783	2,838
	Certified social insurance and labor consultants' offices	4,646	11,103	465	287
	Design services	7,270	19,502	1,363	225
	Authors and artists	741	1,354	30	14
	Business consultants and pure holding companies	9,717	25,460	5,252	3,636
	Miscellaneous professional services	10,761	34,828	2,497	1,194
Advertising	Advertising	5,053	17,746	3,972	696
Technical services (not elsewhere classified)	Veterinary services	7,304	25,065	1,724	900
	Engineering and architectural services	38,030	103,288	6,183	2,797
	Mechanical design services	5,084	12,963	1,025	410
	Commodity inspection and non-destructive testing services	730	2,856	198	92
	Surveyor certification	484	1,792	107	48
	Photographic services	8,105	23,800	971	411
	Miscellaneous technical services	3,141	9,962	697	288
Unclassifiable scientific research and professional and technical services		1,483	4,095	390	148
Total		159,400	451,941	34,165	16,650

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with five or fewer regular employees.

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 9
Small enterprise numbers, workers, sales, and value added in medical, health care and welfare categorized at the intermediate and minor industry group levels (based on private enterprises in non-primary industries, 2012)

Intermediate industry group	Minor industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Medical and other health services	Hospitals	29	123	32	5
	Clinics of medical practitioners	21,245	101,741	8,215	4,323
	Dental clinics	39,765	169,191	10,233	5,583
	Maternity clinics and nursing	540	2,075	61	35
	Other health practitioners	66,534	143,797	4,045	2,106
	Services incidental to medical	5,403	13,815	737	365
Public health and hygiene	Health consultation offices	435	1,244	63	24
	Other public health and hygiene	99	362	13	6
Social insurance and social welfare	Child welfare services	2,343	11,186	177	104
	Welfare services for the aged and care services	3,609	24,264	539	304
	Welfare services for disabled persons	202	1,358	28	17
	Miscellaneous social insurance, social welfare and care services	99	302	8	4
Unclassifiable medical, health care and welfare		181	673	31	14
Total		140,484	470,131	24,182	12,890

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with five or fewer regular employees.

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

Table 10
Small enterprise numbers, workers, sales, and value added in eight other industries categorized at the major (eight other industries) and intermediate industry group levels
(based on private enterprises in non-primary industries, 2012)

Major industry group	Intermediate industry group	No. of enterprises	No. of workers	Sales (¥100 million)	Value added (¥100 million)
Mining and quarrying of stone and gravel	Mining and quarrying of stone and gravel	1,489	10,807	1,824	427
Electricity, gas, heat supply and water	Electricity, gas, heat supply and water	410	3,432	4,791	767
Information and communications	Information services	14,507	45,489	4,334	1,650
	Services incidental to internet (including unclassifiable information services and services incidental to internet)	3,067	13,489	2,802	625
	Video picture information, sound information, character information production and distribution	10,384	46,001	4,602	1,455
	Communications, broadcasting (including unclassifiable communications, broadcasting, video picture information, sound information, character information production and distribution)	1,600	8,977	2,121	451
	Total	29,558	113,956	13,860	4,181
Transportation and postal services	Road passenger transport	17,947	61,384	2,487	1,079
	Road freight transport	28,393	254,776	23,872	8,336
	Water transport	2,137	16,056	5,528	830
	Railway transport, air transport, etc. (including unclassifiable transportation and postal services)	802	7,924	914	284
	Warehousing	1,802	13,881	2,533	790
	Services incidental to transport	4,206	33,114	7,267	1,450
	Total	55,287	387,135	42,601	12,769
Finance and insurance	Non-deposit money corporations, including lending and credit card business	3,322	11,909	2,929	871
	Financial products transaction dealers and futures commodity transaction dealers	1,601	5,643	5,366	2,530
	Financial auxiliaries (including unclassifiable finance and insurance)	398	2,165	787	372
	Insurance institutions	23,866	90,619	5,734	3,028
	Total	29,187	110,336	14,815	6,801
Education and learning support	School education	368	1,594	33	17
	Miscellaneous education and learning support	92,251	208,062	3,738	1,650
	Total	92,619	209,656	3,771	1,667
Compound services	Compound services	3,461	9,047	259	120

Services (not elsewhere classified)	Waste disposal business	6,764	30,452	2,705	1,068
	Automobile maintenance services	48,328	141,110	9,091	3,752
	Machine, etc. repair services	16,162	42,735	2,644	1,113
	Employment and worker dispatching services	3,830	34,651	1,493	755
	Miscellaneous business services	21,057	94,542	6,768	2,283
	Religion	1,056	2,168	3	2
	Miscellaneous services	337	1,094	196	25
	Unclassifiable services (not elsewhere classified)	7,530	22,242	1,862	687
	Total	105,064	368,994	24,763	9,686

Source: Recompiled from MIC and METI, *2012 Economic Census for Business Activity*.

Notes: 1. Number of enterprises = number of companies + business establishments of sole proprietors (independent establishments and head offices).

2. Small enterprises are enterprises with 20 or fewer regular employees (five or fewer regular employees for services).

3. Industries are classified according to the November 2007 revised system of industry classification.

4. Direct comparisons should not be made between the present findings and results obtained from the Establishment and Enterprise Census of Japan published in the supplementary statistical data for past White Papers on SMEs as the Economic Census for Business Activity (1) captures a greater range of business establishments and enterprises due to its use of commercial and corporate registers and other administrative records, and (2) surveys enterprises and establishments en bloc by having head offices report information on their branches and other operations.

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