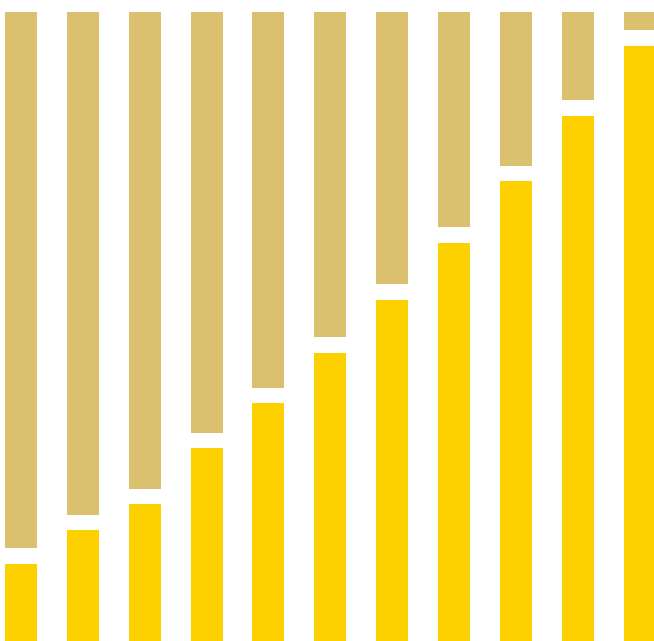
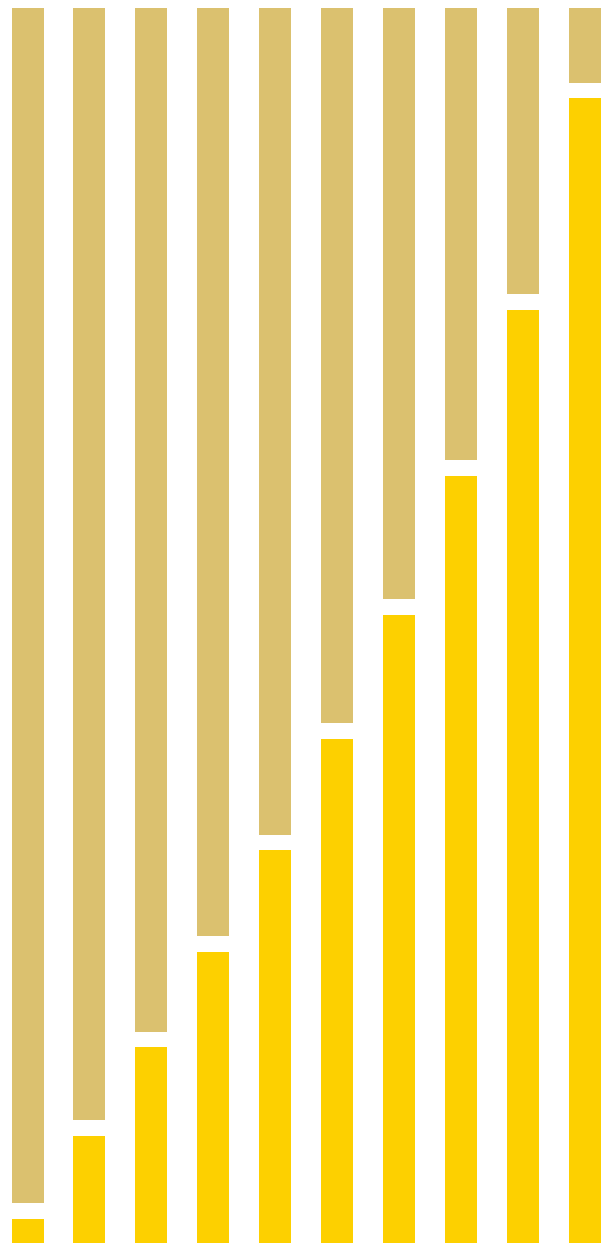


White Paper on

Small Enterprises

in Japan

2018



Minor Changes, Major Results!
Creative Ideas Can Increase Productivity!



Outline of the 2018 White Paper on Small Enterprises in Japan

This fourth White Paper on Small Enterprises in Japan(*) consists of three parts.

Part I analyzes recent trends and the labor productivity of micro businesses.

Part II examines the initiatives of micro businesses to improve productivity, with a focus on their review of operations, utilization of IT, capital investment, and inter-company cooperation.

Part III introduces case studies of micro businesses as representing new working styles, with reference to micro businesses and freelance businesses that achieve growth by addressing local issues.

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

Part I Developments among small enterprises in fiscal 2017

● Current state of small enterprises

This chapter examines the gradually improving business conditions of micro businesses, such as their recovery of ordinary profits accompanying the gradual recovery of Japan’s economy.

● Structural analysis of micro businesses

Upon presenting a general overview of micro businesses, this chapter describes their strengths and issues and presents a picture of their diversity.

● Labor productivity analysis of micro businesses

This chapter shows that some micro businesses have succeeded in achieving a level of labor productivity surpassing that of large enterprises and SMEs even amid a widening disparity in labor productivity between them and large enterprises/SMEs.

Part II Measures to increase labor productivity in micro businesses

● Labor shortages and operational review at micro businesses

This chapter discusses the importance of enhancing the operational efficiency of micro business managers by broadly examining the heightened sense of labor shortage among micro businesses and shedding light on the reality where many micro businesses are addressing the issue by increasing the working hours of their managers.

● Improving labor productivity at micro businesses through the use of IT

This chapter describes the current state and issues of IT utilization by micro businesses and discusses the importance of reducing the operational load of managers and increasing productivity by introducing IT mainly to back-office sections.

● Improvements in labor productivity due to capital investment by micro businesses

This chapter describes the current status of capital investment by micro businesses and shows that the lack of successor is one of the reasons behind their weak capital investment and that making active investments would lead to greater labor productivity.

● Better labor productivity through inter-company collaboration for micro businesses and business successions

This chapter describes the current status of inter-company cooperation among micro businesses and discusses how inter-company cooperation particularly among different industries can lead to greater labor productivity.

It also discusses how business succession can lead to labor productivity improvement by showing that micro businesses that have inherited a previous business are strongly growth-oriented and have high earning power.

Part III Active roles of micro businesses

● Micro businesses that achieve growth by addressing local issues

This chapter introduces case examples of initiatives by businesses that bring a ripple effect to the local economy, such as through the development of local products and businesses that support the local community by providing assistance to disadvantaged shoppers. Case examples in which local support organizations cooperate in supporting micro businesses are also introduced to show the importance of providing fine-tuned, community-based support.

● Micro businesses that represent new styles of working

This chapter introduces case examples of micro businesses that function as second or side businesses and micro businesses that cater to diverse working styles in response to life events such as having and raising a child, to show that micro businesses are becoming a source of employment to people seeking diverse working styles.

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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, and the term “small enterprises” refers to “small enterprises” as defined under Article 2, Paragraph 5 of said act. In addition, “medium enterprises” refers to SMEs other than small enterprises. (More specifically, SMEs and small enterprises may roughly be categorized as follows.)

Industry	SMEs (meet one or more of the following conditions)		Small enterprises included among SMEs at left
	Capital	Number of regular employees	Number of regular employees
1) Manufacturing, construction, transport, other industries (excluding 2)-4))*	Up to ¥300 million	Up to 300	Up to 20
2) Wholesale	Up to ¥100 million	Up to 100	Up to 5
3) Services*	Up to ¥50 million	Up to 100	Up to 5
4) Retail	Up to ¥50 million	Up to 50	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 & 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 & amusement 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. The phrase “Recompiled from” that is used in this paper indicates that the results shown have been independently calculated by the Small and Medium Enterprise Agency using questionnaire data obtained from various statistical surveys.

(1) Ministry of Economy, Trade and Industry (METI), *Census of Manufactures*

This survey provides statistics on numbers of business establishments. Surveys of all business establishments are conducted in years ending in 0, 3, 5 and 8 (up to the FY2008 survey), and surveys of business establishments and similar entities with no less than four workers are conducted in all other years.

In this report, business establishment data for each year are consolidated for analysis. It should be noted, however, that if a business establishment has three workers one year and four the next, it is treated as a new entry. (Conversely, a business establishment that goes from having four workers is treated as having exited.)

-
- (2) METI, *Census of Commerce*
This survey provides statistics on numbers of business establishments.
- (3) METI, *Basic Survey of Japanese Business Structure and Activities*
This survey covers only incorporated businesses with 50 or more workers and a capital or investment of at least ¥30 million. Thus, the results do not include small enterprises. Note that the formal name of the survey is “Ministry of Economy, Trade and Industry’s Basic Survey of Japanese Business Structure and Activities,” but it shall herein be referred to as “Basic Survey of Japanese Business Structure and Activities.”
- (4) 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 small enterprises. In consideration of sample sizes and response rates, moreover, the results concerning small 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.
- (5) Ministry of Internal Affairs and Communications (MIC), *Establishment and Enterprise Census, Economic Census for Business Frame* and MIC/METI, *Economic Census for Business Activity*
This census provides statistics on both business establishments and enterprises. In this report, enterprise-based analyses using these statistics also include sole proprietorships. However, the size of sole proprietorships is determined based on the number of workers at their head office or principal place of business only, as name gathering is unfeasible. Additionally, the *Economic Census for Business Frame* and the *Economic Census for Business Activity* cover the same survey subjects as the *Establishment and Enterprise Census*, but differ from it in that they (1) capture a greater range of business establishments and enterprises by using commercial and corporate registers and other administration records, and (2) adopt a method of surveying enterprises and establishments en bloc by having head offices report information on their branches and other operations. It should thus be noted that numerical differences compared to the results of the *Establishment and Enterprise Census* do not all indicate increases or decreases.
3. This report contains analyses based on questionnaire surveys on SMEs and 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 map of Japan shown in this report does not necessarily represent the entire territory of Japan.

Part I



Developments among micro businesses in fiscal 2017

Chapter 1

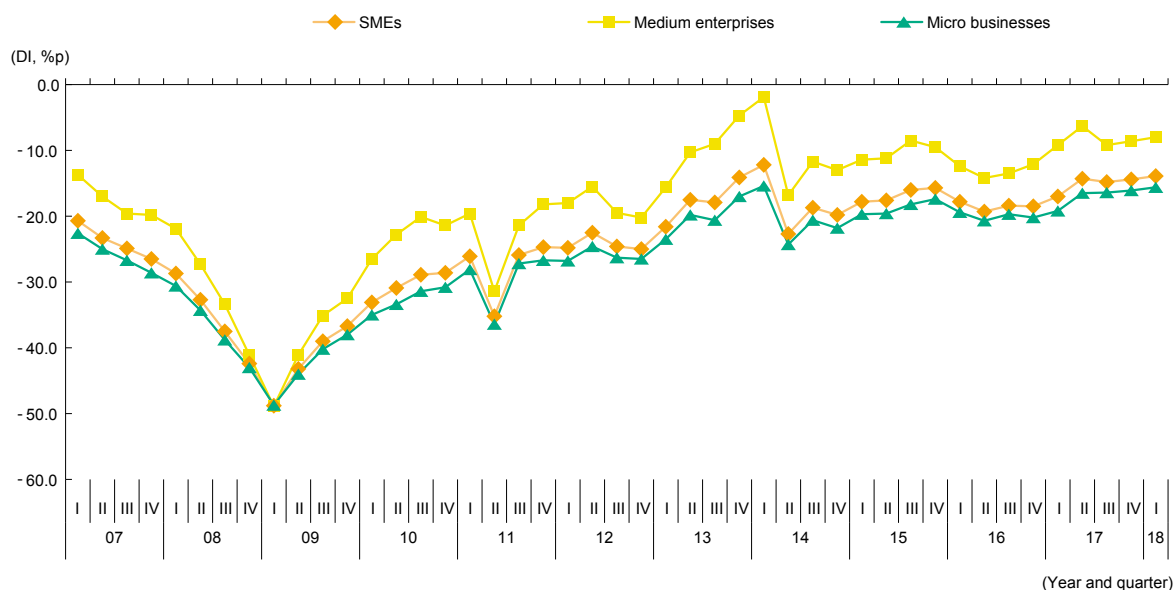
Current state of micro businesses

1. Business conditions

Here, let us first examine the status of SMEs according to the business conditions DI (the percentage (%) of companies that described recent business conditions as “good,” minus the percentage (%) of companies that described the conditions as “poor,” in comparison with the previous quarter) presented in the *Survey on SME Business Conditions* (hereinafter, Business Conditions Survey) conducted by the SME Agency and the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ), in which 80% of the enterprises surveyed are small enterprises (Fig. 1-1-1).

The business conditions DI of SMEs (medium enterprises and micro businesses) generally improved over the past decade, although it plunged once in 2009 and dropped a number of times again in the wake of the Great East Japan Earthquake and consumption tax increase among both medium enterprises and micro businesses. Throughout the year in 2017, the index showed a gradual recovery trend among enterprises and businesses of all sizes and surpassed the level in 2007 before the Lehman crisis.

Fig. 1-1-1 Business Conditions DI by enterprise size

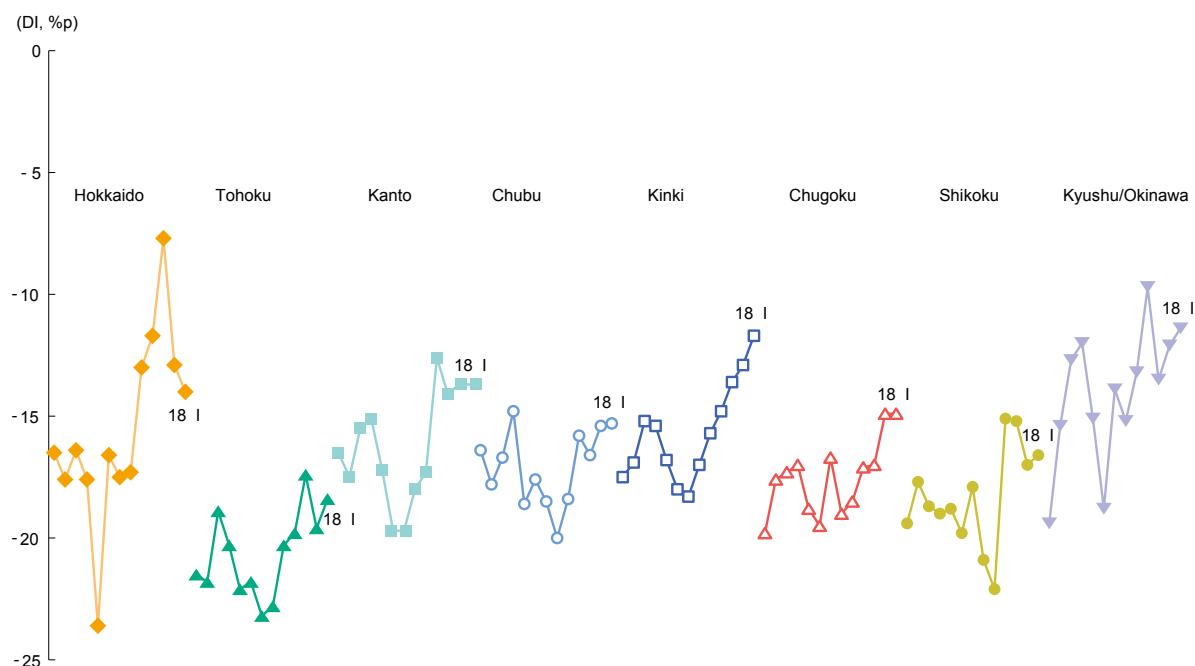


Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

- Notes:
1. The business conditions DI in the survey is the percentage of companies that described recent business conditions as “good” minus the percentage (%) of companies that described the conditions as “poor,” in comparison with the previous quarter.
 2. Here, SMEs refer to “small and medium enterprises” as defined in Article 2 Paragraph 1 of the Small and Medium-sized Enterprise Basic Act; micro businesses refer to small enterprises as defined in Article 2 Paragraph 5 of the Small and Medium-sized Enterprise Basic Act; and medium enterprises refer to enterprises among SMEs that are not micro businesses.

Next, a look at the business conditions DI of the survey discussed above by region shows that the business conditions of SMEs were generally on an improving trend throughout the year, although some regional differences in level and movement were observed (Fig. 1-1-2 (1)).

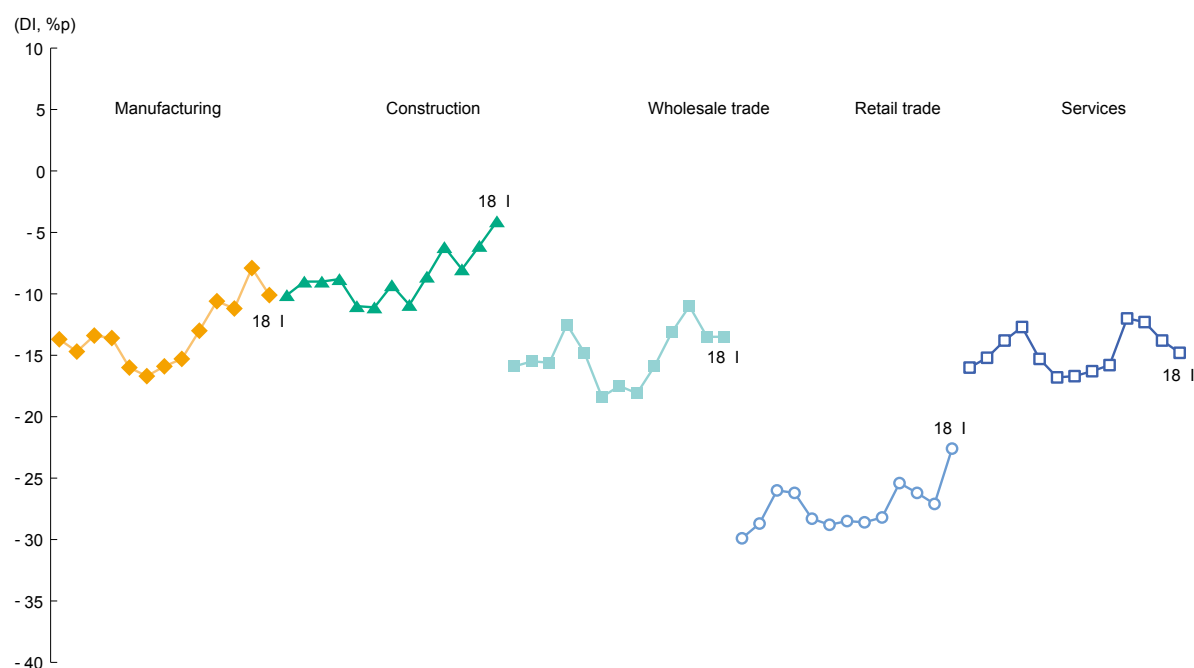
Similarly, the business conditions in each industry also showed an improving trend throughout the year, although there were some differences according to industry (Fig. 1-1-2 (2)).

Fig. 1-1-2 (1) Business conditions DI by region

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

Notes: 1. The period covered is from the first quarter of 2015 to the first quarter of 2018.

2. Regional categories are based on prefectures that are under the charge of each Regional Bureau of Economy, Trade and Industry. Niigata, Yamanashi, Nagano and Shizuoka are included in Kanto; Ishikawa and Toyama is included in Chubu; and Fukui is included in Kinki. Kyushu/Okinawa is the total of all prefectures in Kyushu and Okinawa.

Fig. 1-1-2 (2) Business conditions DI by industry

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

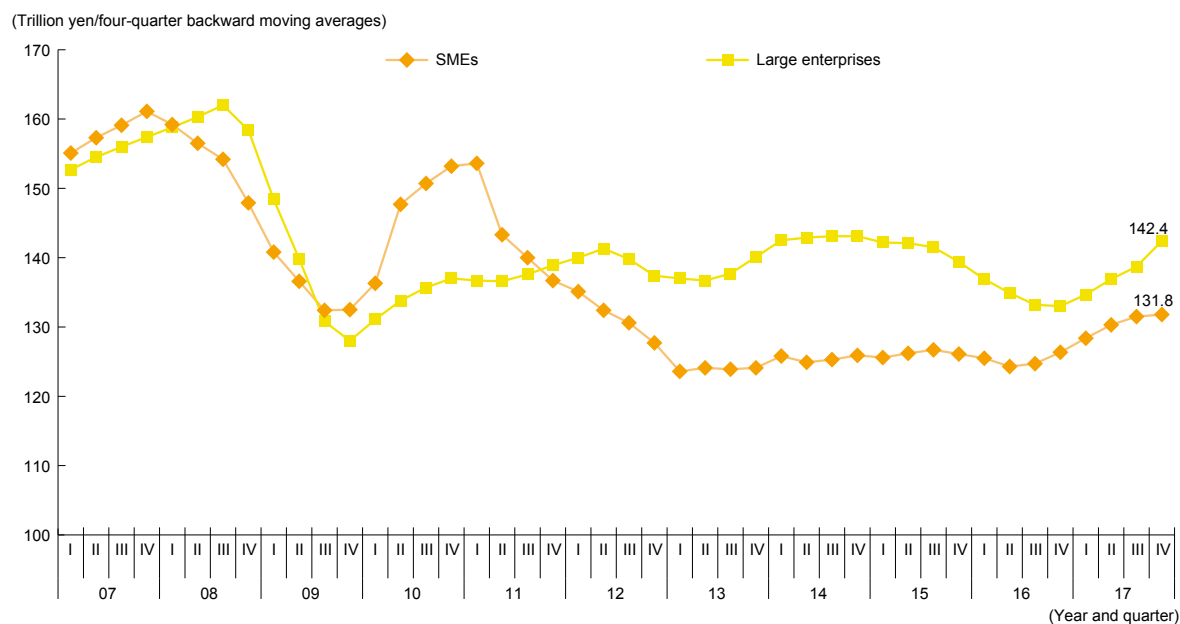
Note: The period covered is from the first quarter of 2015 to the first quarter of 2018.

2. Earnings

Next, let us look at the status of earnings among SMEs. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* of the MOF, sales among SMEs over the past decade showed a continuous declining trend in 2011 and 2012 but leveled off after the first quarter of 2013 (Fig. 1-1-3). In the third quarter of

2016, recovery of the global economy helped sales return to an increasing trend, and an increase of approximately ¥5.4 trillion was achieved over the year in 2017. This situation seemed indicative of the gradually shrinking difference between SMEs and large enterprises.

Fig. 1-1-3 Sales by enterprise size



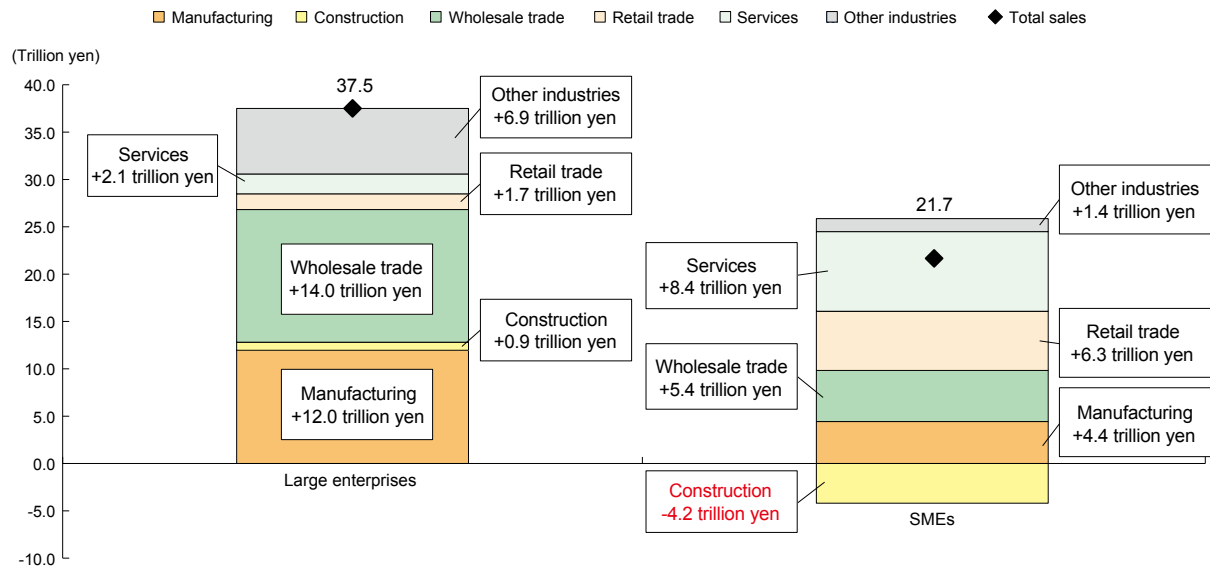
Source: MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Note: Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

To assess which specific industries contributed to increasing sales in 2016 and 2017 immediately before sales switched to an increasing trend, let us break down total sales achieved between the two points in time by industry and by enterprise size (Fig. 1-1-4).

Among large enterprises, all six industry divisions boosted sales, with the largest contribution made by the wholesale trade industry (+¥14.0 trillion) and

manufacturing industries (+¥12.0 trillion). Among SMEs, the services industry (+¥8.4 trillion) and retail trade industry (+¥6.3 trillion) contributed the most with figures that largely surpassed their large enterprise counterparts. However, while practically all SME industries contributed to boosting sales, the SME construction industry was an exception, with its decline in sales (-¥4.2 trillion) contributing to pushing down the total.

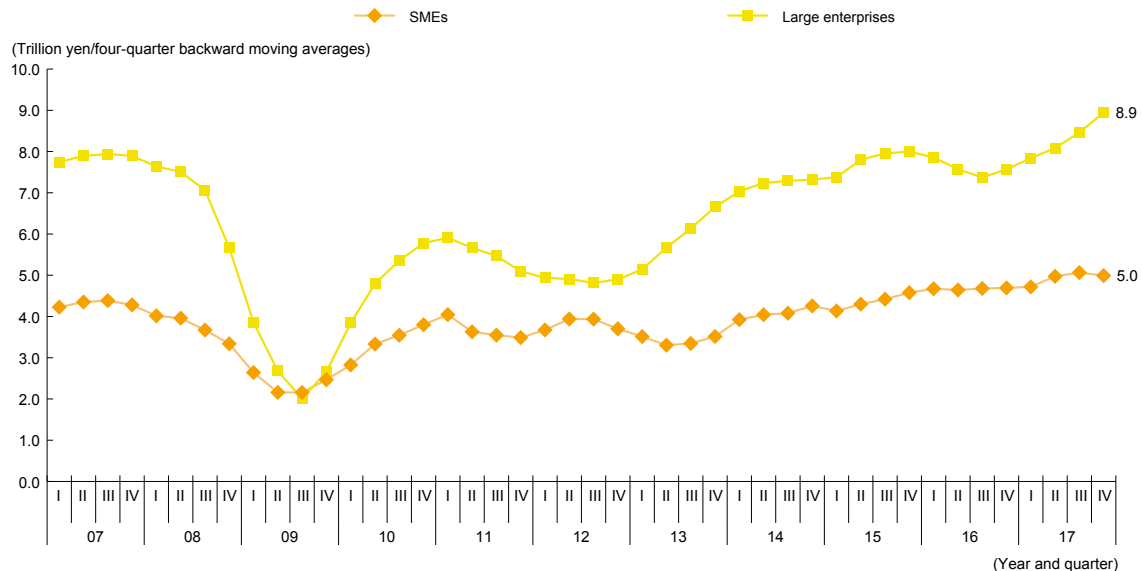
Fig. 1-1-4 Decomposition of sales by industry (increase between 2016 and 2017)

Source: MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Note: Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

Let us look at changes in operating profits. The operating profits of SMEs significantly dropped in 2009 after the Lehman crisis and alternately improved and declined after 2010. In 2014, a gradual recovery took hold,

and operating profits increase to practically the same level as during the bubble economy period, indicating that the results of sales activities in the core businesses of SMEs have marked record highs on the whole (Fig. 1-1-5).

Fig. 1-1-5 Operating profits by enterprise size

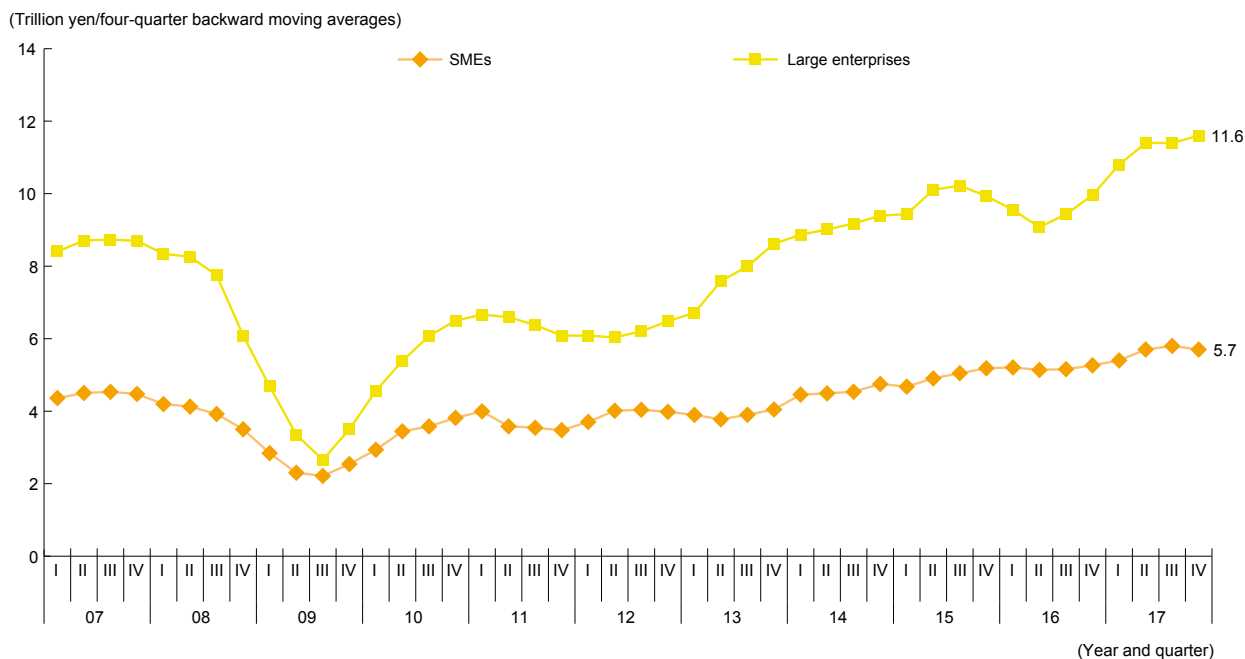
Source: MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Note: Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

Meanwhile, the ordinary profits of SMEs marked the largest drop in 2009 after the Lehman crisis but generally shifted to a gradual recovery trend thereafter (Fig. 1-1-6). In 2017, SMEs enjoyed record-high levels of ordinary

profits since statistics have been kept, as an indication of the gradual spreading of the positive economic cycle to SMEs as well as large enterprises.

Fig. 1-1-6 Ordinary profits by enterprise size

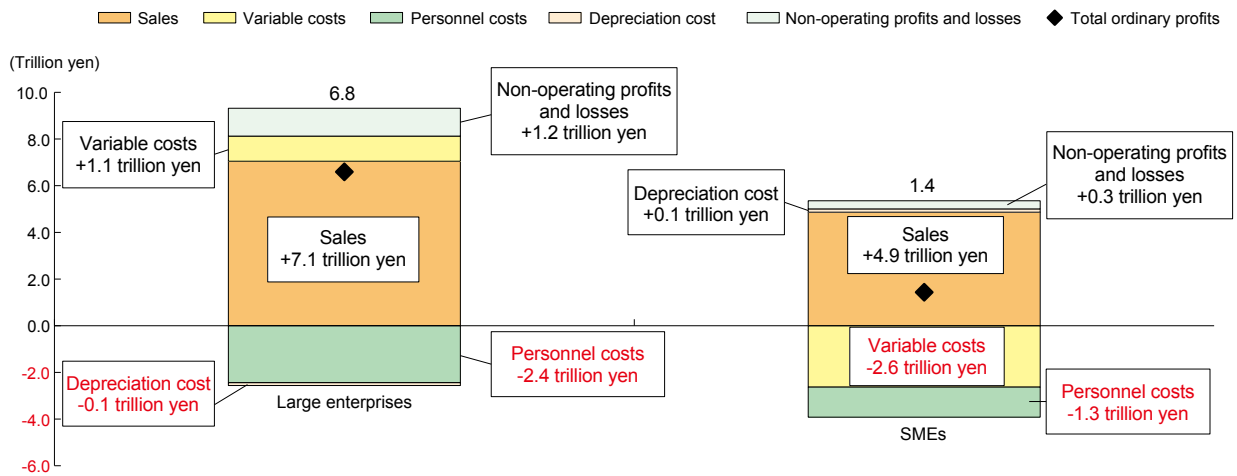


Source: MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Note: Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

To assess the factors that contributed to increasing ordinary profits, let us break down the increases in ordinary profits by enterprise size (Fig. 1-1-7). When the increases in ordinary profits (difference between ordinary profits in 2017 compared to the previous year) are broken down into such contributing factors as sales, variable costs, personnel costs, depreciation cost and non-operating profits and losses, we see that sales contributed

the most to increasing ordinary profits in both large enterprises and SMEs, although the expansion in sales in SMEs was not as strong as large enterprises. At the same time, variable costs made a large negative contribution to ordinary profits in SMEs due to the impact of the rising costs of crude oil and other such raw materials, as will be discussed later.

**Fig. 1-1-7 Decomposition analysis of ordinary profits
(increase between 2016 and 2017)**

Source: MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Notes: 1. Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

2. The decomposition analysis of ordinary profits was conducted based on the following calculation.

π : Ordinary profits, S: Sales,

F: Fixed costs (personnel costs (P) + non-operating profits and losses (N) + depreciation cost (D)), V: Variable costs

$\pi = S - V - F$, so $\pi = S - S \times V/S - P - N - D$

$$\Delta\pi = \frac{(1-V/S) \times \Delta S}{\text{Sales}} - \frac{\Delta(V/S) \times S}{\text{Variable costs}} - \frac{\Delta P}{\text{Personnel costs}} - \frac{\Delta N}{\text{Non-operating profits and losses}} - \frac{\Delta D}{\text{Depreciation cost}}$$

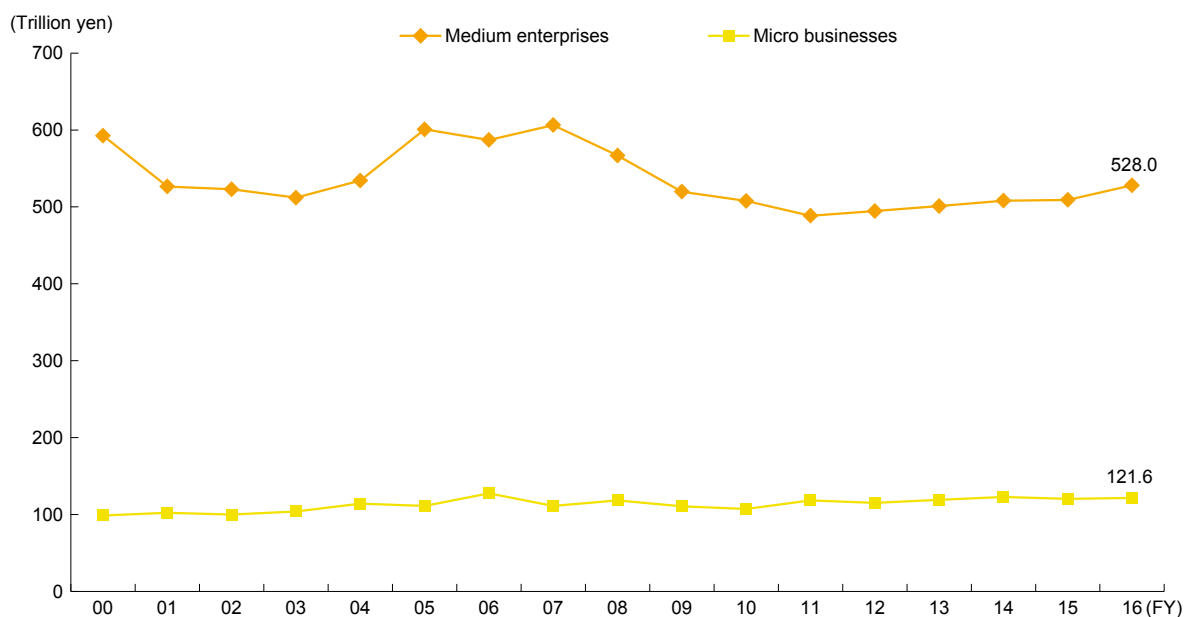
As we have seen above, the business conditions and earnings status of SMEs generally improved in 2017, and the environment surrounding SMEs as a whole was thus on an improving trend. While this favorable trend was also seen among micro businesses, there are thought to be enterprises that still remain in a difficult situation.

The analyses of earnings trends such as of ordinary profits and sales that we have seen so far did not include small enterprises with a capital of less than ¥10 million,

so let us examine the earnings trends of these small enterprises using the Ministry of Finance's *Financial Statements Statistics of Corporations by Industry, Annually*, below.

First, when we look at trends in sales in Fig. 1-1-8, we see that the sales of medium enterprises¹⁾ began to increase in fiscal 2016 after remaining virtually unchanged until then, but the sales of micro businesses continued to hover at a lower level than medium enterprises.

1) Medium enterprises here refer to enterprises among SMEs as defined by the Small and Medium-sized Enterprise Basic Act that do not fall under the definition of small enterprises in the said Act.

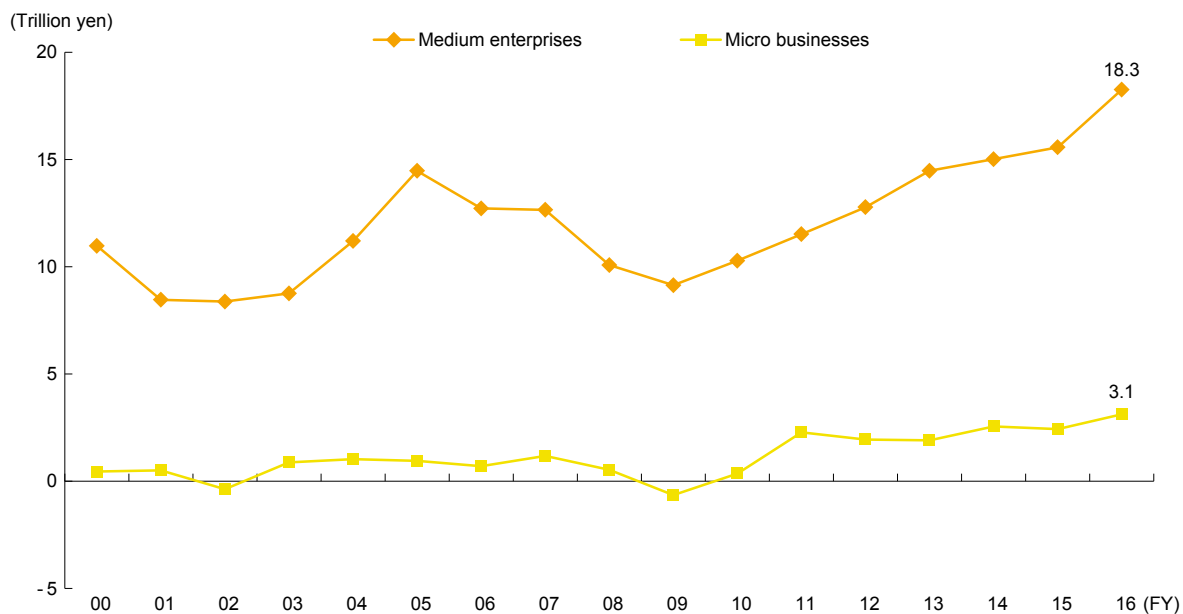
Fig. 1-1-8 Sales of medium enterprises and micro businesses

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

Note: Medium enterprises here refer to enterprises with a capital of ¥10 million or more and less than ¥100 million. Micro businesses refer to enterprises with a capital of less than ¥10 million.

Additionally, when we look at trends in ordinary profits in Fig. 1-1-9, the ordinary profits of micro businesses

began to show a gradual increase, but the rate of increase was still not as strong as medium enterprises.

Fig. 1-1-9 Ordinary profits of medium enterprises and micro businesses

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

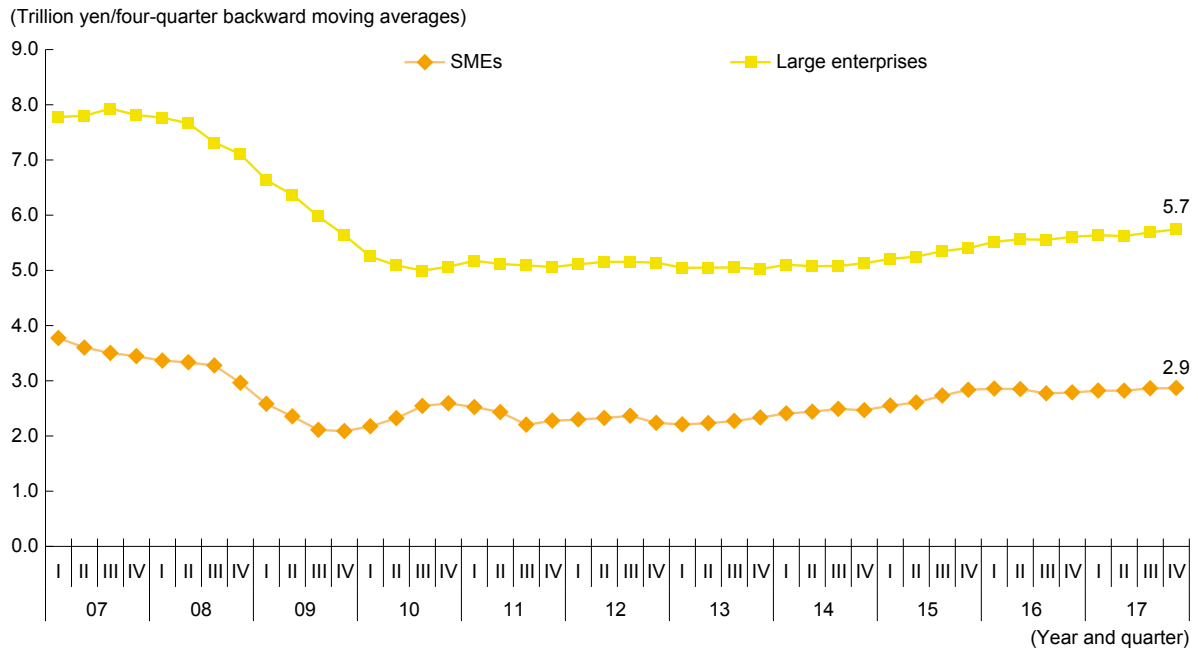
Note: Medium enterprises here refer to enterprises with a capital of ¥10 million or more and less than ¥100 million. Micro businesses refer to enterprises with a capital of less than ¥10 million.

3. Investment

Contrary to the favorable SME business environment, capital investments by SMEs dropped significantly in 2009 after the Lehman crisis and stagnated for a while before investment amounts began to grow gradually from

2013 (Fig. 1-1-10). However, the increases in capital investments by SMEs consisted mainly of replacement investments due to the aging of facilities.

Fig. 1-1-10 Capital investment by enterprise size

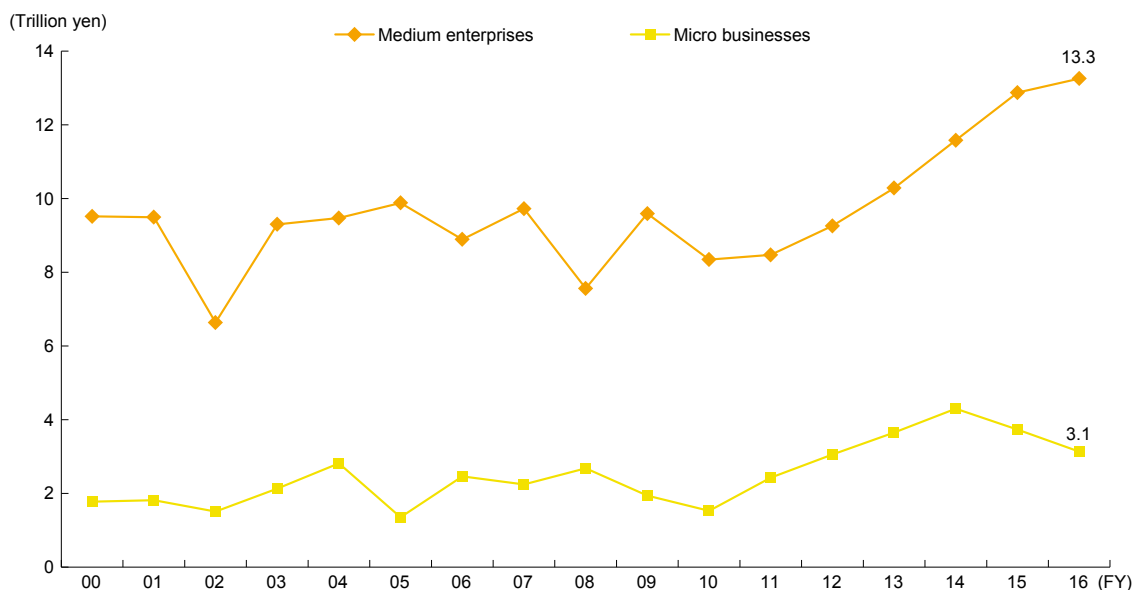


Source: MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Note: Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

Next, when we look at the trend in capital investment by medium enterprises and micro businesses according to the Ministry of Finance's *Financial Statements Statistics of Corporations by Industry, Annually*, the two groups of enterprises showed generally similar trends, although the capital investment amount differed between them (Fig.

1-1-11). Nevertheless, while recent movements show a continual increase in the capital investment amount of medium enterprises, the capital investment amount of micro businesses shows a decreasing trend after fiscal 2014, indicating the widening disparity between the two groups.

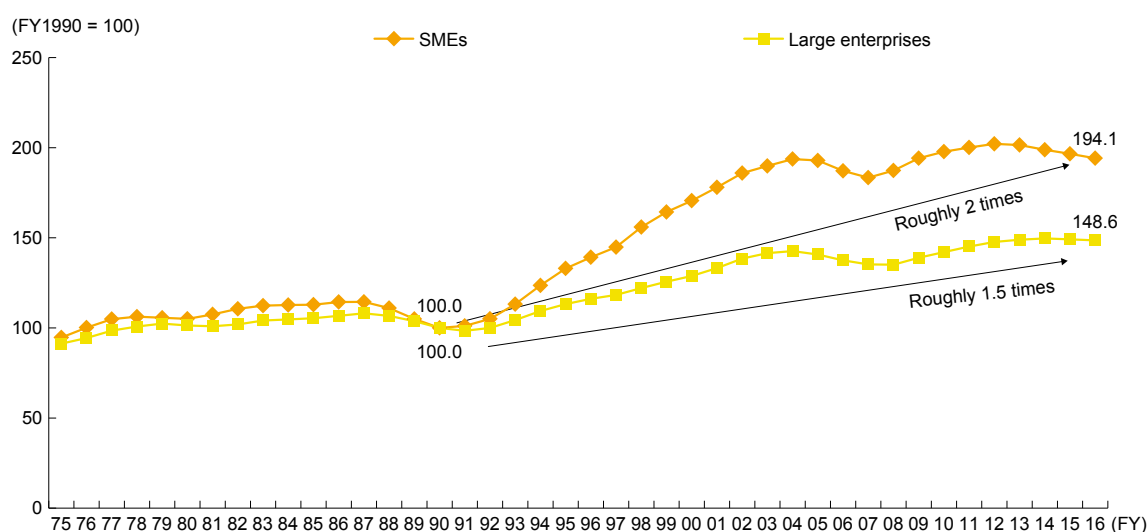
Fig. 1-1-11 Capital investment by medium enterprises and micro businesses

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

Note: Medium enterprises here refer to enterprises with a capital of ¥10 million or more and less than ¥100 million. Micro businesses refer to enterprises with a capital of less than ¥10 million.

Next, let us examine facility ages, or the number of years that have passed since facilities were newly installed. The ages of facilities in SMEs and large enterprises were practically the same level in fiscal 1990, so the ages then shall be given an index of 100. When facility ages are examined based on this index, the facility age index of large enterprises was 148.6 in fiscal 2016 and roughly 1.5 times the index in fiscal 1990, but among SMEs, the

index was 194.1 and roughly 2 times the index in fiscal 1990. Clearly, the aging of facilities has progressed more quickly in SMEs than large enterprises, and the difference in ages shows no signs of narrowing, precisely because of the limited capacity for capital investment by SMEs (Fig. 1-1-12).

Fig. 1-1-12 Facility ages by enterprise size (index)

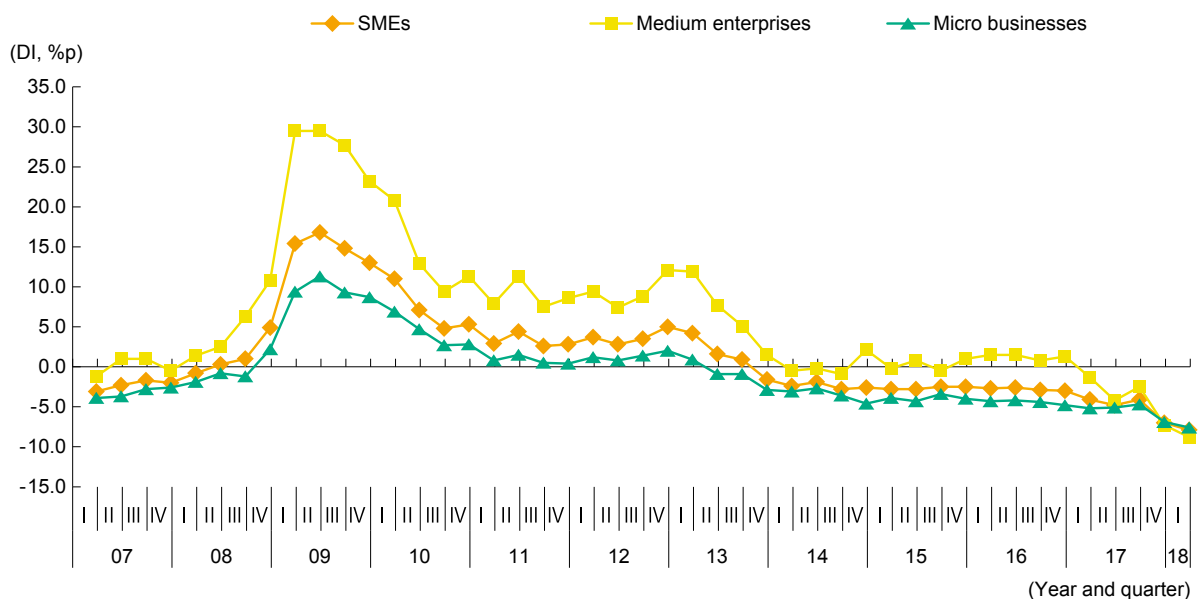
Sources: Compiled based on Shoko Research Institute, "SME Competitiveness and Capital Investment" in MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Note: Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

Here, let us examine the sense of insufficiency of facilities in terms of the production and operational facility DI in the manufacturing industries, by enterprise size. In both medium enterprises and micro businesses, the sense of having excess facilities gradually waned after 2009 and shifted to a sense of insufficiency in 2017. The sense of insufficiency was generally stronger among micro

businesses compared to medium enterprises, and the ratio of micro businesses that said they have an insufficiency of facilities consistently surpassed those that said they have an excess of facilities since the second quarter of 2013. In 2017, the difference between medium enterprises and micro businesses was gone, and there was a strong sense of insufficiency of facilities overall (Fig. 1-1-13).

Fig. 1-1-13 Production facility DI of medium enterprises and micro businesses (manufacturing industries)

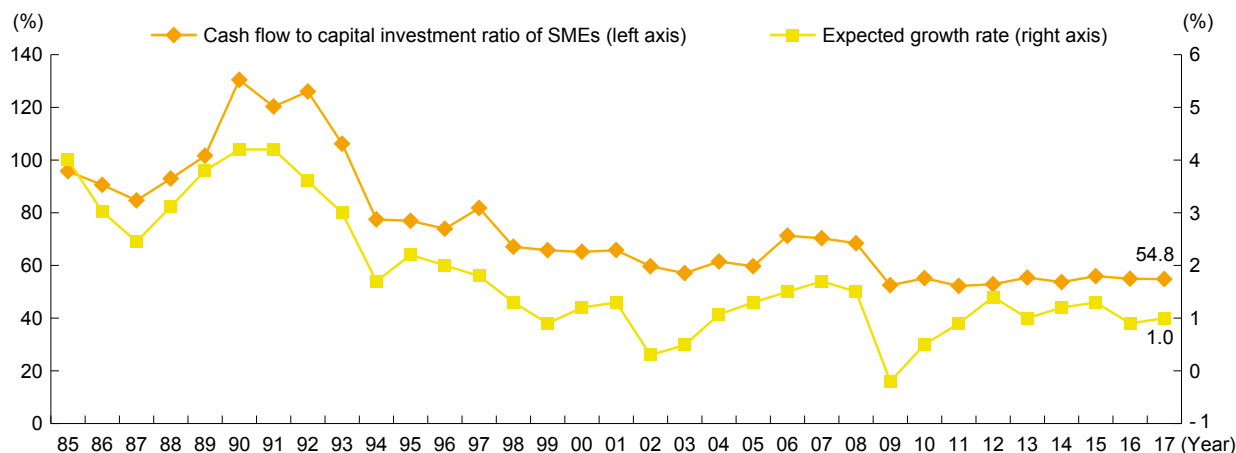


Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

- Notes:
1. The production facility DI is the percentage (%) of companies that their present facility level as “insufficient” minus the percentage (%) of companies that described it as “excessive.”
 2. Here, SMEs refer to “small and medium enterprises” as defined in Article 2 Paragraph 1 of the Small and Medium-sized Enterprise Basic Act; micro businesses refer to small enterprises as defined in Article 2 Paragraph 5 of the Small and Medium-sized Enterprise Basic Act; and medium enterprises refer to enterprises among SMEs that are not micro businesses.

In order for SMEs to make a decision on making a capital investment, they must be able to foresee the future growth of their business, but business forecasts are also affected by the growth forecast (expected growth rate) of the entire industry. Therefore, let us examine the relationship between expected growth rate and capital investment. Fig. 1-1-14 shows the cash flow to capital investment ratios and expected growth rates of SMEs.

The cash flow to capital investment ratio, which signifies a company’s positive attitude toward investment, is shown changing in conjunction with changes in expected growth rate. Expected growth rate has marked a gradual decline since 1992 and has recently leveled off. This sluggishness in expected growth rate is one of the reasons why capital investment is lacking strength and SMEs cannot foresee the future of their business.

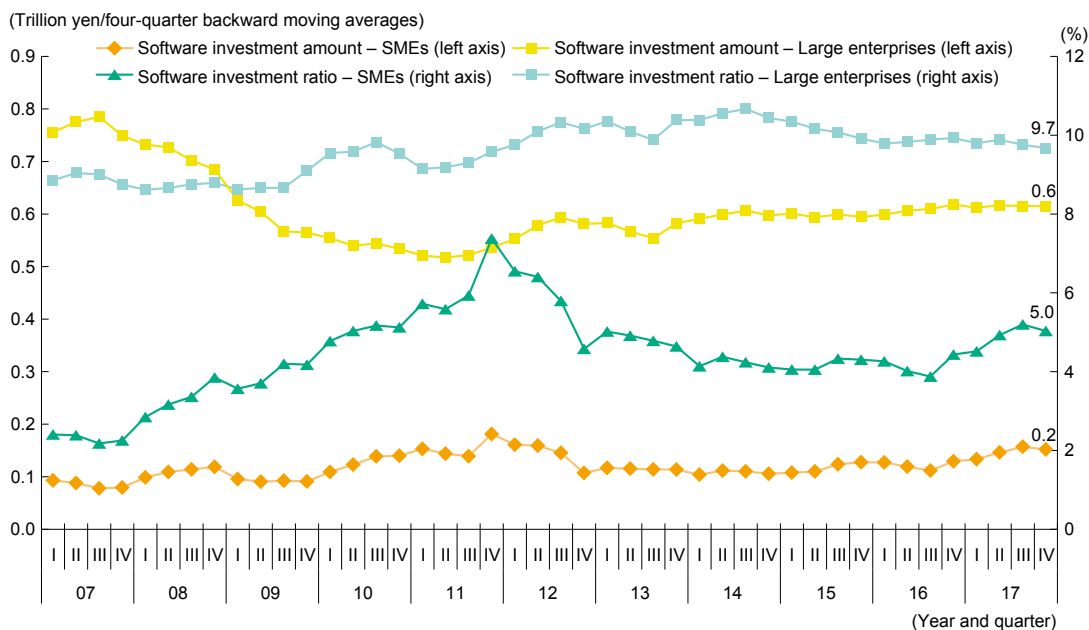
Fig. 1-1-14 Cash flow to capital investment ratios and expected growth rates of SMEs

Sources: Cabinet Office, *Annual Survey of Corporate Behavior*; MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

- Notes:
1. The Cabinet Office's *Annual Survey of Corporate Behavior* is conducted in January every year, so the results have been calculated as the values for each relevant year.
 2. Expected growth rate refers to the real growth rate of industrial demand that is expected over the coming three months.
 3. Investment propensity = capital investment amount / cash flow
 4. Cash flow = ordinary profits \times 0.5 + depreciation costs
 5. Investment propensity eliminates seasonality, so capital investment and cash flow amounts have been calculated using the cumulative values for each year.
 6. SMEs here shall be defined as enterprises with a capital of ¥10 million or more and less than ¥100 million.

When we look at software investment amount and ratio of SMEs as IT-related indices, we see that the amount that SMEs invested in software remained unchanged for several years even after 2013 when increases began to appear in capital investments as a whole (excluding software), but gradually increased from the latter half of

2016. Investment ratio also began to increase significantly around this time (Fig. 1-1-15). Nevertheless, software investment amount stood at less than one-third that of large enterprises, and investment ratio was only about half that of large enterprises, indicating the difference that continues to persist with large enterprises.

Fig. 1-1-15 Software investment amount and software investment ratio

Source: MOF, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

Note: Large enterprises here refer to enterprises with a capital of ¥1 billion or more, and SMEs refer to enterprises with a capital of ¥10 million or more and less than ¥100 million.

4. Financial status and bankruptcies

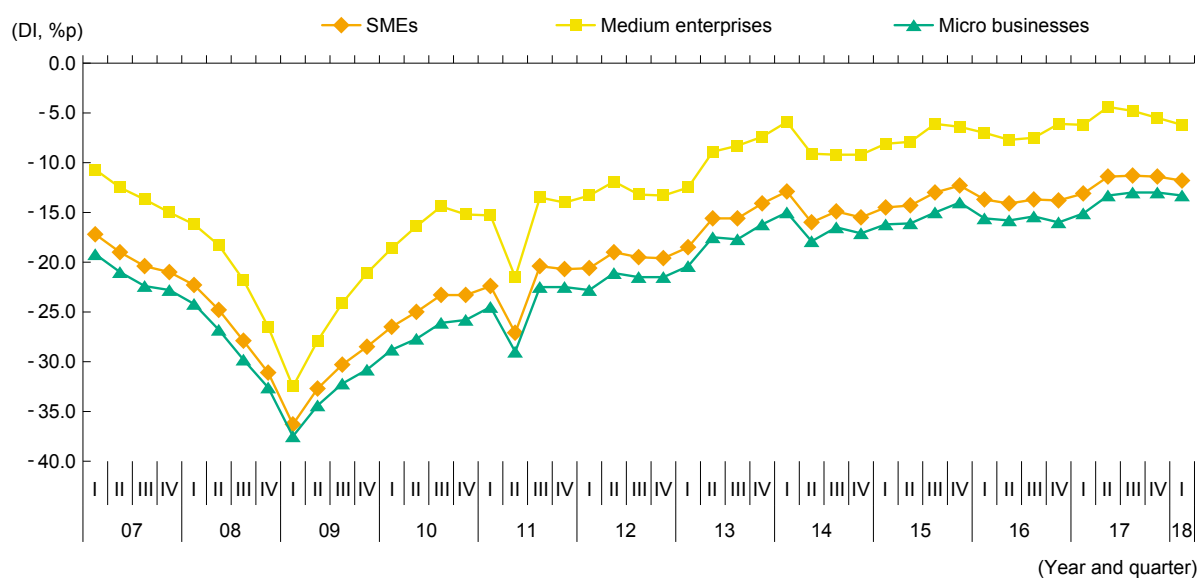
Next, let us examine the financial status and status of bankruptcies of SMEs using the Business Conditions Survey, BOJ statistics and the database of Tokyo Shoko Research, Ltd.

First, when we look at the financial position DI of SMEs, we see that both medium enterprises and micro businesses maintained a steady improving trend after hitting bottom in 2009 after the Lehman crisis. In 2017, it surpassed the level in 2007 before the crisis, and marked

a record high since statistics have been kept (Fig. 1-1-16).

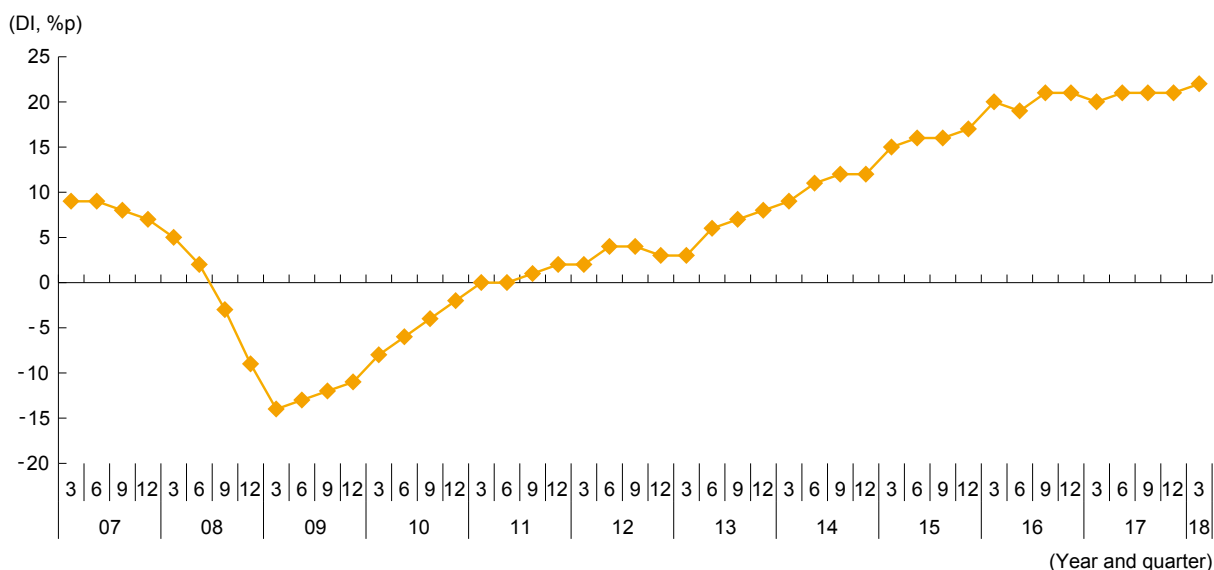
The lending attitude DI similarly dropped significantly after the Lehman crisis but shifted to a general recovery trend after 2009, such that since the third quarter of 2011, the percentage of companies that described the recent lending attitude of financial institutions as “lenient” yearly surpassed the percentage of companies that described it as “severe” (Fig. 1-1-17).

Fig. 1-1-16 Financial position DI by enterprise size



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

- Notes:
1. The financial position DI of *Survey on SME Business Conditions* is calculated by subtracting the percentage (%) of enterprises that said their financial position has “worsened” from the percentage (%) of enterprises that said it has “improved” compared to the previous quarter.
 2. Here, SMEs refer to “small and medium enterprises” as defined in Article 2 Paragraph 1 of the Small and Medium-sized Enterprise Basic Act; micro businesses refer to small enterprises as defined in Article 2 Paragraph 5 of the Small and Medium-sized Enterprise Basic Act; and medium enterprises refer to enterprises among SMEs that are not micro businesses.

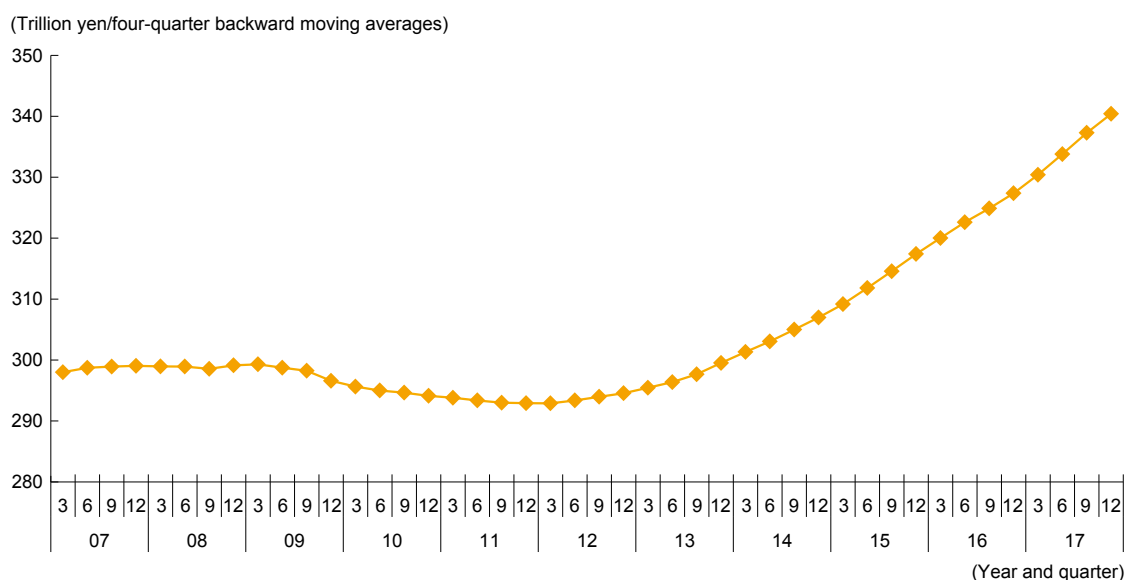
Fig. 1-1-17 Lending attitude DI among SMEs

Source: BOJ, *Short-Term Economic Survey of Enterprises in Japan* (BOJ Tankan).

Notes: 1. The lending attitude DI in the BOJ Tankan is calculated as the percentage of companies that described the recent lending attitude of financial institutions as "lenient" minus the percentage of companies that described it as "severe."
2. In the BOJ Tankan, SMEs refer to enterprises with a capital of ¥20 million or more and less than ¥100 million.

Next, when we examine lending to SMEs, we see that it trended on a weak tone until 2011 but continued to increase from 2012, such that it is now hovering at a

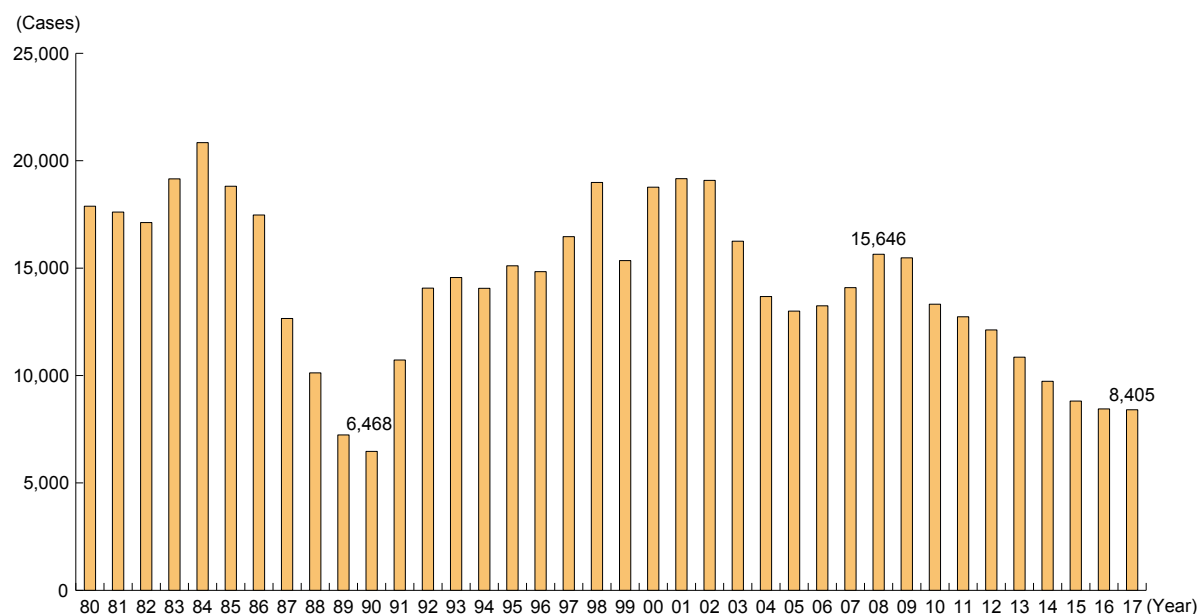
record high level since statistics have been kept (Fig. 1-1-18).

Fig. 1-1-18 Lending to SMEs

Source: BOJ, *Loans and Bills Discounted by Sector*.

The number of bankruptcies continued to decrease for nine years running after peaking at 15,646 in 2008, and it has remained below the 10,000 mark for four consecutive years. In 2017, there were 8,405 cases of bankruptcies

corresponding to a 0.4% decrease compared to the previous year and the lowest level in 27 years since the 1990 bubble economy period (Fig. 1-1-19).

Fig. 1-1-19 Number of bankruptcies

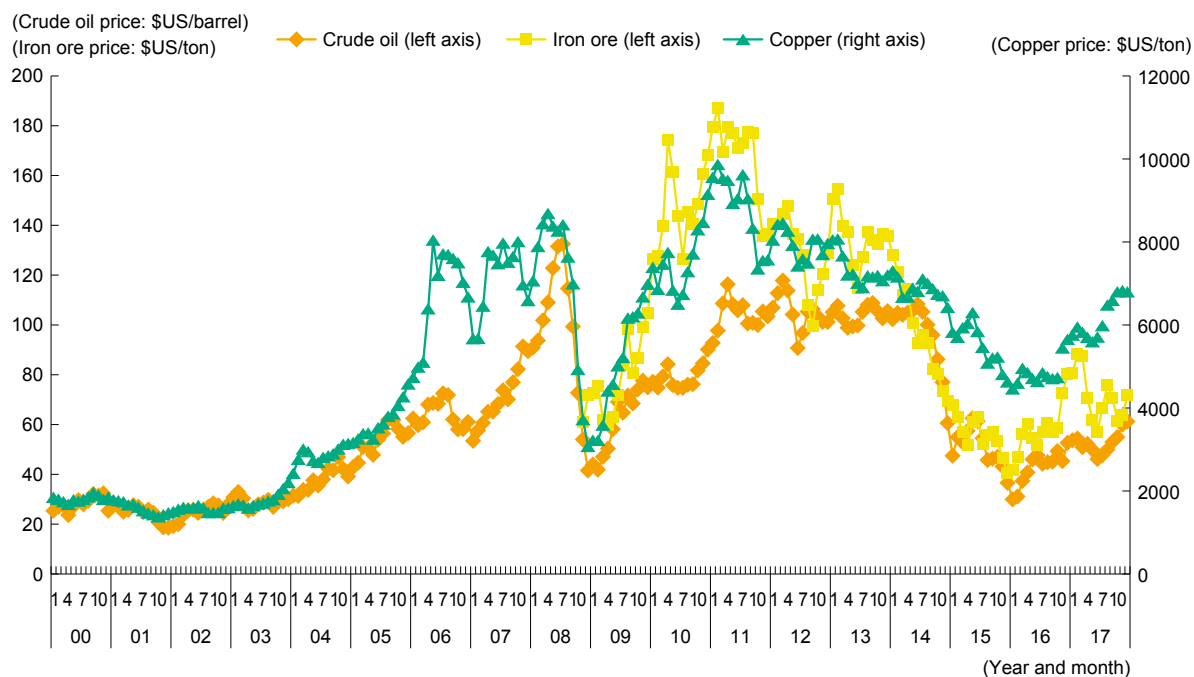
Source: Tokyo Shoko Research, Ltd., *Business Failure News (Monthly)*.

5. Transaction environment

As we have seen so far, the ordinary profits of SMEs reached a record high level. Yet, when broken down into contributing factors, there is clearly a significant difference in the way variable costs are handled between large enterprises and SMEs.

Variable costs include the costs of raw materials and fuel and the cost of purchasing intermediate goods,

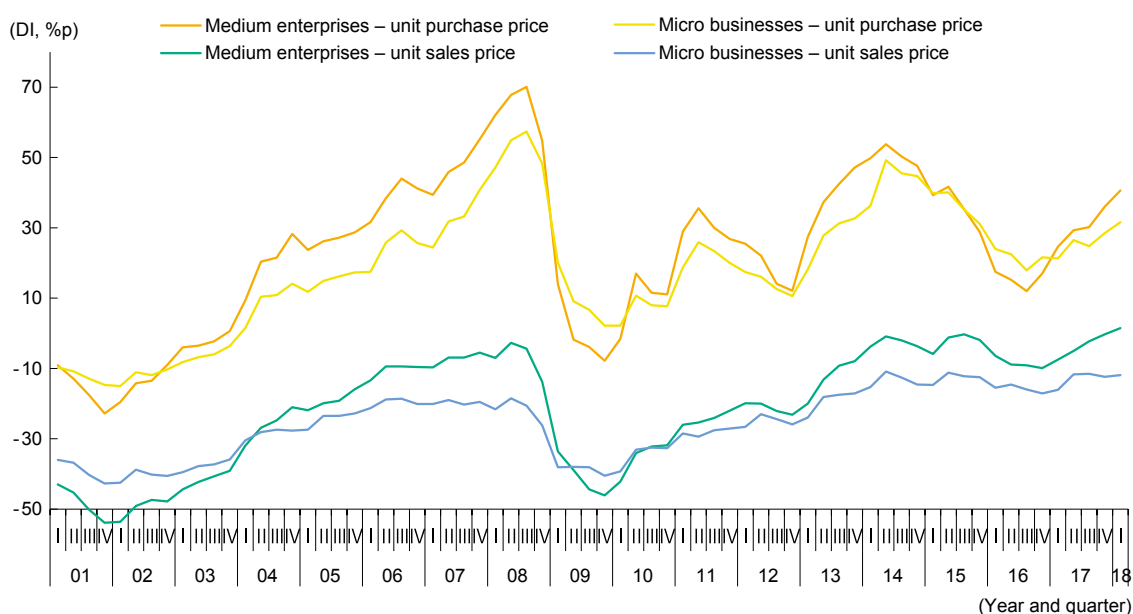
and are largely influenced by changes in the prices of primary commodities that are the raw materials. Trends in the prices of primary commodities, and particularly the prices of resources, show that the prices of crude oil have continued on a rising trend since reversing the previous trend in 2016, and that the prices of iron ore and copper are also on the increase (Fig. 1-1-20).

Fig. 1-1-20 Prices of primary commodities

Source: UNCTAD, *Commodity Price Bulletin*.

Next, trends in the unit purchase price DI and unit sales price DI by enterprise size show that the unit purchase price DI improved from 2016 on the back of the rising prices of crude oil and other resources and continued to

improve after 2017. The unit sales price DI also marked an improving trend, but the rate of increase falls short of the unit purchase price DI (Fig. 1-1-21).

Fig. 1-1-21 Unit purchase price DI and unit sales price DI by enterprise size

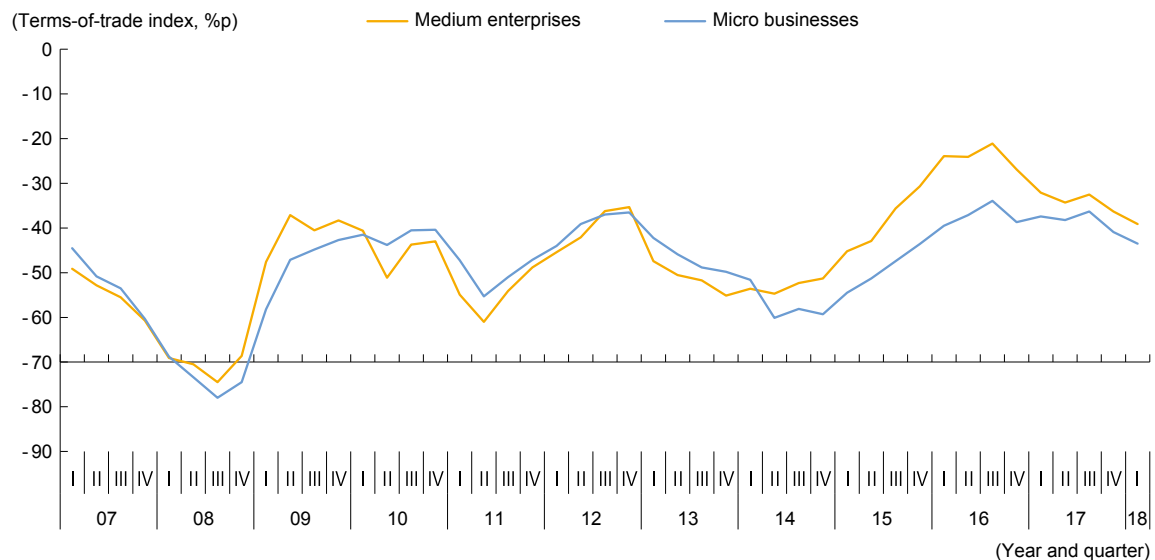
Source: SME Agency and SMRJ, *Survey on SME Business Conditions*.

Note: Unit purchase price DI is calculated as the percentage (%) of companies that said the unit purchase prices of raw materials and products have risen compared to the same quarter in the previous year minus the percentage (%) of companies that said the prices have dropped. Unit sales price DI is calculated as the percentage (%) of companies that said their sales have risen compared to the same quarter in the previous year minus the percentage (%) of companies that said their sales have dropped.

With regard to the terms-of-trade index, which is obtained by subtracting purchase price DI from sales price DI, the index trended at practically the same level among both medium enterprises and micro businesses up to 2013 (Fig. 1-1-22). The slight difference that emerged

between medium enterprises and micro businesses after 2014 has gradually narrowed, but the unit purchase price DI has risen at a greater rate than the unit sales price DI, indicating an aggravation in the terms of trade among medium enterprises and micro businesses alike.

Fig. 1-1-22 Terms-of-trade index of medium enterprises and micro businesses



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

Note: "Terms-of-trade index" equals the unit sales price DI minus the unit purchase price DI.

Column 1-1-1 Further dissemination of measures based on the Seko Plan

In September 2016, Minister Seko of the Ministry of Economy, Trade and Industry (METI) released the “Basic Policies for Future-oriented Trade Practices” (Seko Plan) as a package of measures for improving transaction conditions, and various initiatives have also been taken in 2017 under this plan. This column will introduce the initiatives that have been taken mainly in 2017.

Interviews of subcontractor SMEs by “subcontract G-men” (April 2017 –)

In April 2017, some 80 “subcontract G-men” were newly assigned nationwide and interviewed more than 2,800 subcontractor SMEs (as of February 2018; interviews were begun in advance in January 2017). These direct interviews by subcontract G-men play an important role in ascertaining transaction issues that would not normally come to light in written surveys and telephone surveys.

Follow-up survey by organizations that have formulated a voluntary action plan (September – November 2017)

To disseminate initiatives related to the Seko Plan, 21 organizations in 8 industries, including the automobile, machine parts and tooling, construction machinery, textiles, information and communication electronic equipment, information services and software, construction, and motor trucking industries, formulated and announced voluntary actions plans for promoting fair trade and enhancing added values.

From September to November 2017, 18 organizations in 6 industries under the jurisdiction of METI took the initiative to conduct a follow-up survey on the status of implementation of their voluntary action plans. They sent a survey form to some 7,000 companies affiliated with each organization and acquired responses from 1,752 companies (25.4% response rate).

Announcement of the results of the follow-up survey of the voluntary action plan and interviews by subcontract G-men (December 2017)

The SME Agency compiled the results of the follow-up survey conducted by industrial organizations and the results of the interviews undertaken by subcontract G-men and announced the findings in December 2017. A comparison of the results of the two surveys revealed that steady achievements have begun to appear mainly in the automobile industry, as can be seen in the comments that “payments which used to be received by promissory notes are now received in cash” and that “there are no longer one-sided requests for discounts.” At the same time, however, improvements appeared to lag in some industries, so Minister Seko urged top figures in these industries to promote further initiatives.

This undertaking requires tenacious efforts in implementing the PDCA cycle until results emerge.

(Main points of the results of the follow-up survey of voluntary action plans)

- The automobile and automotive parts industries spearheaded the dissemination of active initiatives in response to the three priority issues of the Seko Plan ((1) cost reduction request, (2) mold management and (3) payment conditions).
- Particularly with respect to payment conditions, 8 assembled car manufacturers switched to 100% payments by cash, and automotive parts companies (tiers 1 – 2) and machine parts and tooling companies (tiers 1 – 4) also responded that cash transactions are gradually spreading in their industries (22% and 14% receipts by cash, respectively). (*)
- * In the survey, the cash receiving ratio of automotive parts companies was lower than the cash payment ratio of assembled car manufacturers. This is thought to be because promissory notes continued to be used in transactions with large enterprises that do not fall under transactions defined in the Subcontract Act.
- Initiatives for improvement have also been launched in the construction machinery, information and communication electronics equipment, and textiles industries, but 100% cash payments by large enterprises that place orders still stand at a low rate of 10 to 30%. Compared to the automobile industry, promissory notes are still being used at a high rate.

(Main points of the results of interviews conducted by subcontract G-men)

The results of interviews held at 2,040 companies up to the end of October 2017 were analyzed as follows.

- Case examples of specific improvements in three priority issues were verified at 517 companies, corresponding to 25% of all companies(*). More than 300 cases and the most conspicuous were improvements in payment conditions, such as the switch from payment by promissory note to cash, and 100 cases or so each were initiatives for cost reduction and mold management.
- However, the following situations came to light when these interview results were compared to the results of the follow-up survey of voluntary action plans.
 - (1) With respect to cost reduction requests, there were cases where companies continued to make such requests by word of mouth.
 - (2) Some cases of improvement in mold management were observed, but it cannot be said that the improvement has spread to tiers below tier 2.
 - (3) The shift from payment by promissory note to cash is gradually spreading to a certain portion of tier 3 and 4 companies, but it has yet to become more widely disseminated. Furthermore, initiatives in industries other than the automobile industry are lagging compared to the automobile industry.
 - (4) Many companies seek an improvement in payment conditions, as many of their parent companies continue to make payments for molds in 24 to 36 installments or as an addition to the cost of components.

* This is the ratio of case examples in which specific improvements were seen. It does not mean that the remaining 75% represent inappropriate transactions. (The results of interviews include companies responding that "there have never been any transaction problems," "payments have always been received in cash," etc.)

Strengthening of initiatives for optimized management and disposal of molds

From January 2017, the "Study Group for Future-oriented Trade Practices Involving Mold Management (Storage, Disposal, etc.)" (chaired by Mr. Koichi Hosoda, professor of the Faculty of Law, Kanagawa University, and composed of representative members from the Japan Automobile Manufacturers Association, Inc., Japan Auto Parts Industries Association and companies in the machine parts and tooling industry) was held with the aim of further optimizing the management of molds that are necessary for manufacturing parts and other components, toward the realization of a fair trade environment for the automobile industry and the machine parts and tooling industry. In July 2017, the study group compiled and presented a report titled "Three Future-oriented Actions for Mold Management: Reduce Molds, Revise Management and Establish New Systems (Action Plan for Enhancing Proper Future-oriented Mold Management)."

<April/May issue of METI Journal, featuring molds on the cover>

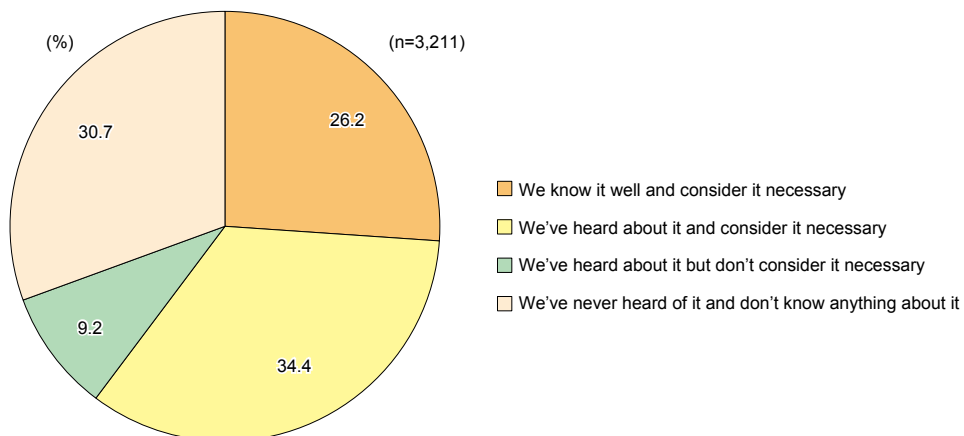


Column 1-1-2 Strengthening SME disaster response

Many natural disasters have struck Japan even after the Great East Japan Earthquake. These include the Kumamoto Earthquake, numerous flood disasters, and the Northern Kyushu Flood in FY2017.

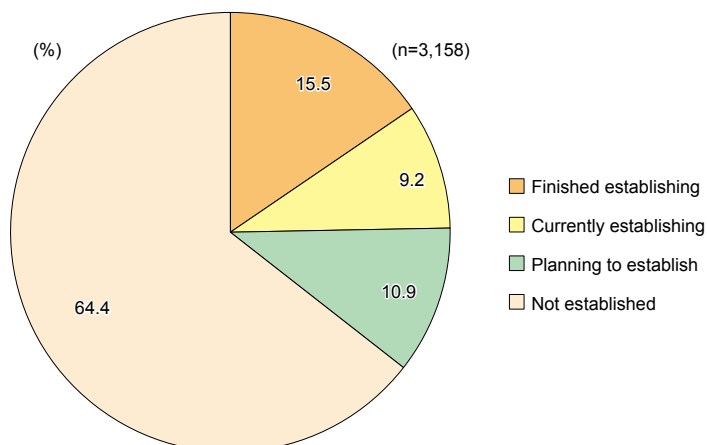
In a country where natural disasters occur frequently, it is important for SMEs to prepare against disasters in advance. However, approximately 30% of SMEs do not have knowledge about BCP (business continuity plan) (Fig. Column 1-1-2 (1)) and only 15% have formulated a BCP (Fig. Column 1-1-2 (2)). Therefore, it is difficult to say that SMEs are sufficiently prepared against disasters.

Fig. Column 1-1-2 (1) BCP recognition at SMEs



Source: Mizuho Research Institute, Ltd., *Survey on Risk Management Initiatives at SMEs* (December 2015).

Fig. Column 1-1-2 (2) State of BCP establishment at SMEs



Source: Mizuho Research Institute, Ltd., *Survey on Risk Management Initiatives at SMEs* (December 2015).

Support has always been provided to disaster-affected SMEs in accordance with the magnitude and impacts of the disaster, but there are debates about whether such support is appropriate and whether it has been provided appropriately from the regional and policy perspectives.

Study Group for Enhancement of SME Disaster Response

In response to the above situation, the SME Agency organized the Study Group for Enhancement of SME Disaster Response in December 2017. The study group was convened four times, and the discussions were compiled into an interim report in March 2018. An overview of the report is introduced below.

Preliminary measures for SMEs

In consideration of the inadequate state of preliminary disaster countermeasures among SMEs, focus was placed on strengthening initiatives for BCP dissemination through the following initiatives.

- (1) Dissemination of initiatives based on an understanding of the essential concept of BCP
There are SMEs that practically engage in outstanding BCP initiatives as an extension of their ordinary management practices, but just not in the form of a BCP (Fig. Column 1-1-2 (3)). Such cases will be collected to disseminate BCPs that SMEs can undertake relatively easily.
- (2) Incentives for BCP promotion
To disseminate BCPs, it is also necessary to provide incentives, such as for preferential selection under a subsidy system, etc.
- (3) Broad initiatives that involve entire supply chains and regions
The key to spreading BCP initiatives to a large number of SMEs lies in supply chains and local networks such as industrial clusters and industrial parks. These networks will be utilized to promote policies such as for dispatching experts.
- (4) Promotion of relocations to higher ground
To promote the relocation of SMEs to higher ground on the occasion of a large-scale expansion of facilities or other such occasions, it is necessary to consider relaxing the requirements for public financial support and adopting a system of preferential selection for capital investment support.
- (5) Further dissemination of damage insurance and mutual aid
Given the environment where relative low-cost insurance plans have begun to appear for flood damage, it is necessary to promote an understanding of insurance and mutual aid among SMEs in cooperation with support organizations.

Fig. Column 1-1-2 (3) Initiatives similar to BCP

(Initiatives of a gas maintenance company)

- No BCP has been formulated in the conventional sense.
- Twice a year, a meeting is held with all employees to discuss the company's course of actions in the event of a disaster. The results of the discussion are written out on a large poster paper and posted on the wall in the office.
- Preliminary measures for ensuring the efficient execution of the actions are discussed by all employees and are executed by the planned date of completion that has been decided on.
- At the end of the year, the president verifies whether the preliminary measures have been taken.
- The only documents that are created are a list of actions ("to do" list), a list of issues to solve ("to do in advance" list) and an emergency contact list. Everything else are memos taken by employees in charge.

Support to disaster-affected SMEs

With a firm grasp of the present state of support to disaster-affected SMEs, the following points will be reviewed for future measures.

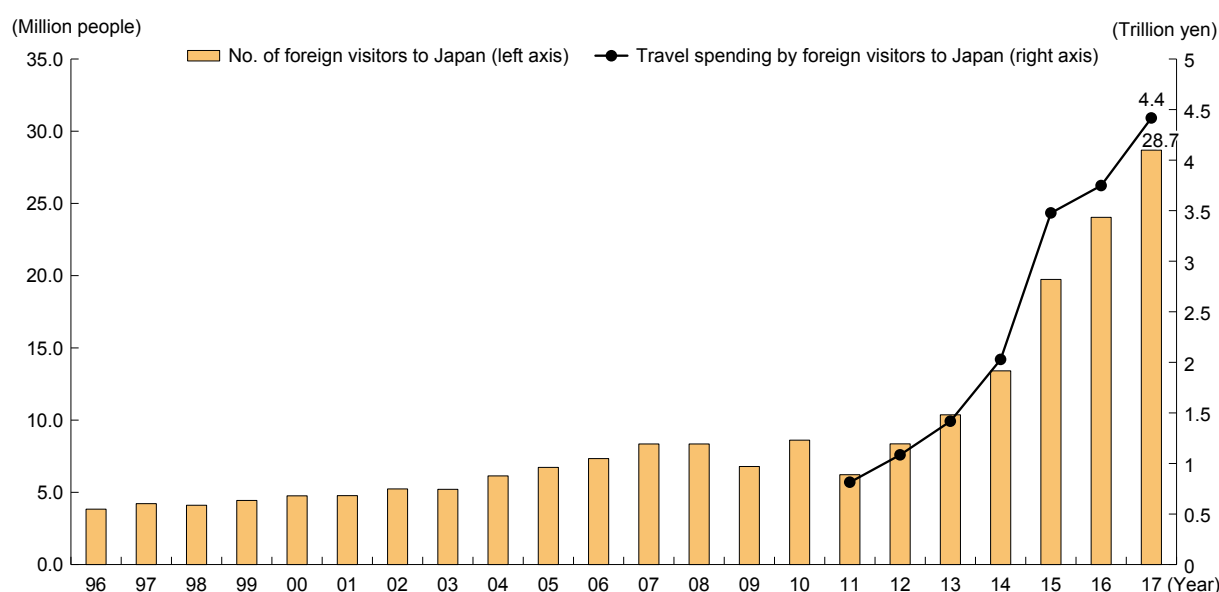
- (1) The role of government and its relationship with the regions at times of disaster
With regard to providing support to disaster-affected SMEs, it is necessary to review the relationship between the central government and local governments, and their respective roles.
- (2) Region-specific support
In local major disasters, support is restricted to SMEs that suffer damage in designated regions only. However, regardless of boundaries or municipalities, if there are businesses that are affected by a disaster, it is necessary to consider whether support is required and to review the roles of central and local governments.
- (3) Stable support through subsidies to disaster-affected SMEs
SMEs that suffer damage in a natural disaster are offered individual subsidies under the relevant fiscal budget as an exceptional measure within the possible scope and timing, but it is necessary to examine possible measures that would ensure the continuation of expeditious responses.

6. Overseas expansion

Next, to see how well SMEs are capturing overseas demand, let us examine the number of foreign visitors to Japan in reference to *Trends in the number of foreign visitors to Japan* announced by the Japan National Tourist Organization (JNTO) for statistics on the number of foreign visitors to Japan and the *Survey on consumption trends among foreign visitors to Japan* presented by the Japan Tourism Agency for statistics on inbound consumption (Fig. 1-1-23). From the 1990s to the beginning of the 2000s, the number of foreign visitors to

Japan has hovered at around the 4 million to 5 million level. In 2011, it temporarily dropped due to the impact of the Great East Japan Earthquake, but thereafter increased at a higher rate than before and surged to 29 million in 2017, corresponding to a six-fold increase from twenty years ago. Travel spending by foreign visitors to Japan also increased steadily year by year, such that the amount spent in 2017 corresponded to a five-fold increase from 2011.

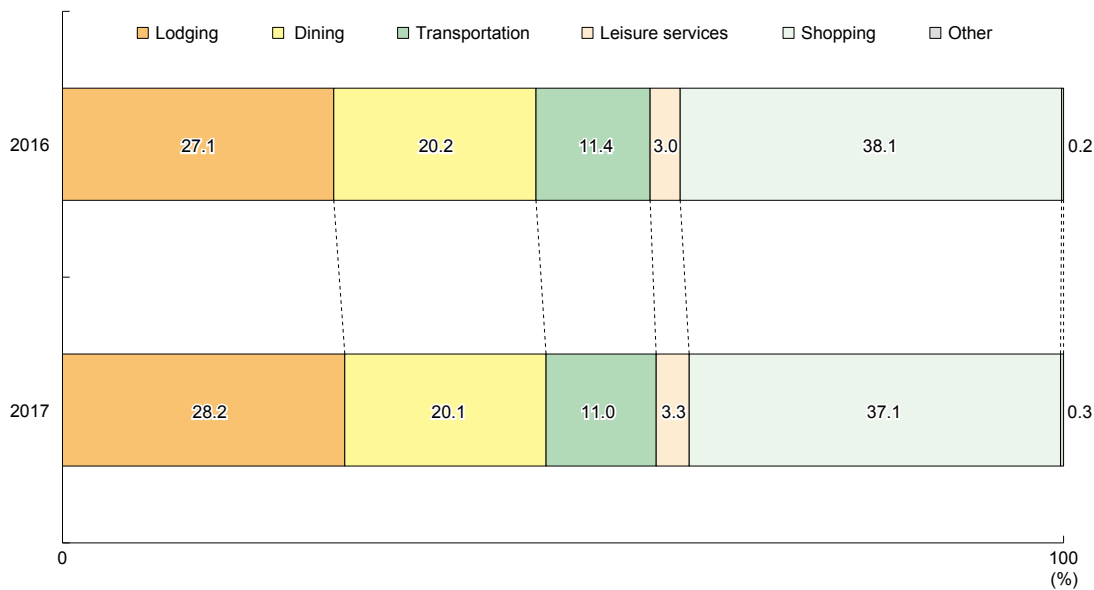
Fig. 1-1-23 Number and travel spending of foreign visitors to Japan



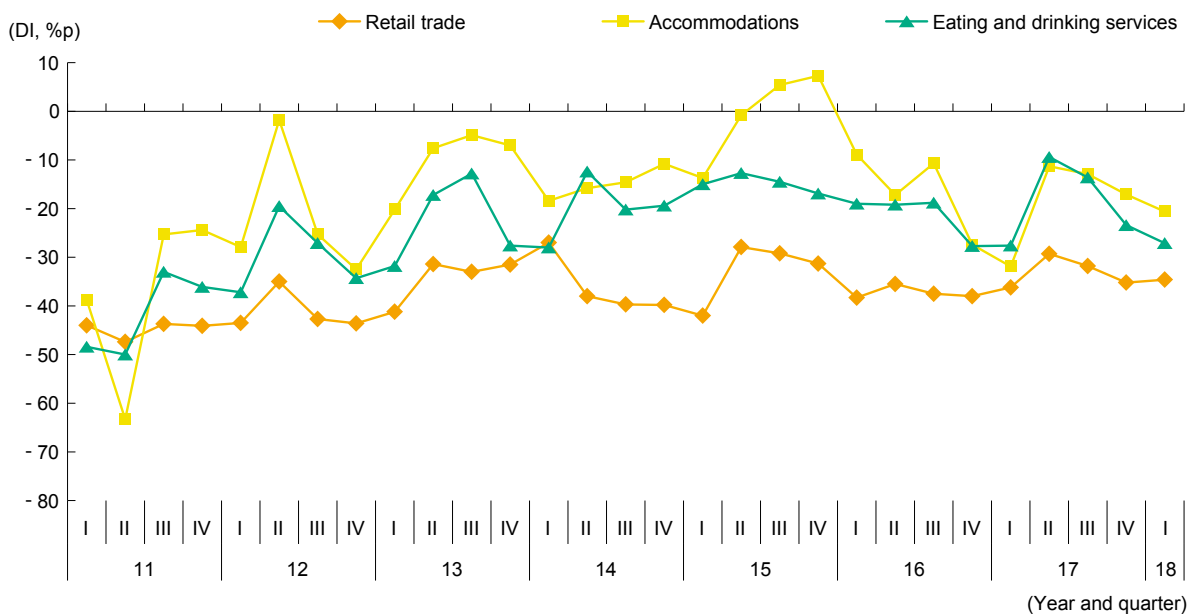
Sources: Japan National Tourist Organization, *Trends in the number of foreign visitors to Japan*; Japan Tourism Agency, *Survey on consumption trends among foreign visitors to Japan*.

A breakdown of the amount of travel spending by foreign visitors to Japan shows that a little below 40% and the largest amount was spent on shopping, followed by lodging and dining (Fig. 1-1-24). At the same time, the sales DI of the SME retail trade, accommodations and

dining industries shows a gradual increase from 2011, the year when foreign visitors to Japan began to increase to 2017. This is suggestive of the success of SMEs, including micro businesses, in capturing overseas demand (Fig. 1-1-25).

Fig. 1-1-24 Composition of travel spending by foreign visitors to Japan

Source: Japan Tourism Agency, *Survey on consumption trends among foreign visitors to Japan* (released Jan. 16, 2018).

Fig. 1-1-25 Sales DI of SME retail trade, accommodations and dining industries

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

Note: The sales DI in the survey is calculated as the percentage (%) of enterprises that said their sales “increased” compared to the same quarter in the previous year minus the percentage (%) that said their sales “decreased.”

7. Summary

The business conditions of micro businesses showed an overall improvement in fiscal 2017, indicating that the positive economic cycle has also begun to spread to micro businesses, as also seen in the gradual recovery of ordinary profits and improved cash flows surpassing the level before the Lehman crisis.

At the same time, however, issues in more widely

spreading the effects of the positive economic cycle have also come to light, as represented by the sluggish growth of sales compared to SMEs, the decline in capital investment in inverse relation to the favorable earnings environment, and the worsening of terms of trade. In order for micro businesses to achieve further growth hereafter, efforts must be made to confront and overcome these issues.

Chapter 2

Structural analysis of micro businesses

As confirmed in the previous chapter, although business conditions for micro businesses are improving, they do on the other hand face problems with sluggish sales growth as compared with SMEs.

As of 2014, Japan had about 3.81 million SMEs, accounting for 99.7% of all enterprises in the nation. SMEs also had about 33.61 million workers, thereby creating about 70% of all jobs in Japan. A close look at the SMEs that are a mainstay of the Japanese economy shows that they are engaged in a diverse range of businesses and should not be understood as a homogeneous group. However, this chapter will try to describe the typical Japanese SME in terms of per-company number of employees, net sales, profits, and the like. Looking at the median values of data collected by the CRD Association (Credit Risk Database Association) from about 1,290,000 enterprises, as shown in the table below, the average number of employees per business is three, sales are ¥67.9 million, ordinary profits is ¥1.6 million, total assets is ¥54.2 million, and capital is ¥5.1 million, showing that the typical Japanese SME is a small scale, or micro, business.

In this chapter we will analyze the structure of micro businesses as an approach to examining solutions for the problems faced by micro businesses, the archetypal Japanese SME.

**Fig. 1-2-1 Image of Japan's SMEs, as seen from CRD (2015 accounting period)
(corporations and sole proprietorships)**

	Number of SMEs		Median value					Average value				
		Percent of total (%)	Number of employees	Sales (million yen)	Ordinary profits (million yen)	Total assets (million yen)	Capital (million yen)	Number of employees	Sales (million yen)	Ordinary profits (million yen)	Total assets (million yen)	Capital (million yen)
Agriculture and forestry	6,712	0.5%	4.0	52.0	1.9	56.0	3.1	16.4	270.9	11.3	387.5	14.2
Fisheries	1,123	0.1%	5.0	124.3	2.6	148.9	5.0	12.7	452.5	10.9	510.8	14.9
Mining and quarrying of stone and gravel	1,203	0.1%	8.0	177.4	2.3	226.1	10.0	15.2	653.2	32.9	995.9	49.6
Construction	276,651	21.5%	3.0	68.0	2.0	39.4	5.0	7.7	226.6	8.0	178.1	9.9
Manufacturing	189,181	14.7%	7.0	100.1	2.1	91.9	10.0	23.3	634.3	23.5	669.3	25.9
Electricity, gas, heat supply and water	2,971	0.2%	1.0	30.7	0.6	74.2	5.0	9.6	690.0	26.3	1,137.3	83.1
Information and communications	25,774	2.0%	5.0	80.6	1.1	44.0	10.0	19.1	362.6	14.4	324.9	32.9
Transport and postal services	46,475	3.6%	13.0	172.0	2.1	105.3	10.0	34.4	546.7	16.6	536.1	21.8
Wholesale trade	137,854	10.7%	4.0	175.5	1.3	100.1	10.0	13.0	914.5	15.7	535.7	16.7
Retail trade	157,813	12.3%	2.0	68.3	0.7	38.0	4.1	9.8	326.6	5.7	200.8	7.9
Real estate and goods rental and leasing	119,596	9.3%	1.0	28.1	2.3	133.4	8.0	4.4	228.6	19.5	719.2	24.6
Scientific research, professional and technical services	50,501	3.9%	2.0	37.2	1.7	25.3	5.0	9.2	145.8	7.0	162.2	12.6
Accommodations, eating and drinking services	76,618	6.0%	2.0	33.5	1.1	23.7	3.0	12.9	141.2	4.8	156.5	7.5
Living-related and personal services and amusement services	37,622	2.9%	2.0	28.7	1.2	24.9	3.0	12.4	388.2	11.1	312.7	10.5
Education, learning support	9,354	0.7%	4.0	39.1	0.8	29.2	4.5	23.4	301.3	14.8	744.4	98.8
Medical, health care and welfare health services	53,516	4.2%	7.0	65.4	3.1	56.7	4.4	28.7	267.0	11.5	364.5	14.9
Services (n.e.c.)	93,535	7.3%	4.0	58.7	1.2	36.9	5.0	17.4	222.5	8.1	261.0	13.8
Total	1,286,499	100.0%	3.0	67.9	1.6	54.2	5.1	14.0	387.3	12.5	385.6	16.5

Source: CRD Association

Section 1 The overall picture of micro businesses

In this section we will first show the overall structure of micro businesses. We will then analyze businesses which

have grown from being micro businesses into medium enterprises.

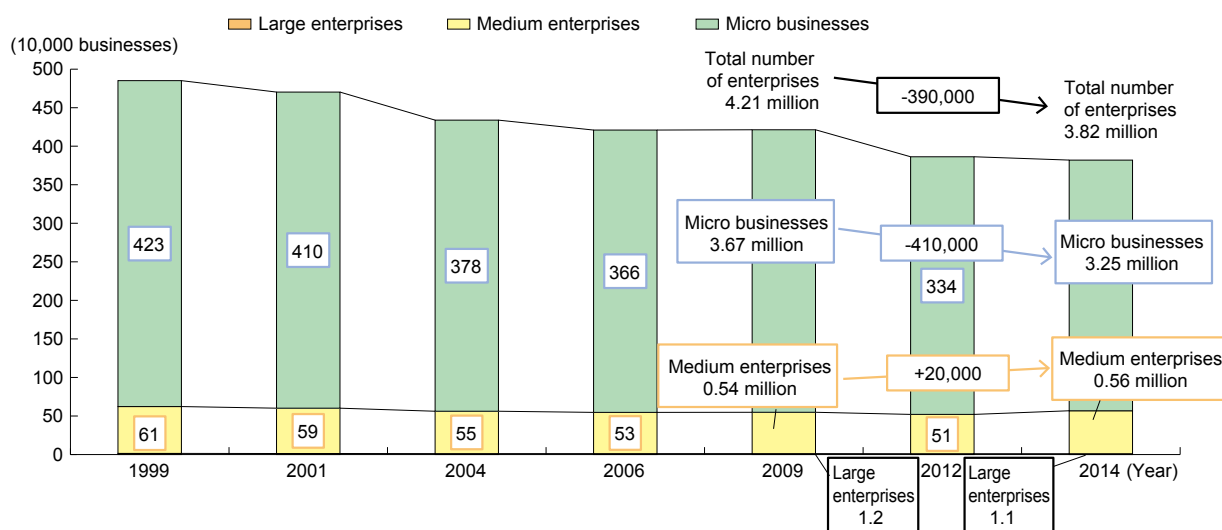
1. Changes in the numbers of micro businesses

(1) The number of enterprises by size

Firstly, we will look at the changes in the number of enterprises. The number of enterprises in Japan is decreasing year by year and has decreased by 390,000 from 2009 to 2014 (Fig. 1-2-2). Looking at the breakdown by size of enterprise, while the number of medium

enterprises¹⁾ has increased by about 20,000, the number of large enterprises has decreased by approximately 800, and the number of micro businesses has decreased by approximately 410,000. From this we can see that the decrease in the number of enterprises is particularly pronounced for micro businesses.

Fig. 1-2-2 Number of enterprises by enterprise size



Sources: Recompiled from MIC, 1999, 2001, 2004 and 2006 Establishment and Enterprise Census; 2009 and 2014 Economic Census for Business Frame and MIC, METI, 2012 Economic Census for Business Activity.

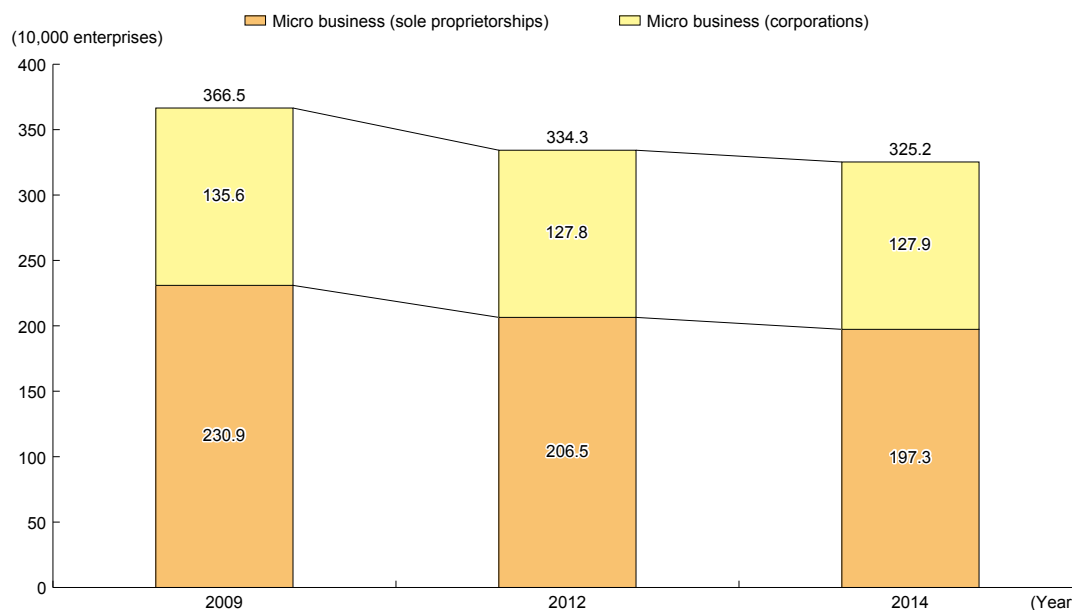
Notes: 1. Number of enterprises = Number of companies + Business establishments of sole proprietors
2. The Economic Census is based on an expanded scope of businesses and enterprises based on administrative records such as commercial and corporate registration records, and adopts a "head office collective survey method" whereby the business owner in the head office provides collective information of all branch offices, etc. Therefore, it is not appropriate to compare the results of the Economic Census with the results of the Establishment and Enterprise Census on simple terms.

(2) Changes in the number of micro businesses (by sole proprietorship and corporation)

Fig. 1-2-3 shows the changes in the number of micro businesses by type of organization. Out of the micro

businesses that decreased by approximately 410,000 between 2009 and 2014, we can see that the number of sole proprietorships has decreased by about 330,000.

1) Medium enterprises here refer to enterprises among SMEs as defined by the Small and Medium-sized Enterprise Basic Act that do not fall under the definition of small enterprises in the said Act.

Fig. 1-2-3 Changes in the number of micro businesses (by sole proprietorship and corporation)

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

2. Classifying micro businesses

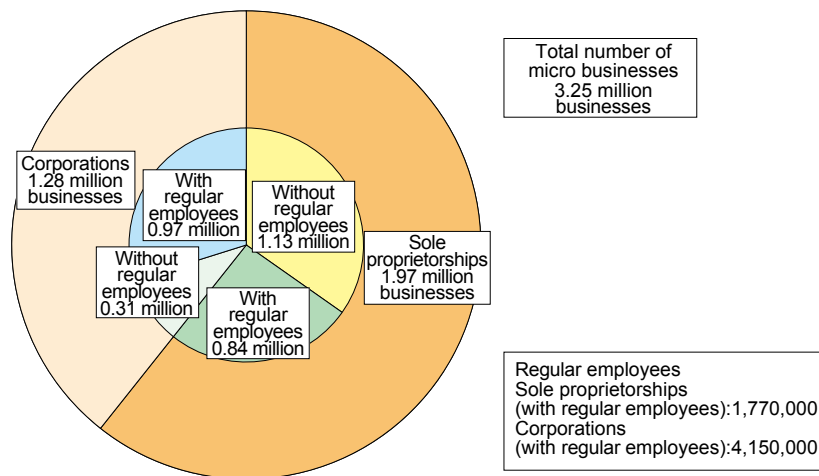
Micro businesses total 3.25 million, accounting for about 90% of all SMEs, and come in a wide variety of different forms. If we were to look at all of these micro businesses as one group we would not be able to comprehend the sheer diversity and range of businesses. By analyzing micro businesses after classifying them we should be in a better position to understand the actual situation of these businesses. In this part, micro businesses as a whole are analyzed after dividing them into four separate categories: (1) Sole proprietorships (without regular employees²⁾), (2) Sole proprietorships (with regular employees), (3) Corporations (without regular employees), (4) Corporations (with regular employees).

(1) The number of micro businesses (by sole proprietorship and corporation, with or without regular employees)

Fig. 1-2-4, the number of micro businesses (by sole proprietorship and corporation, with and without regular employees) shows the number of businesses by classification type.

- [1] Sole proprietorships (without regular employees) number approximately 1.13 million, the largest number out of the 4 types of classified business. This type of business is one run by a single business owner possibly with unpaid family members helping out.
- [2] Sole proprietorships (with regular employees) are sole proprietors that generate employment. There are about 840,000 of these businesses employing about 1.77 million regular employees.
- [3] Corporations (without regular employees) are the smallest number out of the four types of classifications numbering approximately 310,000. This type of business is one run by a single or several directors.
- [4] Corporations (with regular employees) number approximately 970,000, employing about 4.15 million regular employees. Relatively large scale businesses are included among the micro businesses.

2) According to the Economic Census definition, “regular employee” means a person who is hired without specified employment period or who is hired with a period exceeding one month, or a person who is hired for more than 18 days in each of the 2 months prior to a survey.

Fig. 1-2-4 The number of micro businesses (by sole proprietorship and corporation, with or without regular employees)

Source: Recompiled from MIC, FY2014 Economic Census for Business Frame.

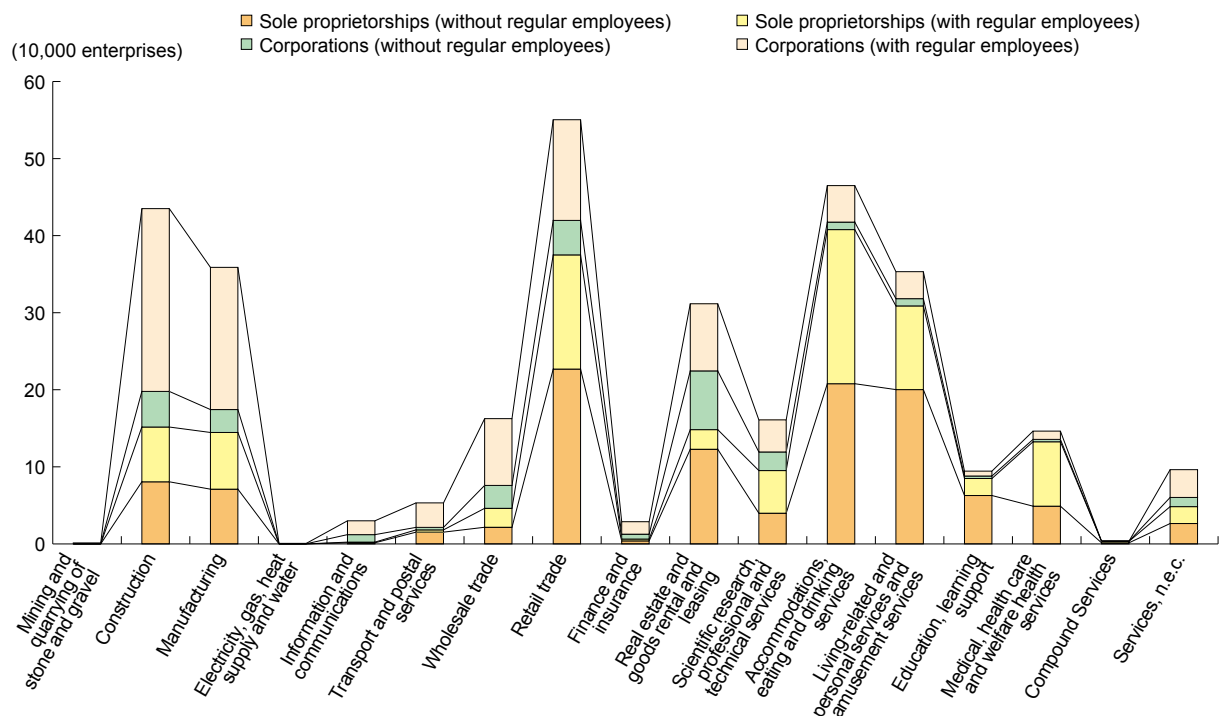
(2) The number of enterprises based on type of micro business (type of industry)

Fig. 1-2-5 shows the number of micro businesses by type of industry. There are many micro businesses in the order of “retail trade,” “accommodations, eating and drinking services,” “construction” and “manufacturing.”

Looking at sole proprietorships (without regular employees), there are a large number in “retail trade,”

“accommodations, eating and drinking services” and “living-related and personal services.” It is thought that there are many very small businesses in these industries managed only by the business owner and their families.

Looking at corporations (with regular employees), there are many in “construction” and “manufacturing.” These industries are presumed to be relatively organized in their management structure.

Fig. 1-2-5 The number of enterprises based on type of micro business (type of industry)

Source: Recompiled from MIC, FY2014 Economic Census for Business Frame.

(3) The changes in number of enterprises based on type of micro business

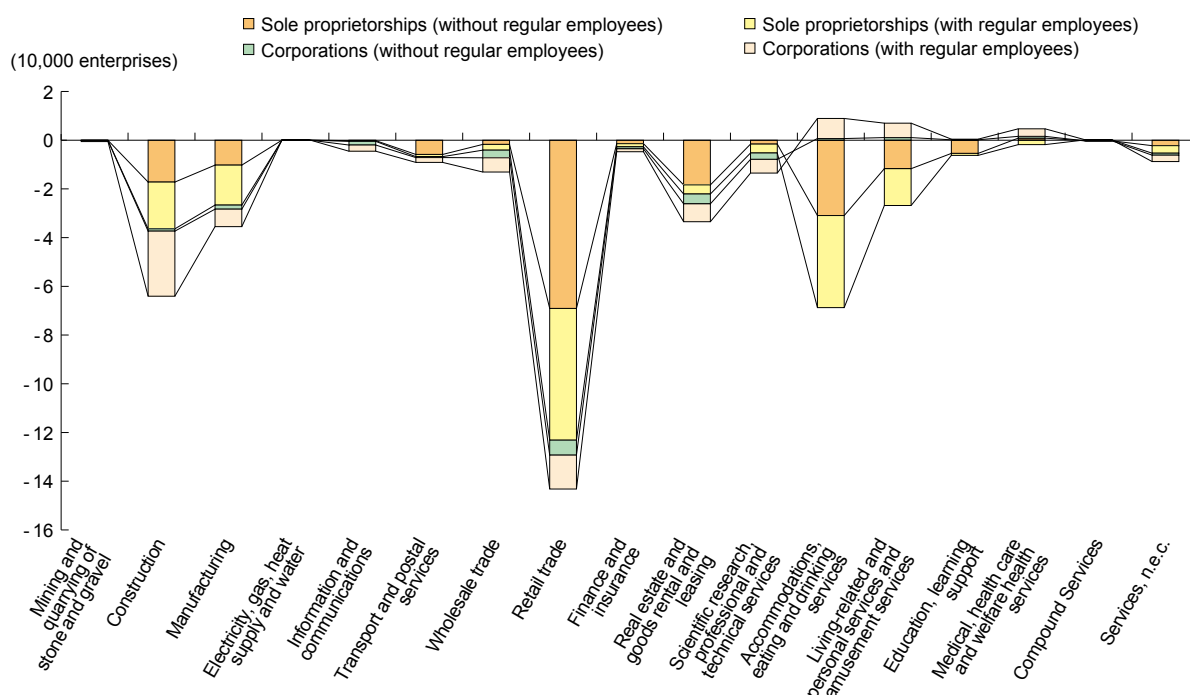
Fig. 1-2-6 shows the change in the number of micro businesses by type from 2009 to 2014.

The number of sole proprietorships (without regular employees) and sole proprietorships (with regular employees) has decreased in both industries, but in particular there is a large decline in “retail trade” and “accommodations, eating and drinking services.”

In terms of corporations, while the change in number of corporations (without regular employees) is not so significant across any of the industries, it is noticeable that the biggest change in the number of corporations (with regular employees) is within “construction.”

As described above, we see that the change in the number of enterprises is characterized by what type of enterprise it is.

Fig. 1-2-6 The changes in number of enterprises based on type of micro business (2009 – 2014)



Sources: Recompiled from MIC, 2009 and 2014 Economic Census for Business Frame.

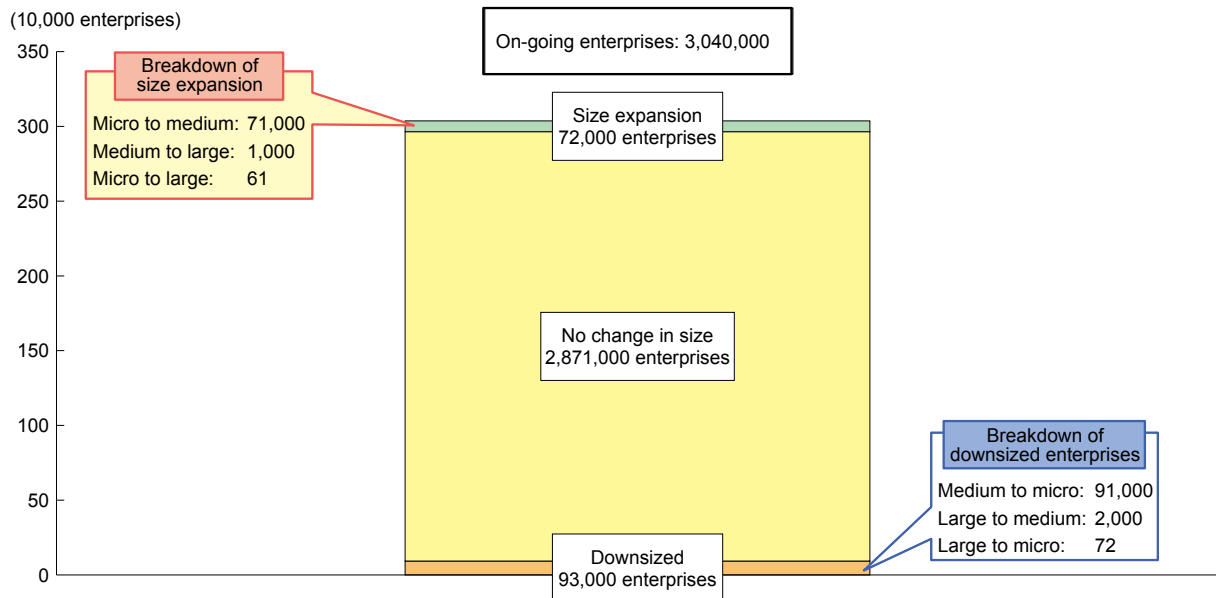
3. An analysis of enterprises expanding from micro businesses to medium enterprises

In this part we shall focus on and analyze micro businesses that have expanded their scale of business from between 2009 and 2014.

enterprises from 2009 to 2014, 71,000 out of the 3,040,000 on-going enterprises expanded their scale from micro business to medium enterprise (Fig. 1-2-7).

(1) The change in size of on-going enterprises

When we check the change in the size of on-going

Fig. 1-2-7 The change in size of on-going enterprises (2009 – 2014)

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

Note: On-going enterprises here refer to enterprises that have been confirmed to be in business by surveys at three points in time; July 2009, February 2012, and July 2014.

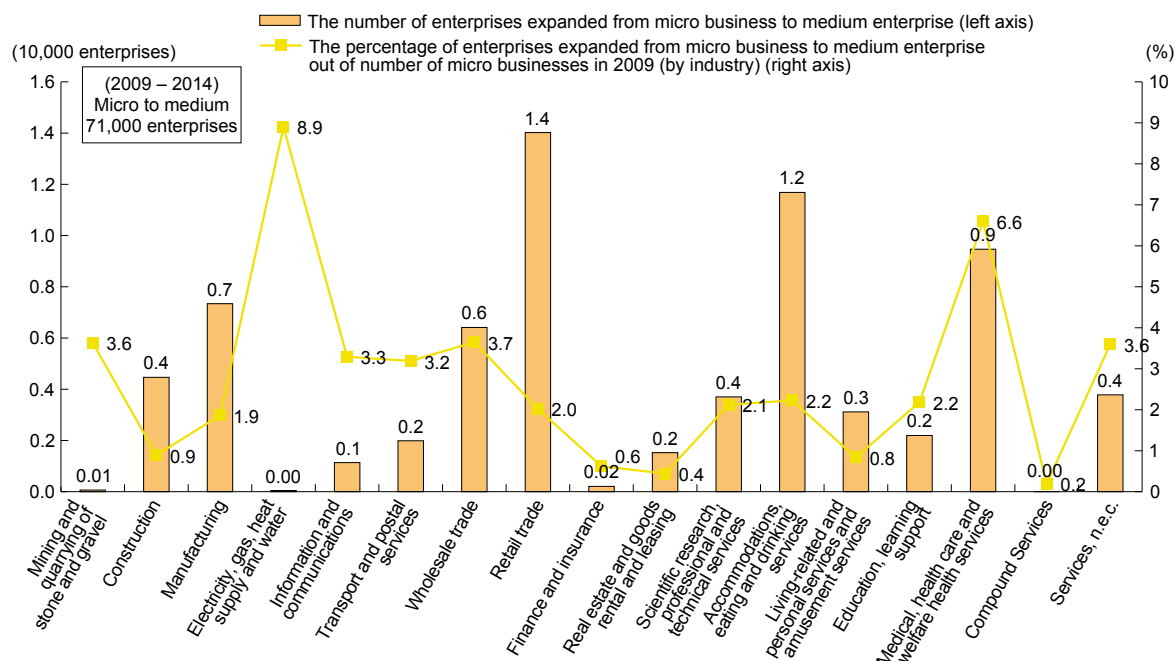
(2) Breakdown of 71,000 enterprises expanded from micro business to medium enterprise (by industry)

Next, Fig. 1-2-8 shows us the breakdown of 71,000 enterprises which have expanded their size from being a micro business into a medium enterprise.

The left axis shows the number of enterprises by industry which have grown from micro business to medium enterprise. The industry showing the most number of expanded businesses is the “retail trade” with 14,000 enterprises followed by “accommodations, eating and drinking services” with 12,000 enterprises and “medical, health care and welfare health services” with

9,000 enterprises.

The right axis shows the percentage of enterprises which have grown from micro business to medium enterprises out of the total number of micro businesses. The largest industry percentage-wise is “electricity, gas, heat supply and water” with 8.9% but the actual number of enterprises which have expanded in this industry is only 47. The next largest industry percentage is “medical, health care and welfare health services” with 6.6%. The number of expanded enterprises is high at 9,000 showing us that “medical, health care and welfare health services” was a rapidly expanding industry between 2009 and 2014.

Fig. 1-2-8 Breakdown of 71,000 enterprises expanded from micro business to medium enterprise (by industry)

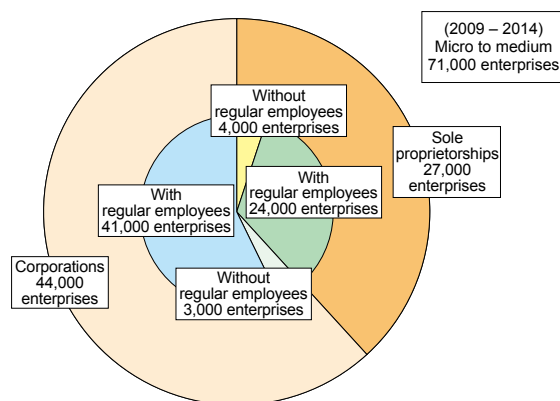
Sources: Recompiled from MIC, *2009 and 2014 Economic Census for Business Frame* and MIC, METI, *2012 Economic Census for Business Activity*.

Note: Those enterprises that were micro businesses in July 2009 and which expanded to medium enterprises as of July 2014, taken from the enterprises confirmed as on-going by surveys in July 2009, February 2012, and July 2014.

(3) Breakdown of 71,000 enterprises expanded from micro business to medium enterprise (by sole proprietorship and corporation, with or without regular employees)

Fig. 1-2-9, the breakdown of 71,000 enterprises expanded from micro business to medium enterprise (by sole proprietorship and corporation, with or without regular employees), shows the breakdown of enterprises, by type of industry, which have increased their size from

micro business to medium enterprise. Over half of the enterprises are corporations (with regular employees). On the other hand, about 7,000 enterprises, consisting of sole proprietorships (without regular employees) and corporations (without regular employees), have grown from micro businesses to medium enterprises, showing that even without any employees these enterprises can expand their business.

Fig. 1-2-9 Breakdown of 71,000 enterprises expanded from micro business to medium enterprise (by sole proprietorship and corporation, with or without regular employees)

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

Notes: 1. Those enterprises that were micro businesses in July 2009 and which expanded to medium enterprises as of July 2014, taken from the enterprises confirmed as on-going by surveys in July 2009, February 2012, and July 2014.
2. Shows the state (sole proprietorships and corporations) and whether with or without regular employees as of July 2009.

Section 2 The actual state of micro businesses viewed by key industries

In Section 2 we will focus our attention on the key industries for micro businesses (the top four industries in Fig. 1-2-5), “construction,” “manufacturing,” “retail trade” and “accommodations, eating and drinking

services.” We will analyze the actual state of these industries based on the *Survey of Business Activities at Micro Businesses, etc.*³⁾

1. Strengths and challenges by key industry

(1) Strengths felt by micro businesses with regards to business activity (by key industry)

Fig. 1-2-10 shows the strengths felt by micro businesses by key industry with regards to their work style.

“Strong trust relationship with customers” ranks highly as a strength at about 90% across all four industries. Businesses that feel “high quality products and services” are also relatively strong across all four industries.

On the other hand, the proportion of businesses which felt “accounts management is done properly” is lower than 30% in all four industries. It is inferred that micro businesses as a whole have a problem with accounting.

Now let’s take a look by industry type. Approximately 80% of the “construction” industry feels that “after-sales service is good” is a strength of theirs. We can say that the construction industry is an important industry for establishing customer trust through after-sales service.

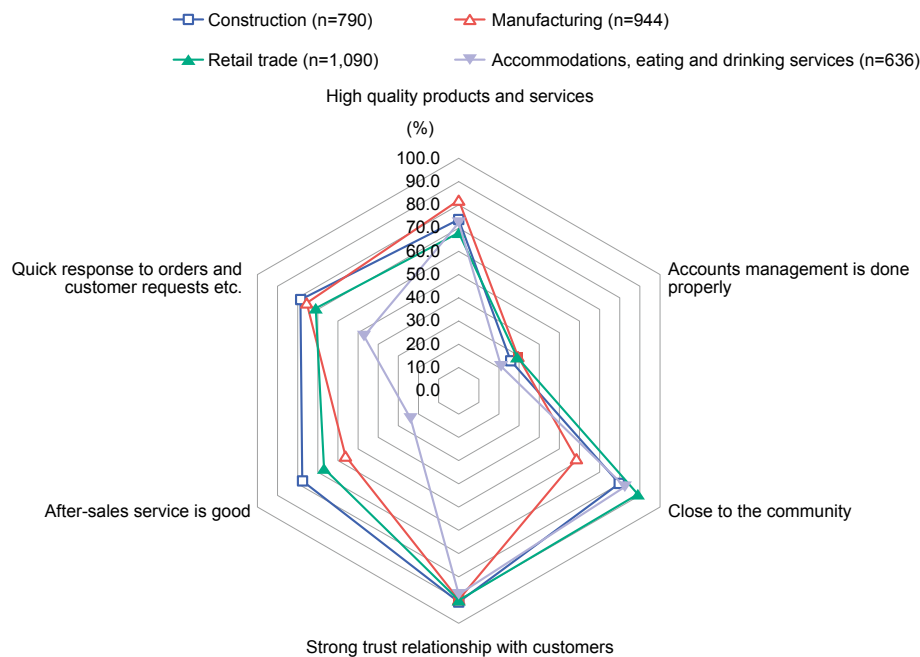
Of the four key industries “manufacturing” has the

highest percentage at more than 80% of businesses which feel that “high quality products and services” is a strength. We can see that there are many micro businesses confident in manufacturing. On the other hand though, the proportion of businesses in the manufacturing industry which feel “close to the community” as a strength is small. This is presumed to be more of a strength for BtoB businesses.

“Retail trade” accounts for about 90% of businesses that feel they are “close to the community.” Needless to say this is likely to be an industry where building good relations with local customers is important.

Compared with other industries, “accommodations, eating and drinking services” has a lower proportion of businesses which feel that “after-sales service is good” is a particular strength of theirs. We could say this is a feature of an industry where production and consumption take place side by side.

3) In December 2017, Mitsubishi UFJ Research and Consulting Co., Ltd. conducted an online questionnaire survey (number of responses: 4,587) among members of the societies and chambers of commerce and industry relating to micro businesses.

Fig. 1-2-10 Strengths felt by micro businesses with regards to business activity (by key industry)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Shows the percentage total for those respondents who answered “strength” or “likely strength” for each question.

(2) Strengths felt by micro businesses with regards to work style (by key industry)

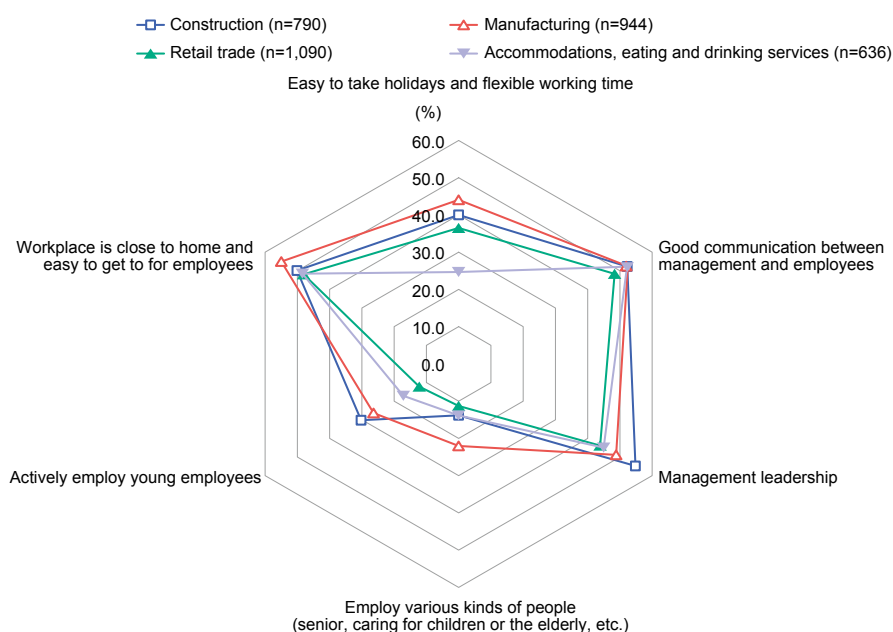
Fig. 1-2-11 shows the strengths felt by micro businesses by key industry with regards to the key ways in which they work.

Across all key industries, about half of the businesses feel that as a strength there is “good communication between management and employees” and the “workplace is close to home and easy to get to for employees,” suggesting that these are particular work

style characteristics for micro businesses.

On the other hand, fewer micro businesses state “actively employ young employees” or “employ various kinds of people (senior, caring for children or the elderly, etc.)” as strengths.

Looking at the industries, businesses that felt “easy to take holidays and flexible working time” was a strength had a particularly poor showing with a percentage of about 25% in the “accommodations, eating and drinking services” industry.

Fig. 1-2-11 Strengths felt by micro businesses with regards to work style (by key industry)

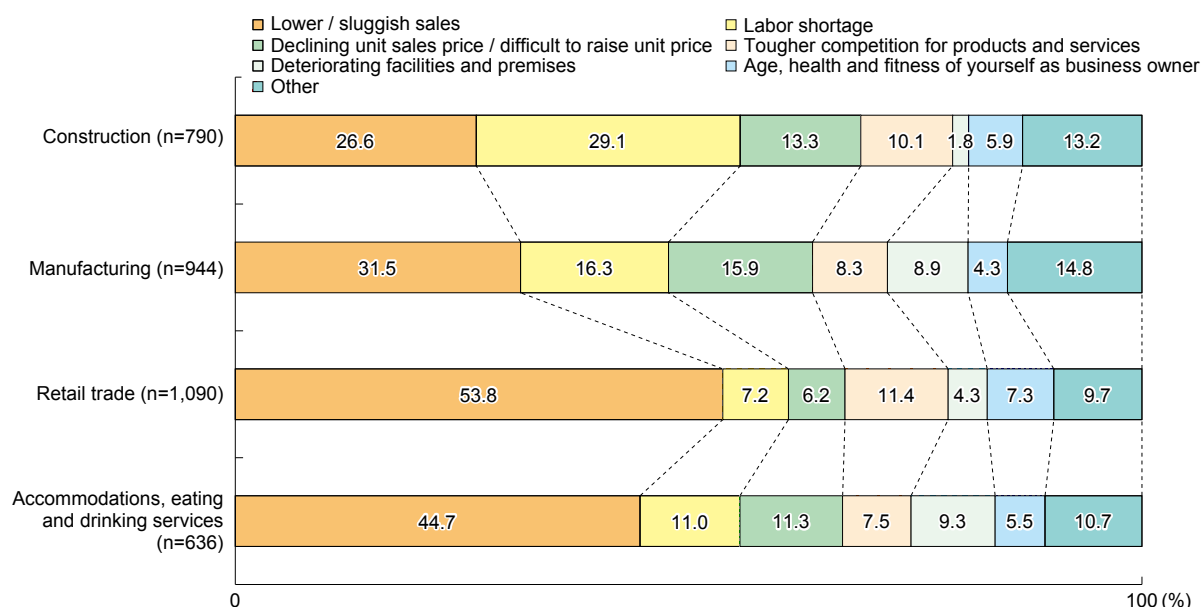
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Shows the percentage total for those respondents who answered “strength” or “likely strength” for each question.

(3) Challenges for management (by key industry)

Next, when we look at the issues or challenges management face by industry, “retail trade” and “accommodations, eating and drinking services” feel that “lower / sluggish sales” is the most pressing issue,

whereas the construction industry feels that “labor shortage” is the biggest issue for them. Of the key industries, “construction” showed the highest proportion of enterprises that answered “labor shortage” as a challenge for management (Fig. 1-2-12).

Fig. 1-2-12 Most pressing issues for management (by key industry)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: “Other” refers to the total number of responses from the answers “raising funds,” “aging employees (health and fitness, passing on skills),” “absence of successor,” “cannot improve purchase / order terms” and “others.”

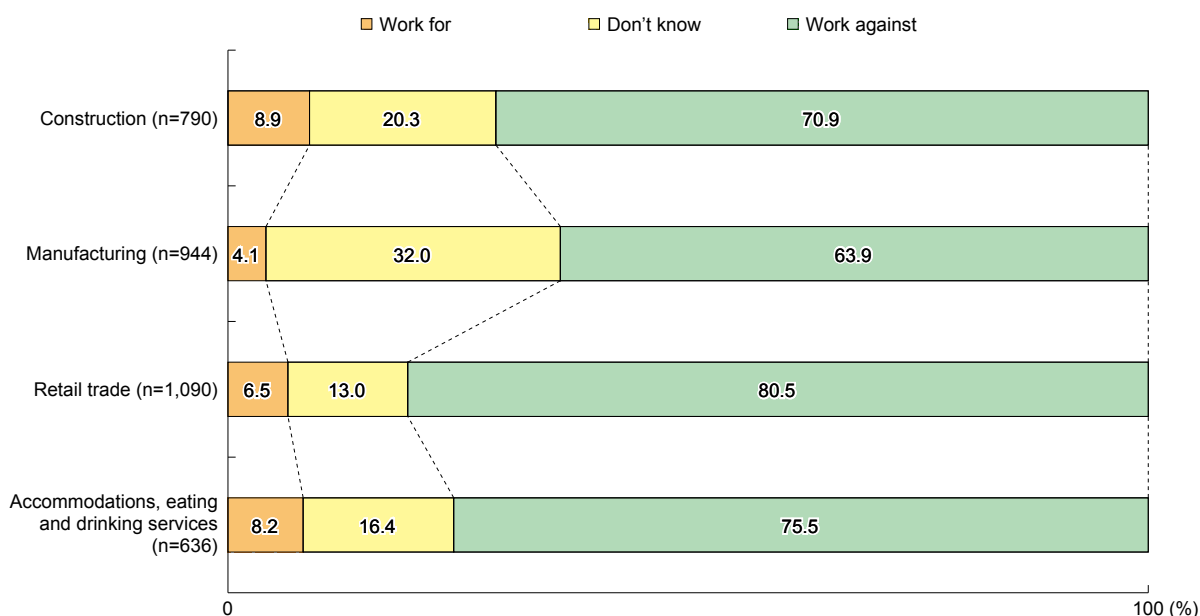
2. The impact in key industries from changes in the socio-economic environment

(1) The impact of declining regional population and changes in the population structure (by key industries)

Fig. 1-2-13 shows the impact of the declining population and changes in the population structure. For all the key industries, a high proportion of businesses said that a “declining regional population and changes

in the population structure” will work against them. The proportion of businesses that said it will work against them is particularly high in the “retail trade” and “accommodations, eating and drinking services,” suggesting that “lower / sluggish sales” as seen in Fig. 1-2-12 is one of the reasons why it is the most pressing issue.

Fig. 1-2-13 The impact of declining regional population and changes in the population structure (by key industries)



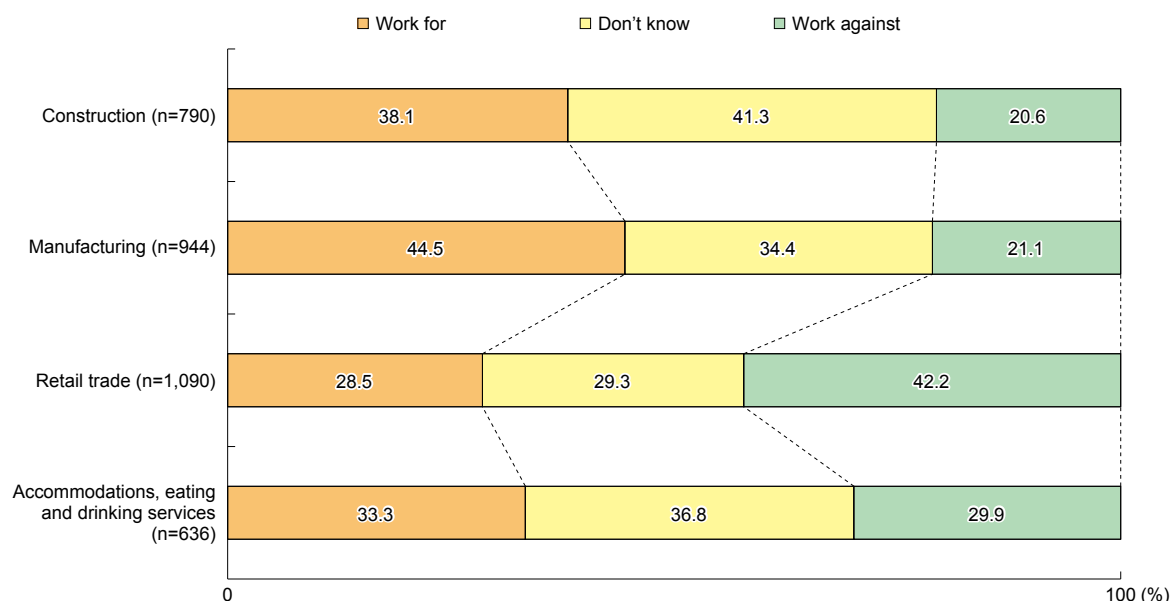
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Here, “work for” refers to those who answered “work for” or “likely work for.”
2. Here, “work against” refers to those who answered “work against” or “likely work against.”

(2) The impact of diversified customer needs (by key industries)

Fig. 1-2-14 shows the impact of diversified customer needs. A high proportion of businesses in “construction” and “manufacturing” stated that diversification of customer needs works for their business, whereas for

“retail trade” a high proportion said it worked against them. From this we can infer that small stores in the “retail trade” which are unable to provide a wide product range feel the impact of an increased number of larger stores and a surge in sales on the internet.

Fig. 1-2-14 The impact of diversified customer needs (by key industries)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

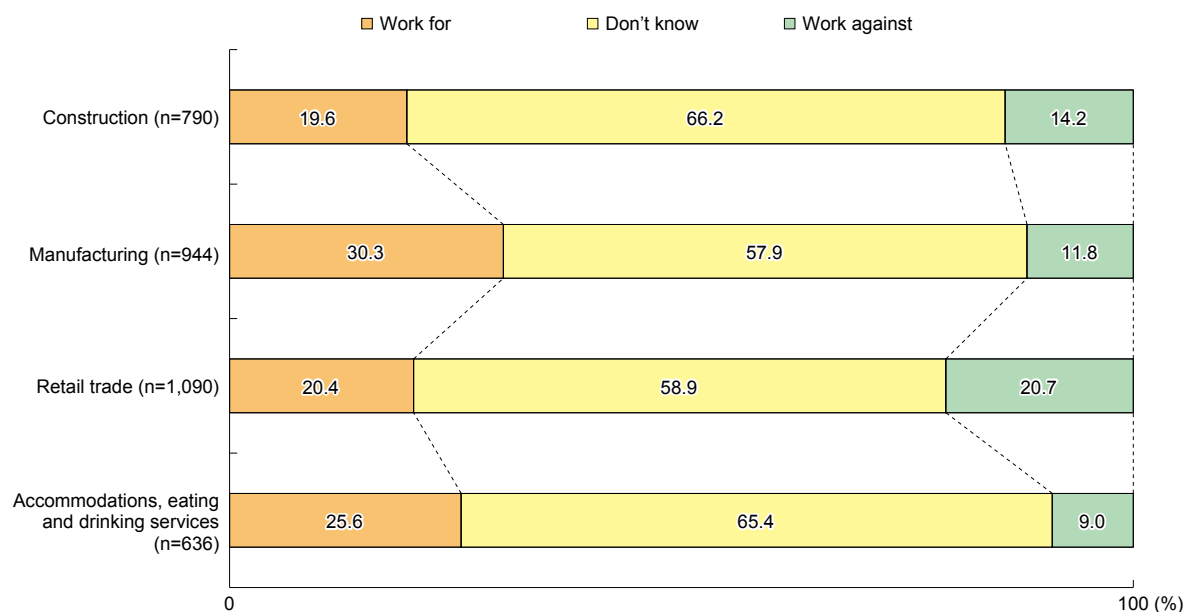
Notes: 1. Here, “work for” refers to those who answered “work for” or “likely work for.”

2. Here, “work against” refers to those who answered “work against” or “likely work against.”

(3) The impact of the rapid rise of information technologies such as the cloud and IoT (by key industries)

Fig. 1-2-15 shows the impact of the rapid rise of information technologies such as the cloud and IoT. A relatively high proportion of businesses in “manufacturing”

and “accommodations, eating and drinking services” said that the “rapid rise of information technologies such as the cloud and IoT” have worked for, or in favor of, their business. It can be inferred that a certain number of businesses have the idea that more value can be added to their business by utilizing information technology.

Fig. 1-2-15 The impact of the rapid rise of information technologies such as the cloud and IoT (by key industries)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Here, “work for” refers to those who answered “work for” or “likely work for.”

2. Here, “work against” refers to those who answered “work against” or “likely work against.”

Section 3 Summary

In this chapter we have shown the overall picture of micro businesses and have seen the strengths, issues and effects from changes in the social environment. The picture of micro businesses is a mix-match of different businesses

with trends as a whole and differing characteristics per industry, but we have seen diversification among them. It is important to recognize such diversity when looking at micro businesses.

Chapter 3

Labor productivity analysis of micro businesses

This chapter compares labor productivity at micro businesses to that at medium enterprises and large enterprises. Labor productivity is an indicator of how efficiently workers generate added value, such as profit.

Section 1 Labor productivity at micro businesses

This section compares labor productivity at micro businesses to others by scale of business, looking at the trends in both the manufacturing and non-manufacturing

industries.¹⁾ It also analyzes labor productivity as correlated to capital equipment ratio and capital productivity.

1. Comparison of labor productivity

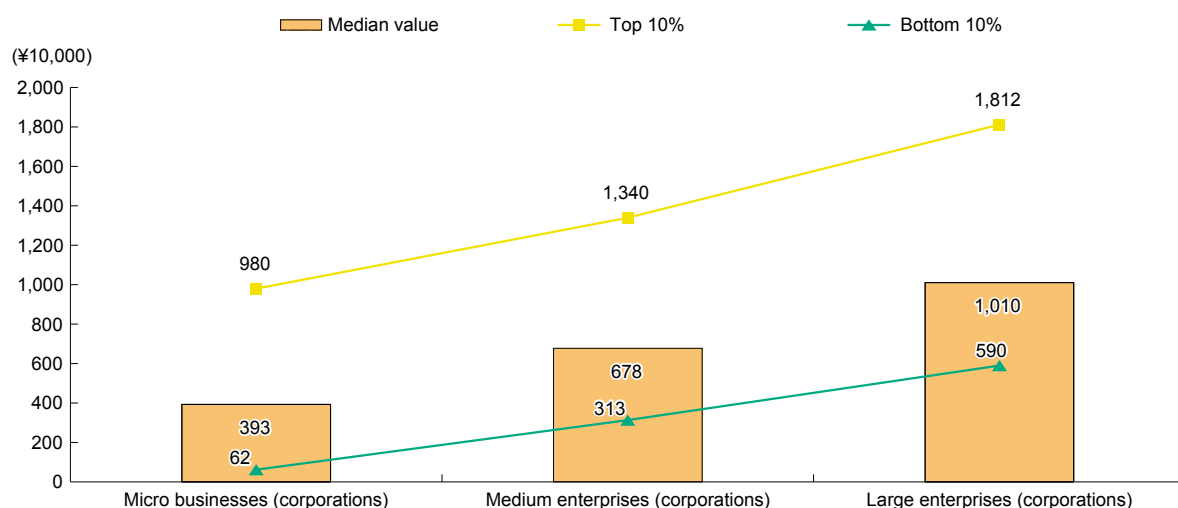
This part looks at differences by scale in recent labor productivity, comparing the median value, top 10%, and bottom 10%.

(1) Labor productivity by scale of business (manufacturing industries)

Fig. 1-3-1 looks at labor productivity by scale of

business in manufacturing industries. Looking at median values, labor productivity is lower at micro businesses than at medium and large enterprises, but labor productivity at the top 10% of micro businesses is close to the median for large enterprises.

Fig. 1-3-1 Labor productivity by scale of business (manufacturing industries)



Source: Recompiled from MOF, FY2016 *Financial Statements Statistics of Corporations by Industry, Annually*.

- Notes:
1. Labor productivity = value added / total number of workers
 2. Value added = personnel costs + interest + rent of movable property and real estate + taxes and public impositions + net operating profit
 3. Number of workers = number of officers + number of employees

1) In this chapter, totals exclude the real estate industry, which tends to have a much higher capital equipment ratio than other industry sectors.

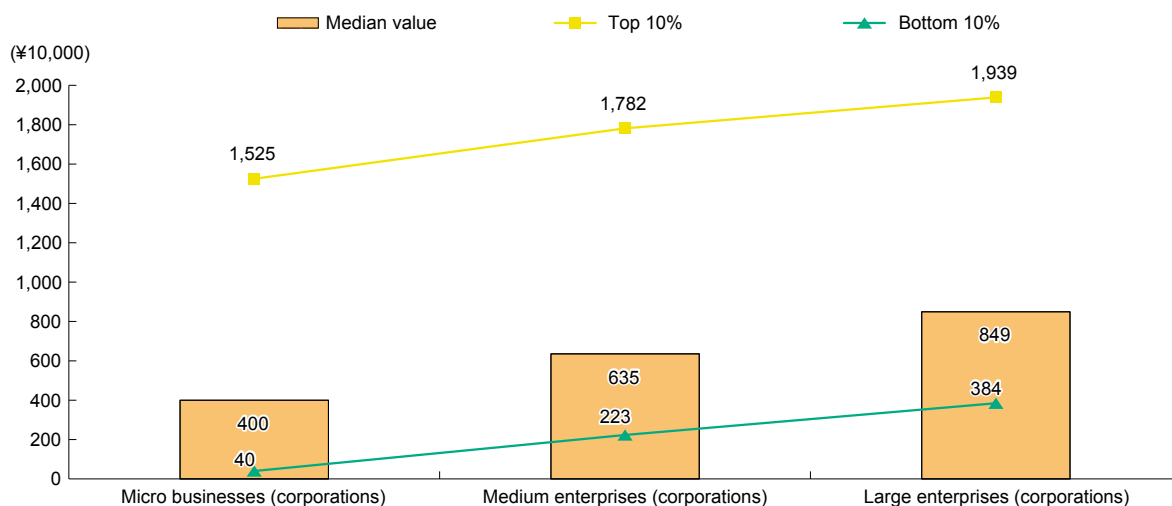
(2) Labor productivity by scale of business (non-manufacturing industries)

Fig. 1-3-2 looks at labor productivity by scale of business in non-manufacturing industries. Looking at median values in non-manufacturing industries also, labor productivity is lower at micro businesses than at medium and large enterprises, but labor productivity at the top

10% of micro businesses is much higher than the median for large enterprises.

Looking at overall trends, labor productivity is lower at micro businesses than at medium and large enterprises, but there are some micro businesses with high labor productivity.

Fig. 1-3-2 Labor productivity by scale of business (non-manufacturing industries)



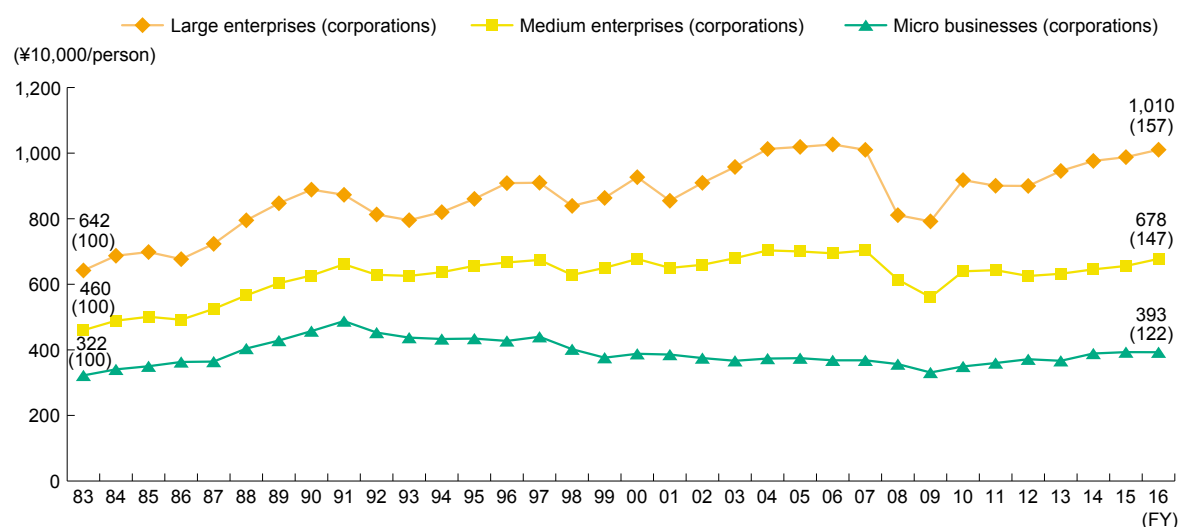
Source: Recompiled from MOF, *FY2016 Financial Statements Statistics of Corporations by Industry, Annually*.

- Notes:
1. Labor productivity = value added / total number of workers
 2. Value added = personnel costs + interest + rent of movable property and real estate + taxes and public impositions + net operating profit
 3. Number of workers = number of officers + number of employees
 4. Excludes real estate industry

(3) Trends in labor productivity by scale of business (manufacturing industries)

Fig. 1-3-3 looks at trends in labor productivity by scale of business in manufacturing industries. Comparing

the trends since 1983, the figure shows that the labor productivity gap is growing not only between large enterprises and micro businesses, but also between medium enterprises and micro businesses.

Fig. 1-3-3 Trends in labor productivity by scale of business (manufacturing industries)

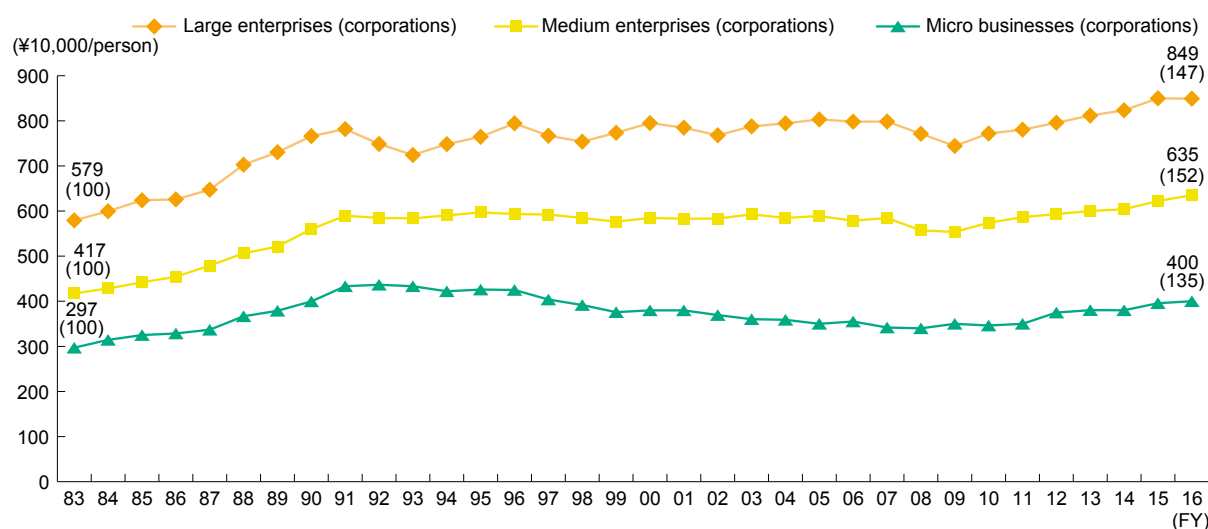
Source: Recompiled from MOF, *Financial Statements Statistics of Corporations by Industry, Annually*.

- Notes:
1. Labor productivity = value added / total number of workers
 2. Value added = personnel costs + interest + rent of movable property and real estate + taxes and public impositions + net operating profit
 3. Number of workers = number of officers + number of employees
 4. Numbers are median values
 5. Numbers in parentheses are FY2016 numbers relative to FY1983 numbers, where FY1983 = 100 at each scale

(4) Trends in labor productivity by scale of business (non-manufacturing industries)

Fig. 1-3-4 looks at trends in labor productivity by scale of business in non-manufacturing industries. Comparing

the trends since 1983, it shows that, as with manufacturing industries, the labor productivity gap is growing between micro businesses on the one hand and large and medium enterprises.

Fig. 1-3-4 Trends in labor productivity by scale of business (non-manufacturing industries)

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

- Notes:
1. Labor productivity = value added / total number of workers
 2. Value added = personnel costs + interest + rent of movable property and real estate + taxes and public impositions + net operating profit
 3. Number of workers = number of officers + number of employees
 4. Numbers are median values
 5. Numbers in parentheses are FY2016 numbers relative to FY1983 numbers, where FY1983 = 100 at each scale
 6. Excludes real estate industry

2. Comparison of capital equipment ratio and capital productivity

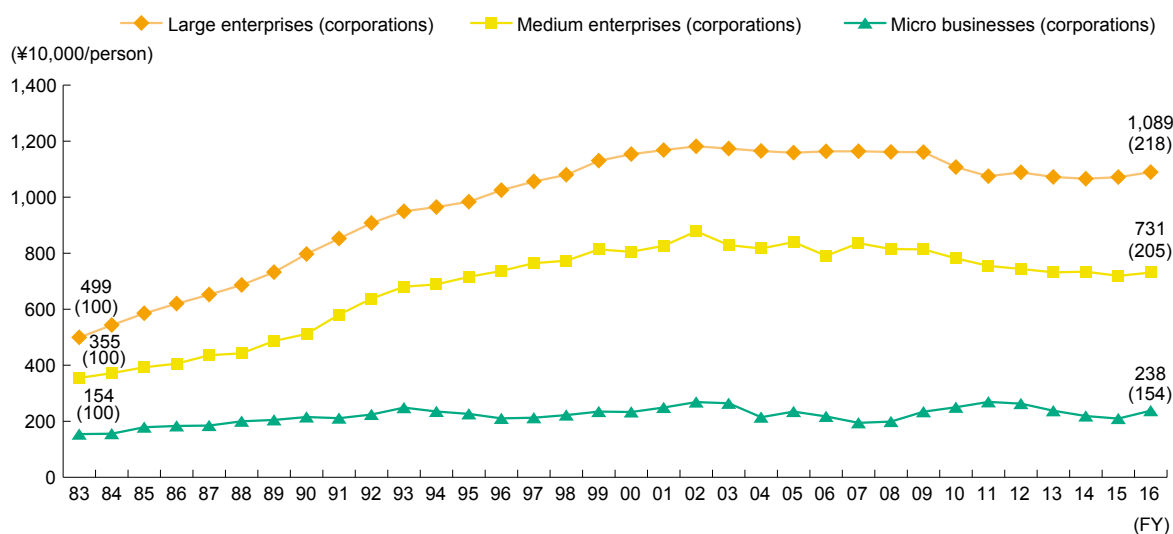
Next, we look at capital equipment ratio²⁾ and capital productivity,³⁾ two indicators with a strong correlation to labor productivity.

between 1983 and 2016 at manufacturing industries. Although the value is rising for micro businesses, there continues to be a gap between them and large and medium enterprises.

(1) Trends in capital equipment ratio by scale of business (manufacturing industries)

Fig. 1-3-5 shows trends in the capital equipment ratio

Fig. 1-3-5 Trends in capital equipment ratio by scale of business (manufacturing industries)



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

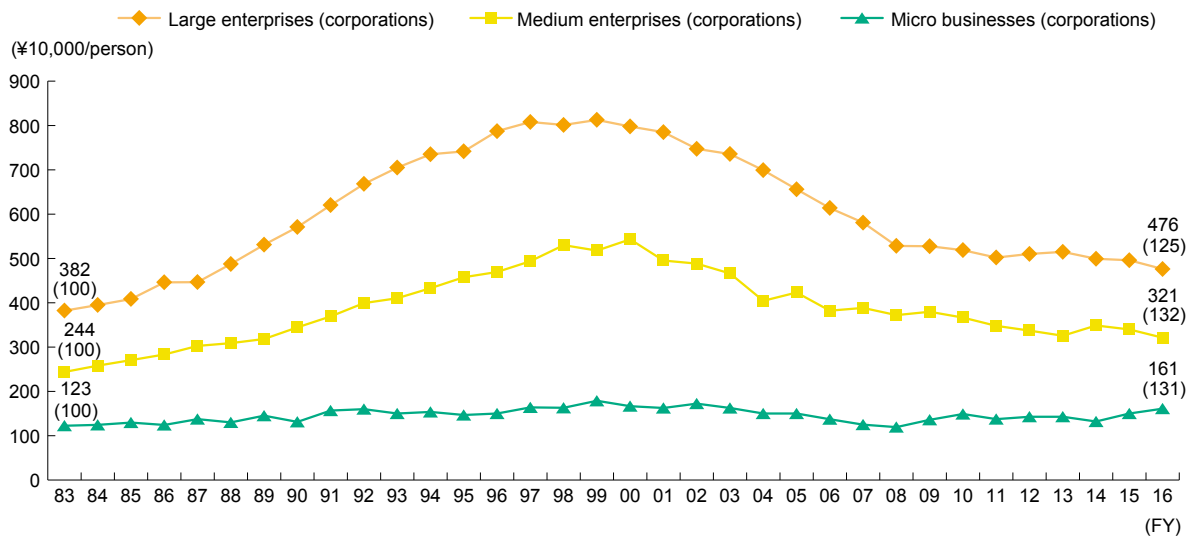
- Notes:
1. Capital equipment ratio = tangible fixed assets / number of workers
 2. Numbers are median values
 3. Numbers in parentheses are FY2016 numbers relative to FY1983 numbers, where FY1983 = 100 at each scale

(2) Trends in capital equipment ratio by scale of business (non-manufacturing industries)

Fig. 1-3-6 shows trends in the capital equipment ratio between 1983 and 2016 at non-manufacturing industries.

Although the value is rising for micro businesses, it continues to be low compared to large and medium enterprises.

2) Capital equipment ratio is found by dividing capital stock (tangible fixed assets) by number of workers. It represents the possession of equipment, etc., per worker. Generally, the higher this indicator, the more mechanized the production site.
 3) Capital productivity is found by dividing added value by capital stock (tangible fixed assets). It represents the added value generated per unit of stock. Generally, the higher this indicator, the more efficiently the business is using its production equipment.

Fig. 1-3-6 Trends in capital equipment ratio by scale of business (non-manufacturing industries)

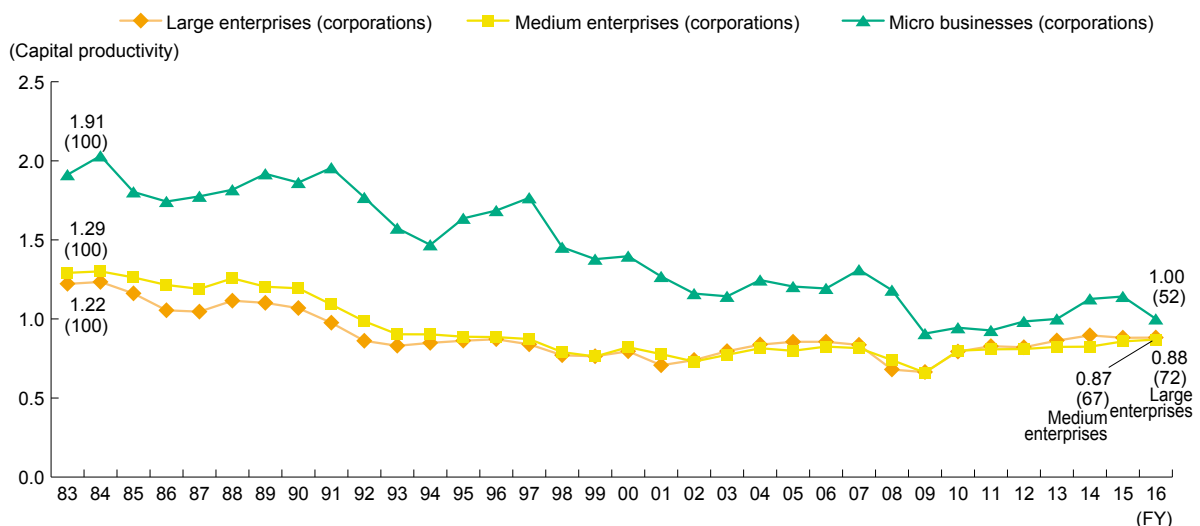
Source: Recompiled from MOF, *Financial Statements Statistics of Corporations by Industry, Annually*.

- Notes:
1. Capital equipment ratio = tangible fixed assets / number of workers
 2. Numbers are median values
 3. Numbers in parentheses are FY2016 numbers relative to FY1983 = 100 at each scale
 4. Excludes real estate industry

(3) Trends in capital productivity by scale of business (manufacturing industries)

Fig. 1-3-7 shows the trends in capital productivity by scale of business in manufacturing industries. Since

the 1980s, capital productivity has been higher at micro businesses than at large and medium enterprises, but in recent years there is very little gap by scale.

Fig. 1-3-7 Trends in capital productivity by scale of business (manufacturing industries)

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

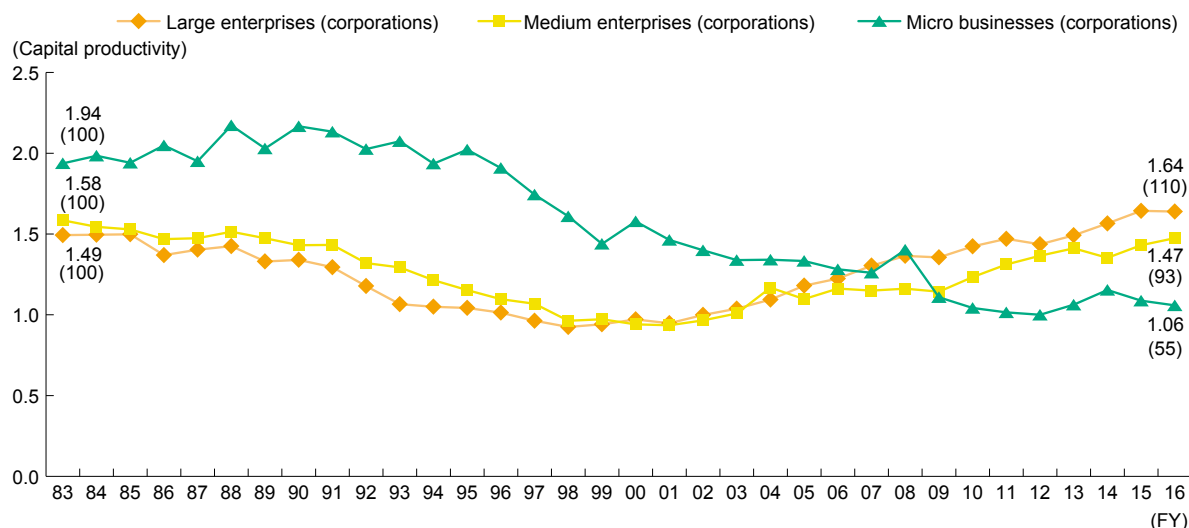
- Notes:
1. Capital productivity = added value / tangible fixed assets
 2. Value added = personnel costs + interest + rent of movable property and real estate + taxes and public impositions + net operating profit
 3. Numbers are median values
 4. Numbers in parentheses are FY2016 numbers relative to FY1983 = 100 at each scale

(4) Trends in capital productivity by scale of business (non-manufacturing industries)

Fig. 1-3-8 shows the trends in capital productivity by scale of business in non-manufacturing industries.

Until the 1990s, capital productivity was higher at micro businesses than at large and medium enterprises, but the positions have switched in recent years.

Fig. 1-3-8 Trends in capital productivity by scale of business (non-manufacturing industries)



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

- Notes:
1. Capital productivity = added value / tangible fixed assets
 2. Value added = personnel costs + interest + rent of movable property and real estate + taxes and public impositions + net operating profit
 3. Numbers are median values
 4. Numbers in parentheses are FY2016 numbers relative to FY1983 numbers, where FY1983 = 100 at each scale

In the 1980s, micro businesses achieved capital productivity exceeding that of large and medium enterprises thanks to workers who used the small amount of equipment, etc., effectively, but capital productivity has continued on a declining trend in recent years, so that micro businesses have switched places with large and


medium enterprises in the non-manufacturing industries. In light of the above, it is inferred that the widening gap in capital equipment ratio and fluctuations in capital productivity account for much of the widening gap in labor productivity.

Section 2 Summary

This chapter has analyzed labor productivity at micro businesses. It has shown that there are some micro businesses with greater labor productivity than that at large and medium enterprises. Looking at the trends in labor productivity, there are still gaps between businesses of different scales, but it is important for micro businesses

to shrink the productivity gap by taking initiatives to increase labor productivity, such as using machinery and other facilities effectively. Appropriate support measures are essential for micro businesses eager to increase their labor productivity.

Part II



Measures to increase labor productivity
in micro businesses

Chapter 1

Labor shortages and operational review at micro businesses

Part I indicated that although business conditions are in a recovery trend at micro businesses, these are struggling more than large enterprises and medium enterprises to grow their profit, etc. It also pointed out the diversity of micro businesses and the fact that some micro businesses have greater labor productivity than large enterprises.

Part II will give an overview of the labor shortage situation at micro businesses, then examine micro businesses' initiatives to raise labor productivity, categorizing those initiatives by IT use, capital investment, collaborating with other enterprises, and business succession. To maintain and enhance added value when there is an increasingly serious labor shortage, even micro businesses need to increase productivity. Analysis will be based on the *Survey of Business Activities at Micro Businesses, etc.*, as used in Part I, and will make additional use of various statistics.

Facing structural changes like a declining and aging population, micro businesses have a growing sense of a labor shortage. This chapter will look at how micro businesses are responding to their labor shortages and how

they are getting by under the difficult circumstances. It will also look at business owners' inclinations to increase operational efficiency.

Section 1 The labor shortage situation at micro businesses

This section discusses the overall sense of the labor shortage situation, then compares the DI for excess/shortage of employees at micro businesses and medium

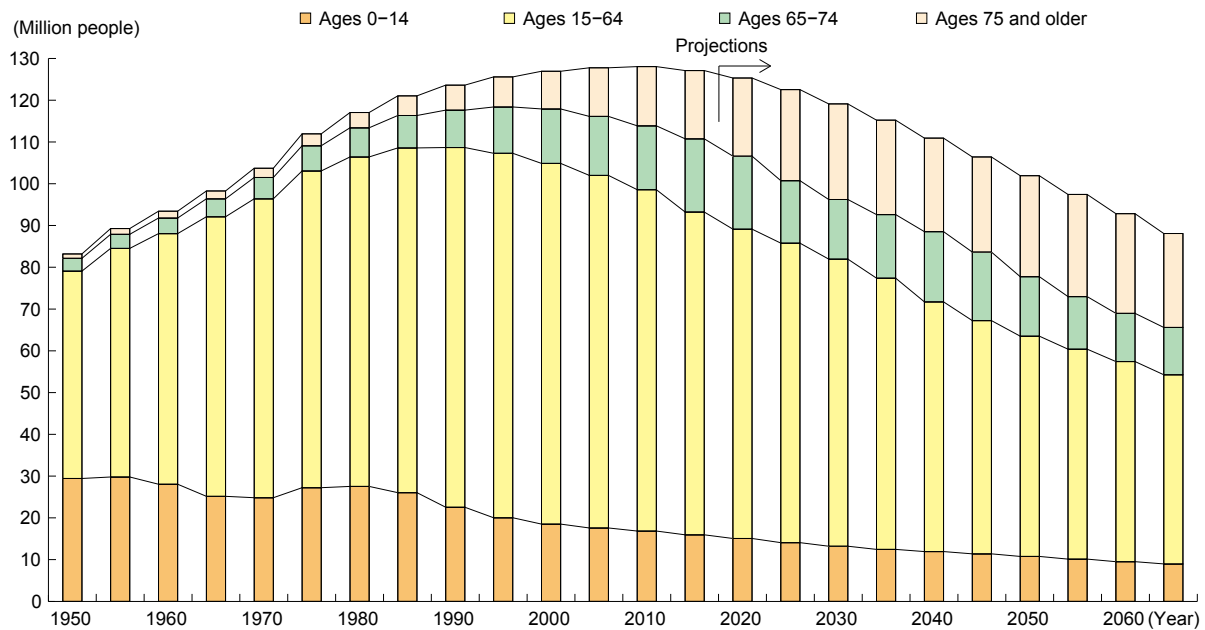
enterprises to see the sense of a labor shortage at micro businesses.

1. Labor shortage statistics

(1) Population projections by age group

To begin, this part looks at the trends in total population of Japan and its breakdown by age group (Fig. 2-1-1). Although the total population of Japan continued to rise after 1950, it began declining in 2010 and is predicted to

continue falling going forward. According to projections, the population of persons age 74 or younger will continue falling in the future, while the population of those age 75 or older will rise markedly.

Fig. 2-1-1 Population projections by age group

Sources: MIC, *Population Census*; National Institute of Population and Social Security Research, *Population Projections for Japan* (2017 projections).

Notes: 1. Future population projections after 2016 are based on medium fertility (medium mortality) estimates.
2. Populations up to 2015 are based on MIC, *Population Census* (people of uncertain age are proportionally distributed).

(2) Trends in number of new job openings by workforce size of business establishment

This part looks at the number of job openings by scale of the business establishment (Fig. 2-1-2). It shows that

in 2009, the number of job openings fell at businesses of all categories of number of workers, but since then the number has been increasing at enterprises of relatively small scale.

Fig. 2-1-2 Number of new job offers by workforce size of business establishment

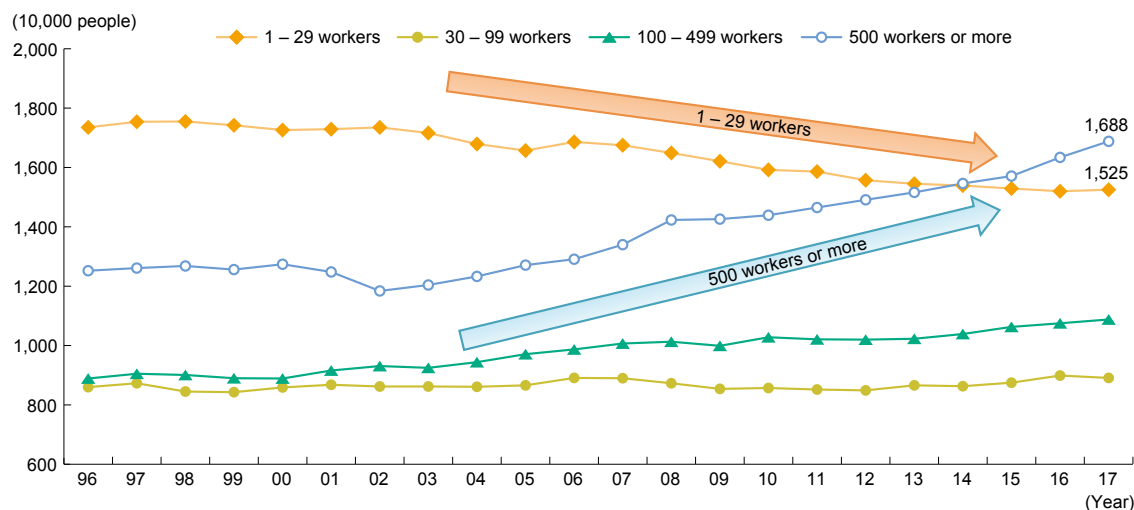
Source: MHLW, *Employment Referrals for General Workers*.

(3) Trends in number of employees by number of workers

This part looks at trends in number of employees at enterprises by number of workers, with a focus on enterprises with 1–29 workers and enterprises with 500 workers or more in the past 20 years. It shows that in the early part of that period, the number of employees stayed

flat at both groups, but entering the 2000s, the number of employees at enterprises with 1–29 workers began a declining trend, while that at enterprises with 500 workers or more started a rising trend. The two totals crossed over each other in 2014 (Fig. 2-1-3). It is inferred that human resources are moving to large-scale enterprises year by year.

Fig. 2-1-3 Number of non-agriculture or forestry workers by workforce size



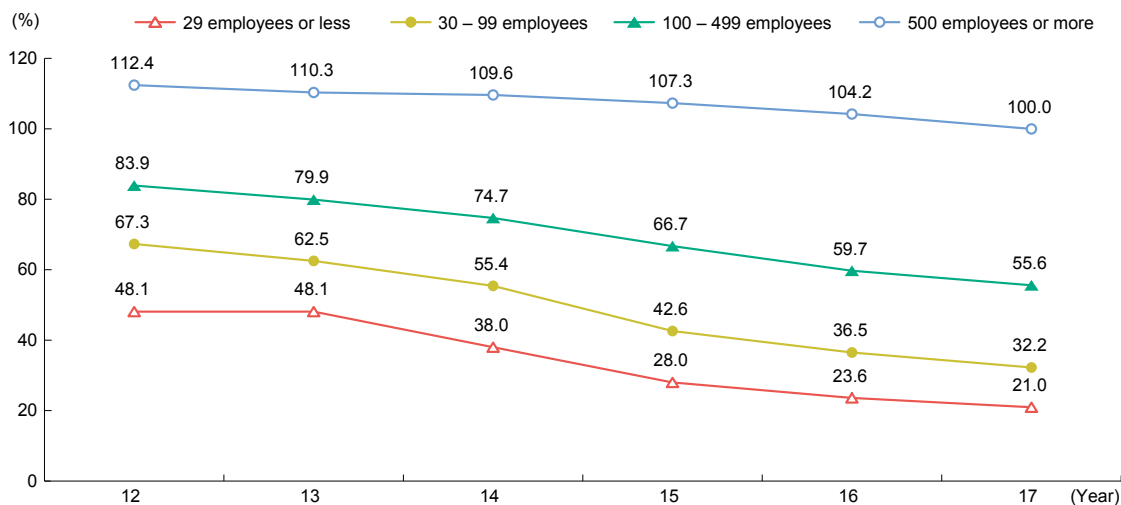
Source: MIC, Labor Force Survey (Historical Data/Basic Tabulation).

(4) Trends in ratio of placement to job opening among high school graduates, by number of employees

The next part looks at trends in the ratio of placement to job opening among high school graduates, by number of

employees (Fig. 2-1-4). This ratio has been on a declining trend for the last five years at enterprises of all scales, but the decline has been especially notable at enterprises with 29 employees or less, who recently have only been able to fill about one-fifth of their job openings.

Fig. 2-1-4 Ratio of placement to job opening among high school graduates, by number of employees



Source: MHLW, Employment Referrals for New School Graduates.

Notes: 1. The above yearly figures for new school graduates are based on the number of job seekers handled by public employment security offices and schools and their status of employment.
2. Ratio of placement to job opening = (number of job seekers employed / number of job openings) × 100

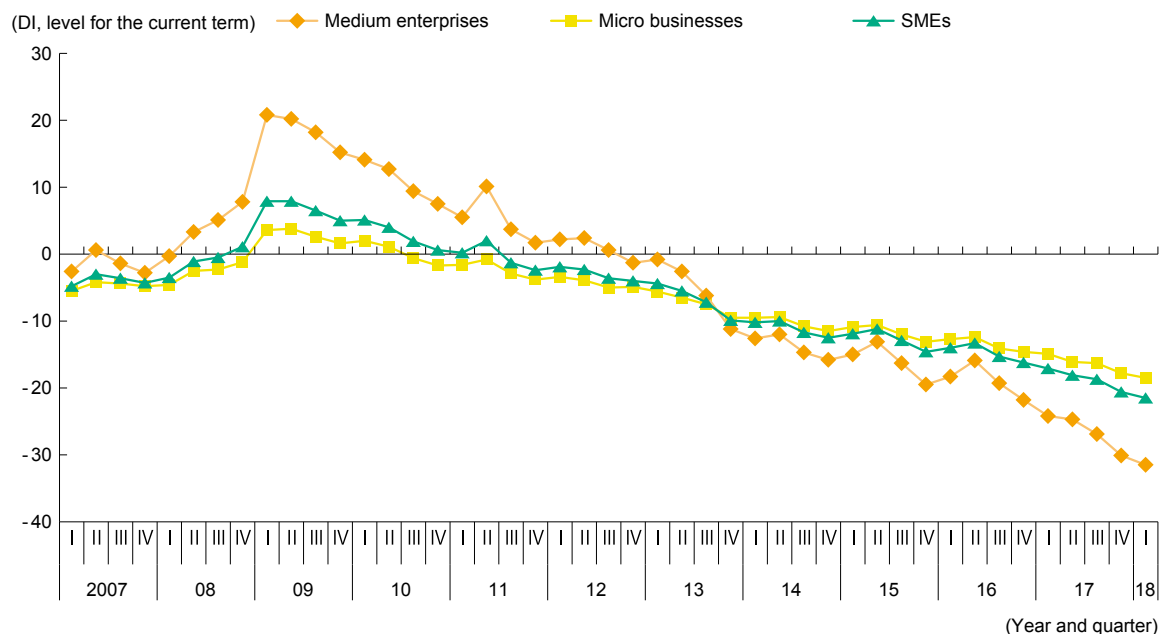
2. Comparison of DI for excess/shortage of employees

Above, we showed that as Japan's population declines and ages, small-scale enterprises in particular have an increasing number of job openings but have a hard time employing people. This part compares the surplus or shortage of employees at micro businesses and medium enterprises.

(1) DI for excess/shortage of employees (all industries)

Micro businesses have had a labor shortage since the third quarter of 2010, and their sense of a labor shortage has grown stronger (Fig. 2-1-5). The sense of an employee shortage has been even stronger at medium enterprises than at micro businesses since 2013. This indicates that there is a growing sense of a labor shortage at SMEs overall.

Fig. 2-1-5 Trends in DI for excess/shortage of employees by scale of business



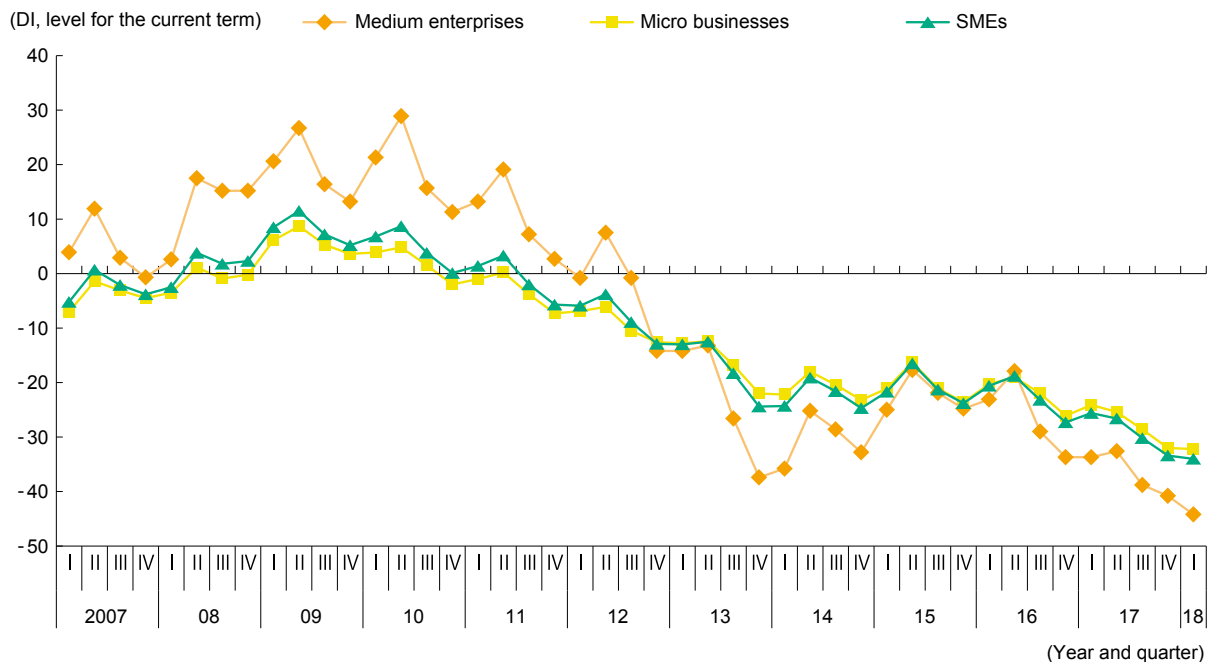
Source: SMRJ & SME Agency, *Survey on SME Business Conditions*.

Note: The DI for excess/shortage of employees is the percentage (%) of enterprises that said they have an excess of employees for the current term, minus the percentage (%) of enterprises that said they have a shortage.

(2) DI for excess/shortage of employees (construction industry)

In the construction industry, micro businesses have had a gradually growing sense of a labor shortage since 2011, with an extreme shortage recently (Fig. 2-1-6).

The sense of an employee shortage continues to be even stronger at medium enterprises than at micro businesses since 2013. In addition, the sense of a labor shortage tends to be stronger in the construction industry than in other industries.

Fig. 2-1-6 Trends in DI for excess/shortage of employees, by scale of business (construction industry)

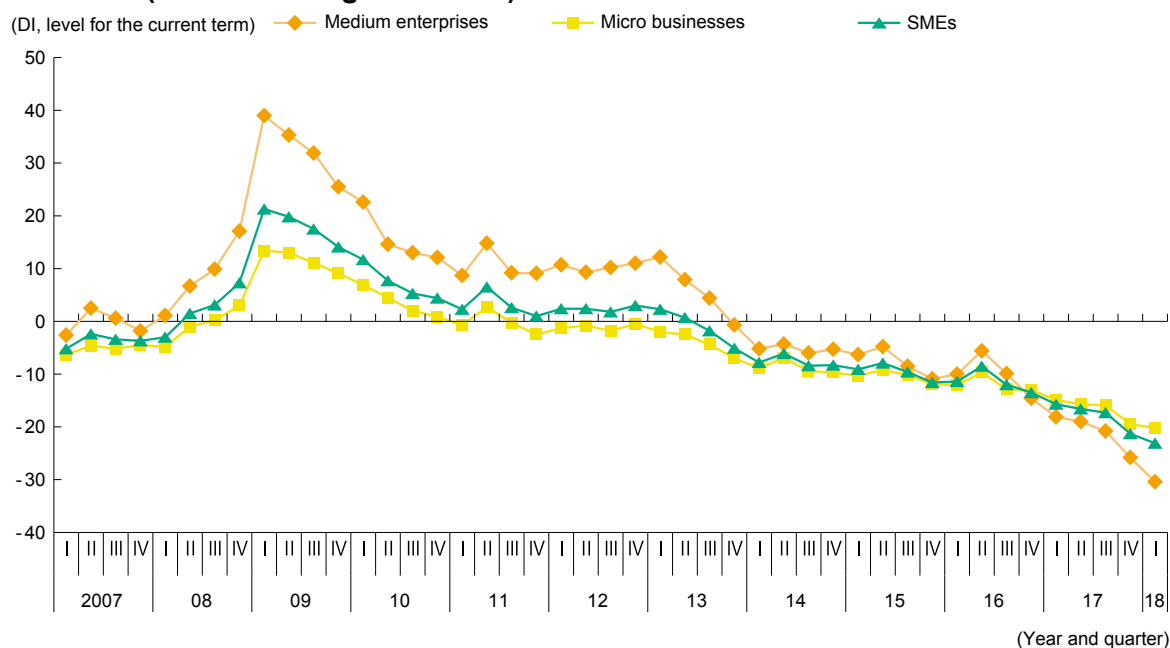
Source: SMRJ & SME Agency, *Survey on SME Business Conditions*.

Note: The DI for excess/shortage of employees is the percentage (%) of enterprises that said they have an excess of employees for the current term, minus the percentage (%) of enterprises that said they have a shortage.

(3) DI for excess/shortage of employees (manufacturing industries)

Manufacturing industries have likewise been in a labor shortage situation since the third quarter of 2011. The sense of a labor shortage among micro businesses

has been growing gradually more serious since then (Fig. 2-1-7). The sense of an employee shortage has been even stronger at medium enterprises than at micro businesses for about the last year.

Fig. 2-1-7 Trends in DI for excess/shortage of employees, by scale of business (manufacturing industries)

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

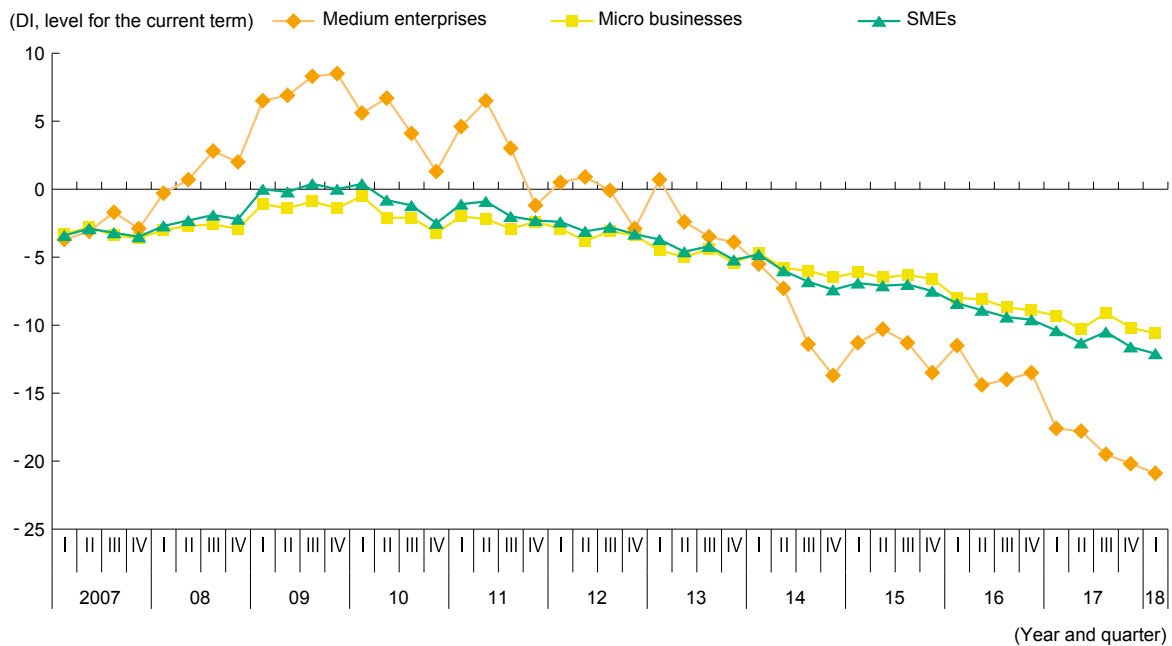
Note: The DI for excess/shortage of employees is the percentage (%) of enterprises that said they have an excess of employees for the current term, minus the percentage (%) of enterprises that said they have a shortage.

(4) DI for excess/shortage of employees (retail trade)

There continues to be a labor shortage since 2007 among micro businesses (Fig. 2-1-8). In the retail trade,

the sense of an employee shortage has been stronger at medium enterprises than at micro businesses for about the last four years.

Fig. 2-1-8 Trends in DI for excess/shortage of employees, by scale of business (retail trade)



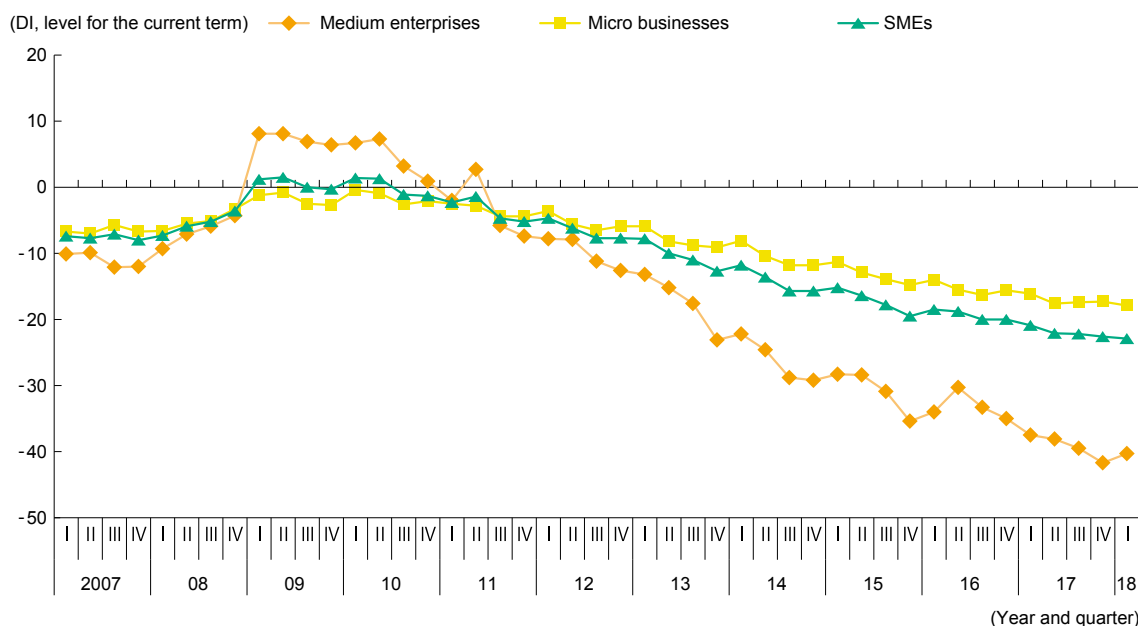
Source: SMRJ & SME Agency, *Survey on SME Business Conditions*.

Note: The DI for excess/shortage of employees is the percentage (%) of enterprises that said they have an excess of employees for the current term, minus the percentage (%) of enterprises that said they have a shortage.

(5) DI for excess/shortage of employees (services)

In the services, the sense of a labor shortage has been growing gradually at micro businesses since 2010 (Fig.

2-1-9). In addition, the sense of an employee shortage has been stronger at medium enterprises than at micro businesses for about the last six years.

Fig. 2-1-9 Trends in DI for excess/shortage of employees, by scale of business (services)

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

Note: The DI for excess/shortage of employees is the percentage (%) of enterprises that said they have an excess of employees for the current term, minus the percentage (%) of enterprises that said they have a shortage.

Up to this point, this overview has looked at the sense of a labor shortage in various industries as seen in the *Survey on SME Business Conditions*, and that sense of a labor shortage has been growing at micro businesses in all industries. Comparing micro businesses and medium enterprises, the sense of a labor shortage is stronger

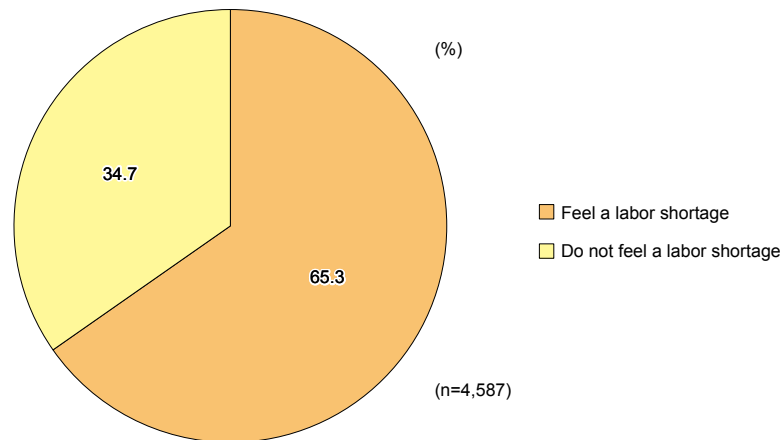
at medium enterprises recently. One factor in this, as described later, may be the tendency of business owners at micro businesses to increase their own working hours when faced with a labor shortage. SMEs overall, including micro businesses, are under pressure from labor shortages.

3. The sense of a labor shortage at micro businesses

Above, the report looked at the trend of a growing sense of a labor shortage among SMEs and micro businesses. This part forward is an analysis, once again using results of *Survey of Business Activities at Micro Businesses, etc.* First is a look at the sense of a labor shortage at micro businesses.

(1) Status of sense of a labor shortage

Fig. 2-1-10 shows the sense of a labor shortage at micro businesses. About two-thirds of micro businesses feel a labor shortage.

Fig. 2-1-10 Sense of a labor shortage

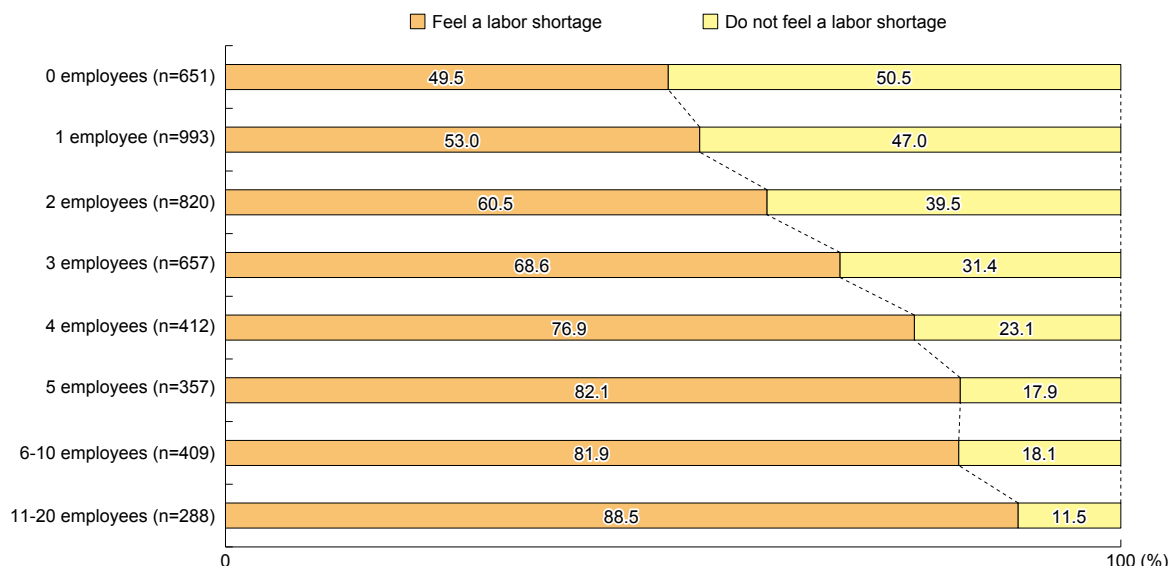
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Here, “feel a labor shortage” refers to those that answered that their sense of a labor shortage was “very serious,” “serious,” or “there is a shortage, but we are managing somehow.”

(2) Sense of a labor shortage, by number of regular employees

The greater the number of employees, the more that micro businesses felt a sense of a labor shortage (Fig. 2-1-11). The fact that businesses with a larger number of

employees feel a labor shortage is consistent with recent trends in the *Survey on SME Business Conditions*, and there appears to be a similar trend there even when the scope is restricted to micro businesses.

Fig. 2-1-11 Sense of a labor shortage, by number of regular employees

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

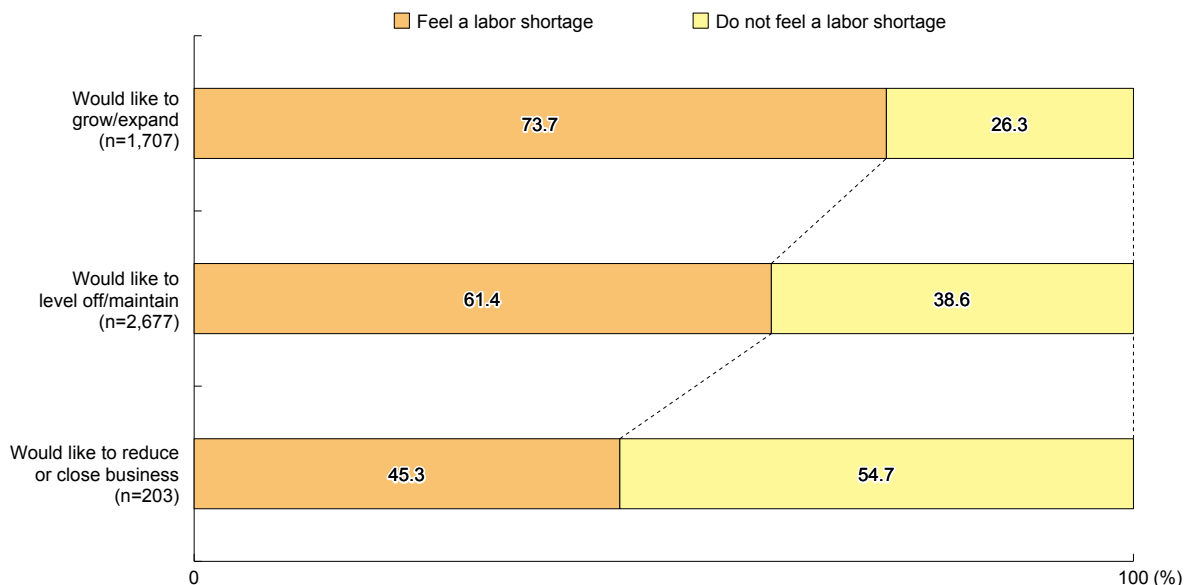
Note: Here, “feel a labor shortage” refers to those that answered that their sense of a labor shortage was “very serious,” “serious,” or “there is a shortage, but we are managing somehow.”

(3) Sense of a labor shortage, by growth orientation

Fig. 2-1-12 looks at the sense of a labor shortage by growth orientation. Businesses whose business development policy going forward was “would like to

grow/expand” felt a labor shortage more than was the case with those whose policy was “would like to level off/maintain” or “would like to reduce or close business.” From this it is inferred that businesses that want to grow/expand are facing labor shortages.

Fig. 2-1-12 Sense of a labor shortage, by growth orientation



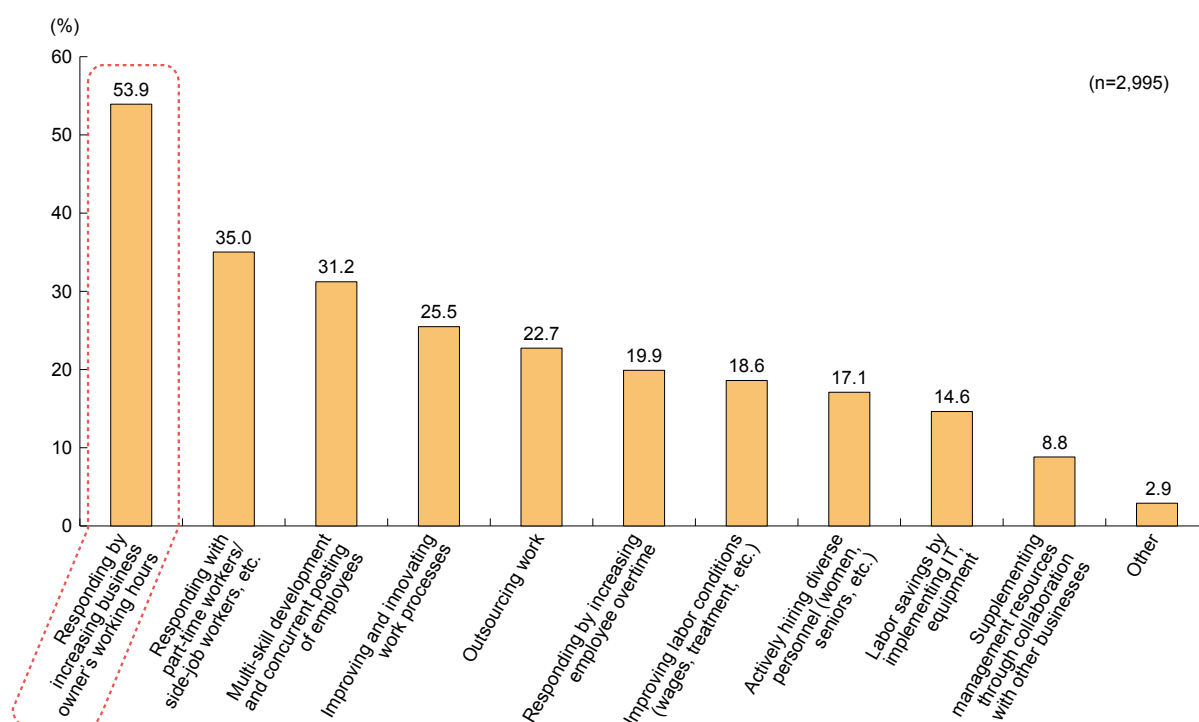
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Here, “feel a labor shortage” refers to those that answered that their sense of a labor shortage was “very serious,” “serious,” or “there is a shortage, but we are managing somehow.”

(4) Response to labor shortage

Fig. 2-1-13 looks at how businesses that feel a sense of a labor shortage are responding to their labor shortage. The most common response, at 53.9%, was “responding by increasing business owner’s working hours.” As Fig. 2-1-4 shows, it is hard for micro businesses to hire

new employees. It shows that at the majority of micro businesses, it is the work style of the business owner him/herself that is used to make up for their labor shortage instead of hiring new employees or developing their human resources.

Fig. 2-1-13 Response to labor shortage

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

- Notes:
1. Total does not always equal 100% as multiple responses were possible.
 2. Totals are for respondents that answered that their sense of a labor shortage was “very serious,” “serious,” or “there is a shortage, but we are managing somehow.”

Section 2 Micro business owners' work burden

Section 1 looked at the growing sense of a labor shortage at micro businesses. The analysis in this section focuses on the work style of the business owner him/herself, in light of the fact that so many businesses

answered, “responding by increasing business owner's working hours” as a way of dealing with labor shortages, as in Fig. 2-1-13.

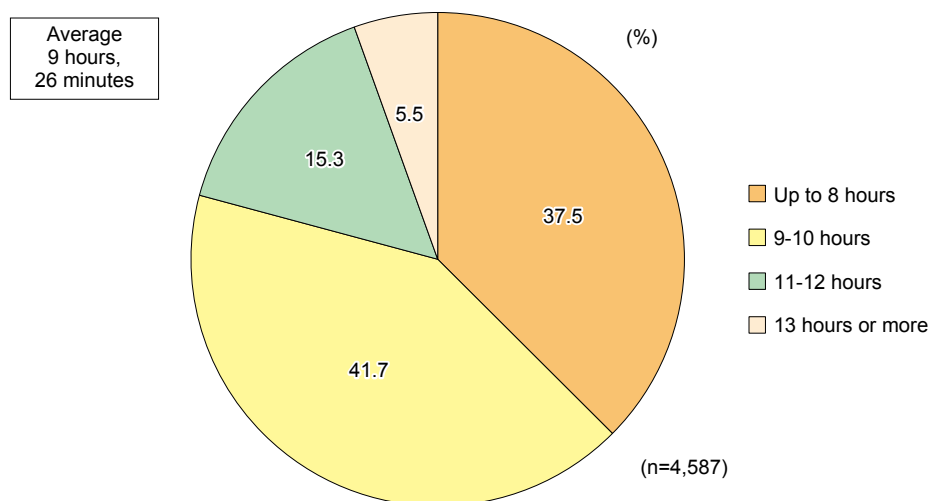
1. Business owners' working hours and holidays

(1) Business owners' average actual daily working hours (excluding break times)

Looking at business owners' actual daily working hours, the most common response was 9–10 hours of

work (Fig. 2-1-14). The overall average was 9 hours and 26 minutes, which is longer than the average actual daily working hours of ordinary workers at relatively small workplaces (8 hours and 16 minutes).¹⁾

1) This value is based on the Ministry of Health, Labour and Welfare's *Monthly Labour Survey*. The 2017 average actual monthly working hours (171.1) for ordinary workers at workplaces with 5–29 regular employees were divided by the average number of days at work (20.7).

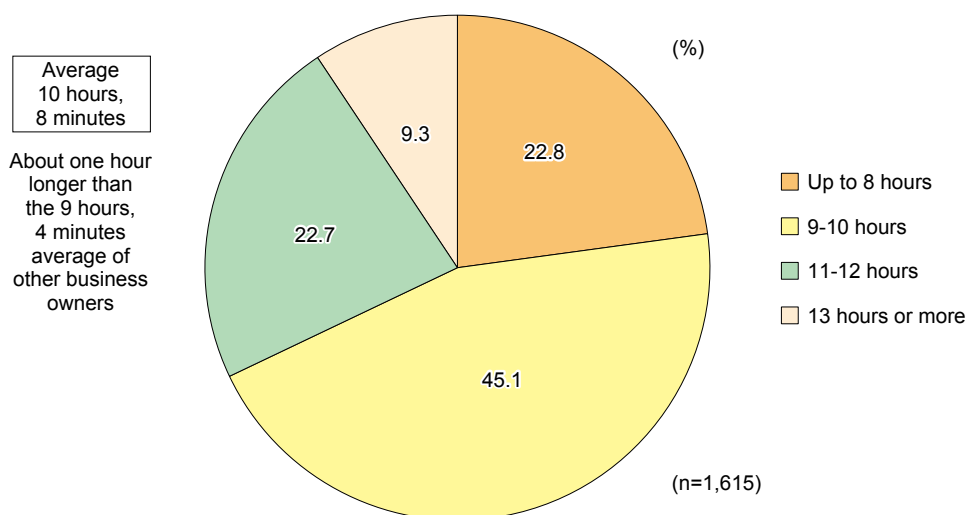
Fig. 2-1-14 Business owners' average actual daily working hours (excluding break times)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

(2) Average actual daily working hours (excluding break times) of business owners that had increased their working hours

The actual working hours of business owners of micro businesses that answered they were “responding by

increasing business owner’s working hours” as a way of dealing with labor shortages was 10 hours and 8 minutes on average. This is about one hour longer than the 9 hours and 4 minutes average for business owners of other micro businesses (Fig. 2-1-15).

Fig. 2-1-15 Average actual daily working hours (excluding break times) of business owners that had increased their working hours

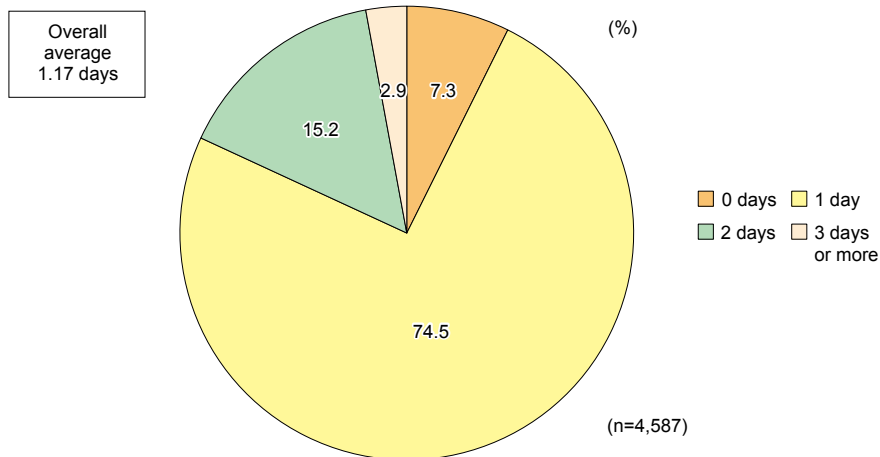
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Totals are of businesses that were increasing business owner’s working hours as a way of dealing with labor shortages.

(3) Business owners' average holidays per week

When asked how many holidays the business owner was taking per week on average, the majority of

respondents (74.5%) said “1,” while the overall average was 1.17 (Fig. 2-1-16).

Fig. 2-1-16 Business owners' average holidays per week

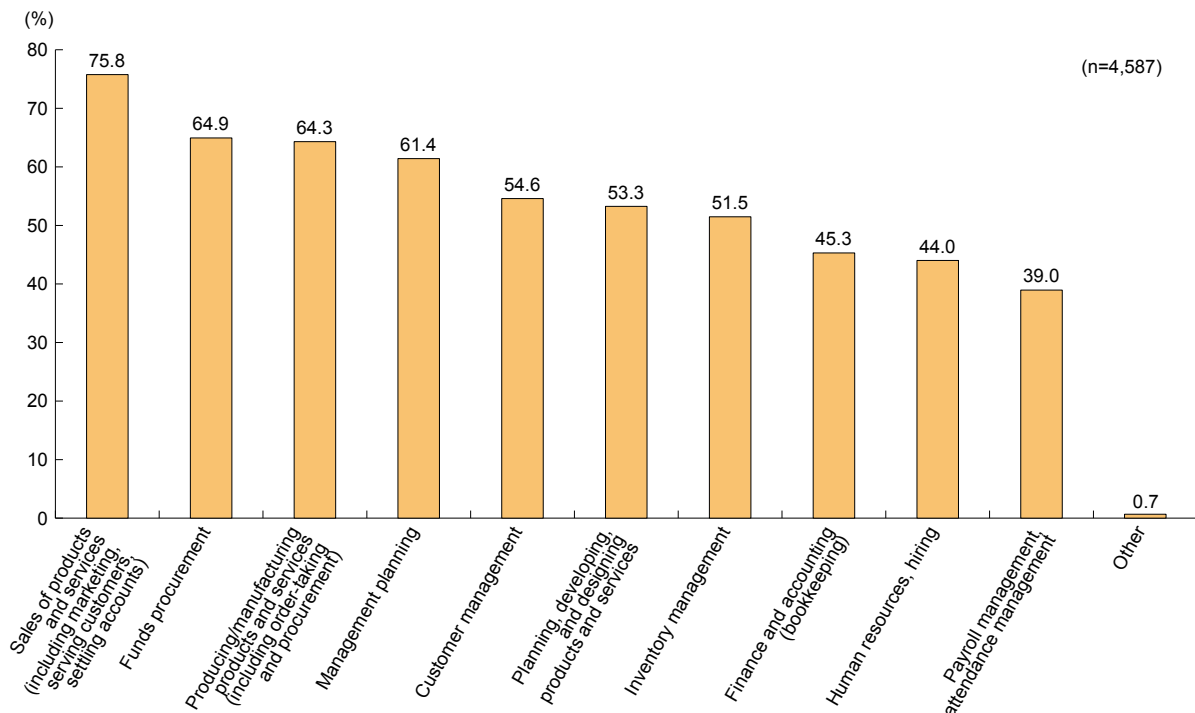
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

2. Work performed by business owner and inclination to reduce it

(1) Work performed by business owner

Up to this point, we have considered the working hours of the business owner. Hereafter, we will look at what kinds of work business owners actually perform. Fig. 2-1-17 looks at work performed by the business owner him/herself. It shows that at micro businesses, business

owners perform a wide range of work. It is inferred that the situation “responding by increasing business owner’s working hours” as a way of dealing with labor shortages can happen easily because business owners cover such a wide range of work.

Fig. 2-1-17 Work performed by business owner

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

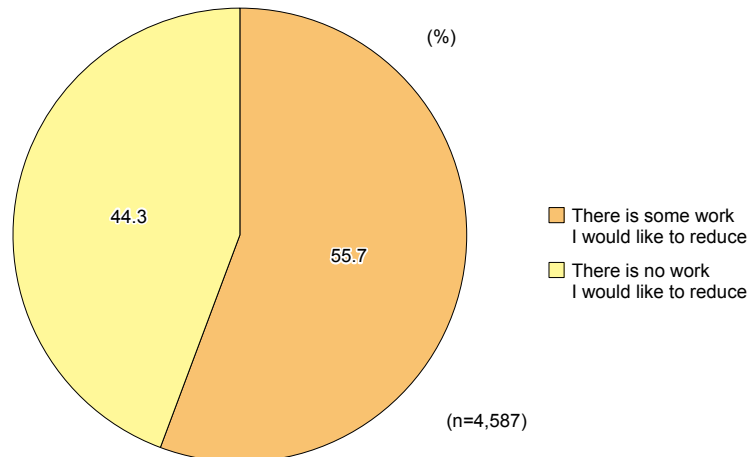
Note: Total does not always equal 100% as multiple responses were possible.

(2) Inclination to reduce work time of business owner him/herself

Fig. 2-1-18 looks at whether there is some work that business owners do that they would like to reduce the

time they spend on it. More than half of business owners answered that there is some work they would like to reduce the time they spend on it.

Fig. 2-1-18 Inclination to reduce work time of the business owner him/herself



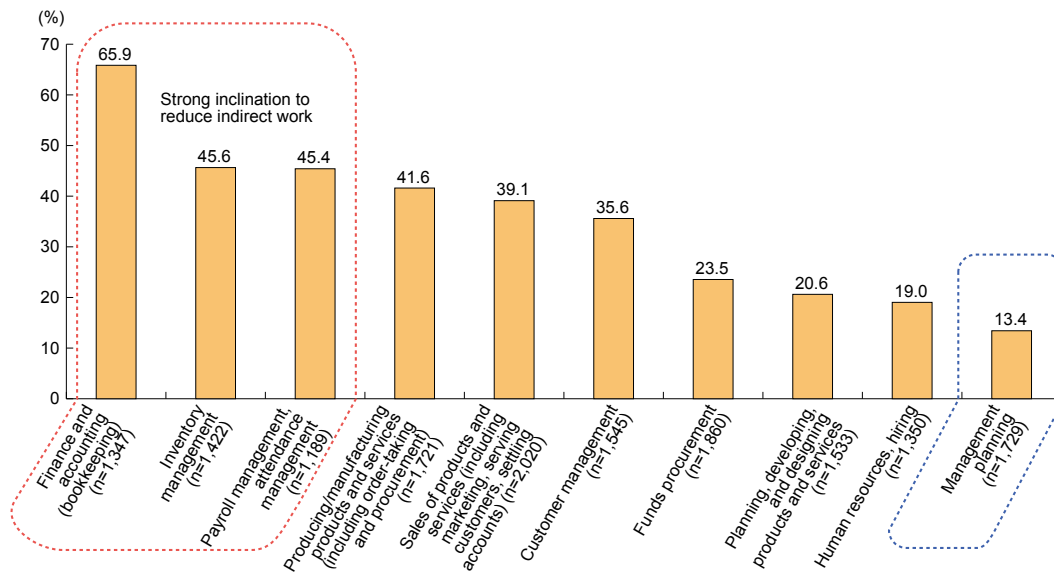
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Here, “there is some work I would like to reduce” refers to those who answered that they would like to reduce the business owner’s work time on some work.

(3) Inclination to reduce work time of the business owner him/herself, by work performed

Fig. 2-1-19 shows the percentage of respondents who answered that they would like to reduce the business owner’s work time on each of the types of work he/she performs. The figure is based on answers only from those that previously answered that they would like to reduce the business owner’s work time on some work. A breakdown

of the kinds of work they would like to reduce shows a high percentage would like to reduce indirect types of work, such as “finance and accounting (bookkeeping),” “inventory management,” and “payroll management, attendance management.” On the other hand, only a small percentage wanted to reduce “management planning,” showing that there is a strong emphasis on the work that the business owner is supposed to do him/herself.

Fig. 2-1-19 Inclination to reduce work time of the business owner him/herself, by work performed

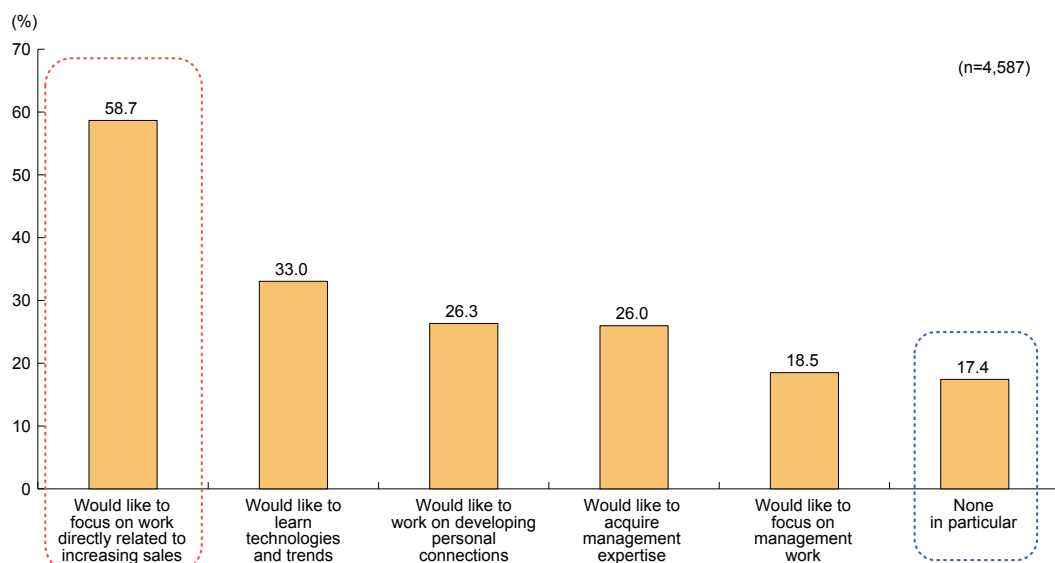
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

- Notes:
1. Total does not always equal 100% as multiple responses were possible.
 2. The figure shows the percentage of respondents who answered that they would like to reduce the business owner's work time on each of the types of work he/she performs. The figure is based on answers only from those that previously answered that they would like to reduce the business owner's work time on some work.
 3. Those that answered "other" are not shown.

(4) Initiatives that business owners would like to focus on if they had time

Fig. 2-1-20 looks at the initiatives business owners would like to focus on for themselves if they had time. Business owners at micro businesses are very busy because they perform a wide range of work, but the

most frequent answer (58.7%) said that they "would like to focus on work directly related to increasing sales" if they had the time. This indicates that if businesses could increase operational efficiency, business owners could focus on work directly related to increasing productivity.

Fig. 2-1-20 Initiatives that business owners would like to focus on if they had time

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Total does not always equal 100% as multiple responses were possible.

Case 2-1-1 Takehashi Style Co., Ltd.

A company that increased the efficiency of its manager's procedures through the use of IT and developed a new business

Takehashi Style Co., Ltd. (employees: 4; capital: ¥3 million), located in Yorii Town, Saitama Prefecture, was established in 2000, and operates the Internet store Takehashi Records. Takehashi Records buys and sells CDs, focusing mainly on 60s and 70s rock. Based on the concept of offering customers the excitement of searching for rock records, the store provides its customers with unique information that allows them to discover new works, offering added value not available from major e-commerce sites.

At the time that he established his Internet store, company President Daisuke Tanaka was conducting all procedures manually, which meant that he would often work late into the night. Recognizing that it would be essential for him to place the greatest emphasis on jobs that generated added value in order to increase sales in the future, Mr. Tanaka sought to reduce simple tasks through the introduction of IT. He taught himself about programming and databases, and made a series of quiet improvements within the company. When employees joined the company, Mr. Tanaka used IT to standardize procedures, enabling employees to perform procedures such as pricing second-hand CDs and ordering import CDs, which previously only he had the knowhow to perform.

Today, Mr. Tanaka centrally manages all of his store's inventory data, customer data, secondhand CD appraisal data, and content for publication on the store's website in the cloud. By linking all of this data together, he has realized increased efficiency, reducing the amount of time spent on business procedures, and effective provision of information in line with customer needs. Making use of a free cloud service in addition to the system developed in-house, Mr. Tanaka is actively working to promote communication and the sharing of information between employees. Employees are now able to gain a grasp of each other's thoughts and progress in specific jobs in real time, enabling them to conduct procedures efficiently using their own judgment, which is increasing their autonomy.

As a result of this increased efficiency achieved through the use of IT, Mr. Tanaka is today able to entrust virtually all work procedures to his employees. Using the extra time available to him as a result of this significant reduction in working hours, he took up study and joined a seminar at the Yorii Town Society of Commerce and Industry, taking a qualification as an SME Consultant. Mr. Tanaka is now opening up a new area of business, providing support as an IT consultant to Yorii-based micro businesses seeking to introduce IT.

Mr. Tanaka says, "With the spread of the cloud, it has become an easy matter for even micro businesses to increase their efficiency through the use of IT. But a lot of regional micro businesses are not aware that they can solve their problems using IT. I intend to keep on offering them support together with the Society of Commerce and Industry."



Daisuke Tanaka, President



Mr. Tanaka providing support as an SME Consultant

Section 3 Operational review of indirect work

Section 2 showed that business owners face a great work burden and are especially inclined to reduce the business owner's work time spent on indirect work. Section 3 will look at the state of work sharing and IT implementation for indirect work. Five types of indirect

work are analyzed in detail: "finance and accounting," "inventory management," "payroll management, attendance management," "receiving and placing orders," and "customer management."

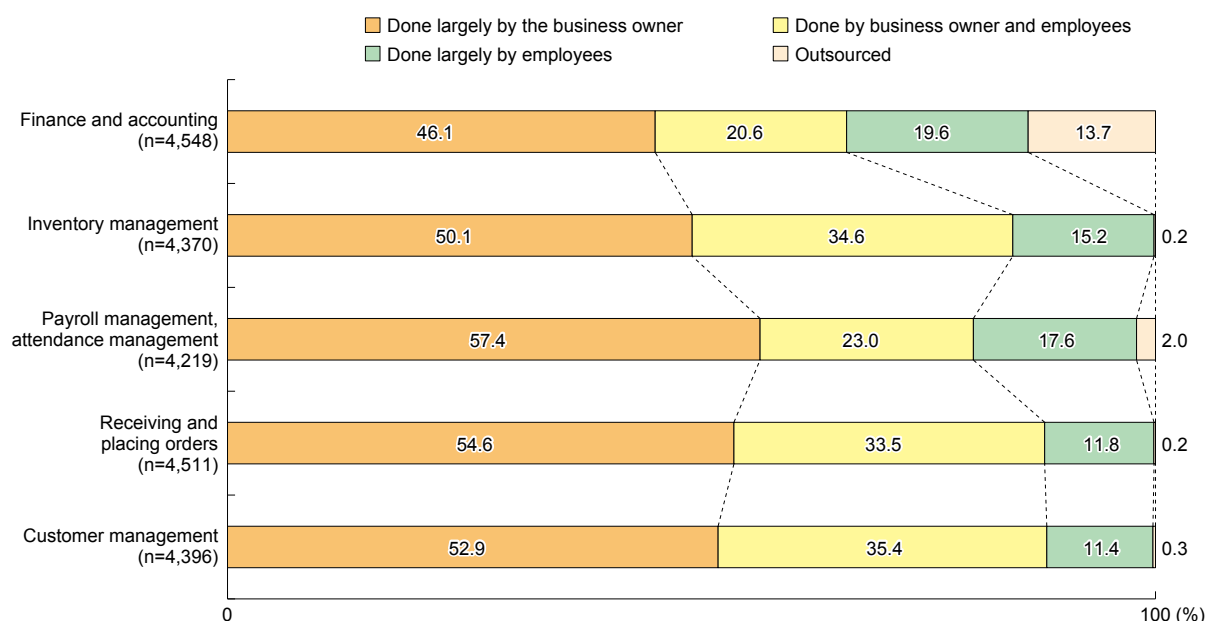
1. Sharing of indirect work

(1) State of sharing of indirect work

Fig. 2-1-21 shows allocation of indirect work at micro businesses. For every type of work, the most common

answer was that it is "done largely by the business owner." This shows that a majority of business owners are doing indirect work themselves.

Fig. 2-1-21 Allocation of indirect work



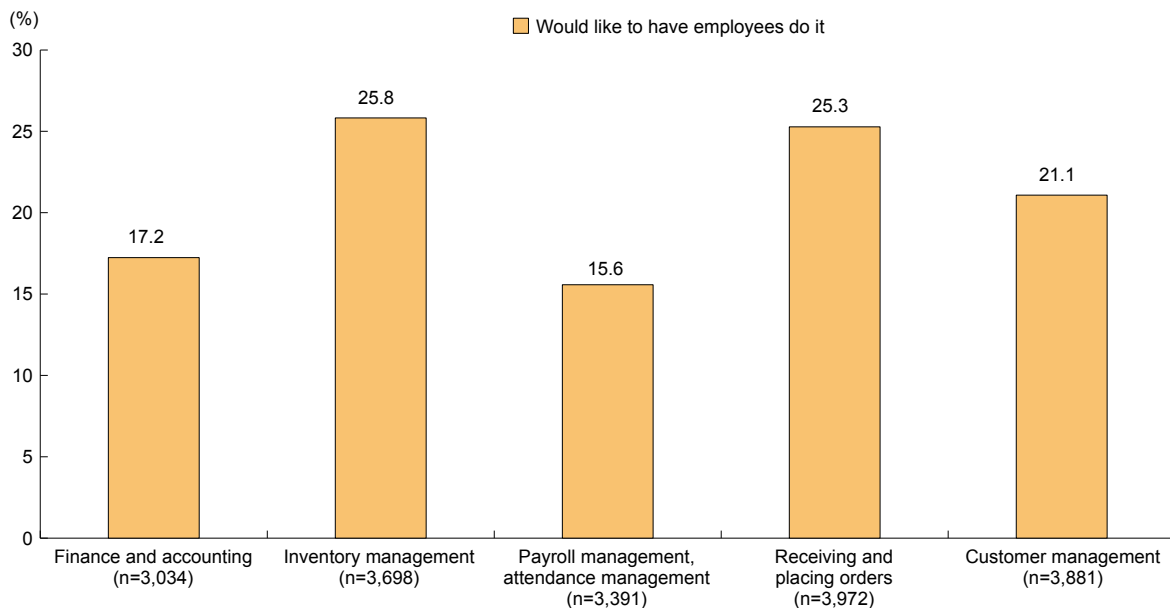
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Aggregated figures are exclusive of those that answered that sharing of indirect work was "not necessary/do not perform."

(2) Inclination to share indirect work

Fig. 2-1-22 looks at the inclination to share indirect work performed by the business owner with employees. It shows that there are not so many business owners that want to have employees do indirect work. Those types of work with a relatively high level of sharing (about 25%) were "inventory management" and "receiving and placing orders." Only a small percentage wanted their employees

to do types of work like "finance and accounting" and "payroll management, attendance management." It is inferred that there is a strong inclination among business owners to do accounting-related work themselves instead of letting employees do it. There would appear to be significant labor savings to be gained by using IT for this kind of work.

Fig. 2-1-22 Inclination to share indirect work performed by the business owner with employees

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

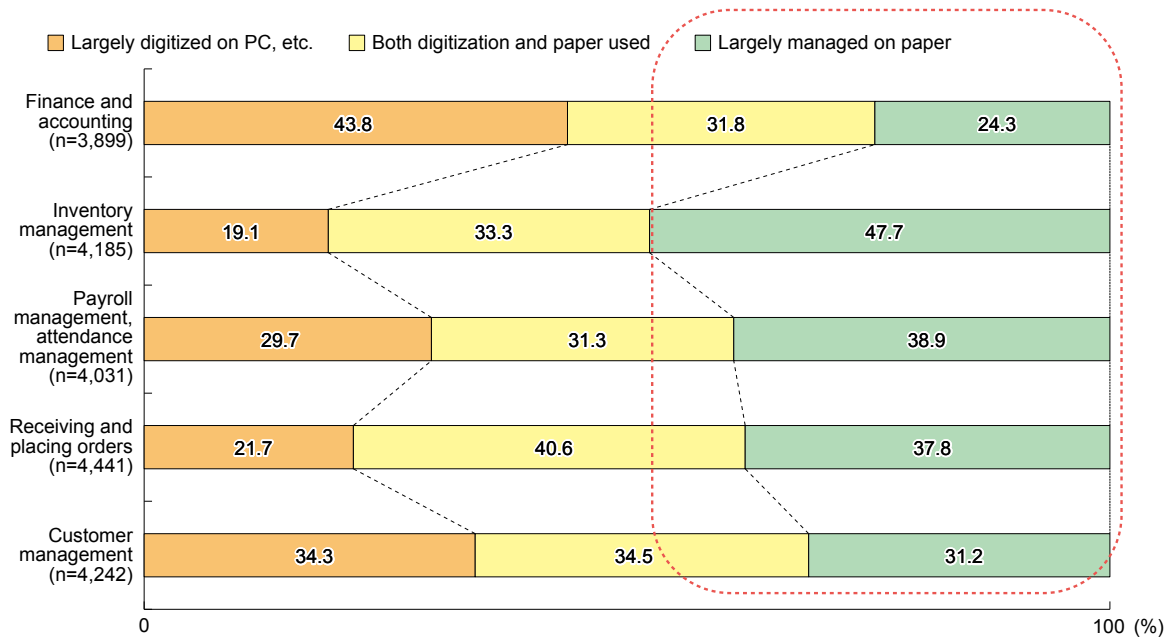
Notes: 1. Total does not always equal 100% as multiple responses were possible.
2. Figure aggregates those that answered that indirect work was “done largely by the business owner” or “done by business owner and employees.”

2. IT implementation for indirect work

(1) State of IT implementation for indirect work

Fig. 2-1-23 looks at the state of digitization of indirect work. “Largely managed on paper” was the most common answer when respondents were asked about “inventory management” and “payroll management, attendance management.” “Largely managed on paper” was chosen by more than 30% of respondents when asked

about “receiving and placing orders” and “customer management.” Even for “finance and accounting,” fewer than 50% answered, “largely digitized on PC, etc.” If “largely digitized on PC, etc.” is considered IT implementation, then there is still plenty of room for IT implementation to grow at micro businesses.

Fig. 2-1-23 State of digitization of indirect work

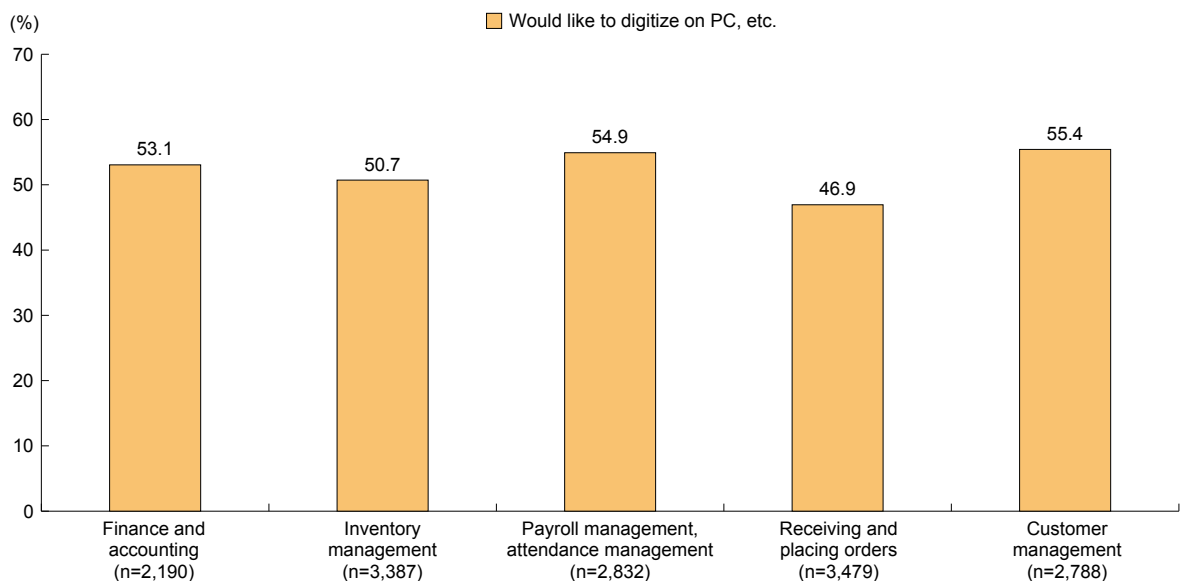
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Figure aggregates those that answered that the sharing of indirect work was “done largely by the business owner,” “done by business owner and employees,” and “done largely by employees.”
2. Aggregated figures are exclusive of those that answered, “don’t know.”

(2) Inclination to implement IT for indirect work

Fig. 2-1-24 looks at the inclination to implement IT for indirect work. In every kind of work, about half of respondents said they would like to implement IT in the

tools they use. This shows that business owners have the enthusiasm necessary to promote the use of IT at micro businesses.

Fig. 2-1-24 Inclination to implement IT for indirect work

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Total does not always equal 100% as multiple responses were possible.
2. Aggregates those that answered, “both digitization and paper used” or “largely managed on paper” regarding the state of digitization of indirect work.

Section 4 Summary

This chapter has provided an overview of the increasingly serious labor shortage at micro businesses. It found that many micro businesses were responding to their labor shortages by increasing the business owner's own working hours, so that business owners were working long hours and under heavy burdens. In light of that situation, there were many business owners who

would like to reduce their own work time and would especially like to reduce the time they spend on indirect work. As for how they would like to reduce the work time, the chapter found that many business owners would rather implement IT than have their employees do the work. The next chapter will analyze IT implementation in detail.

Chapter 2

Improving labor productivity at micro businesses through the use of IT

In Chapter 1 we examined how an increasing burden is being placed on business owners as they extend working hours to make up for a shortage of workers, and how this circumstances have prompted many business owners to implement IT in their back office operations as a means to reduce working hours.

Chapter 2 will analyze IT usage by business owners with the goal of increasing the efficiency of back office operations. It will also discuss how IT usage is helping to improve sales and also productivity at micro businesses.

Section 1 Current IT usage at micro businesses

This section will analyze the current usage of IT tools and services and the problems micro businesses face

when deploying IT in order to ascertain the current state of IT usage at micro businesses.

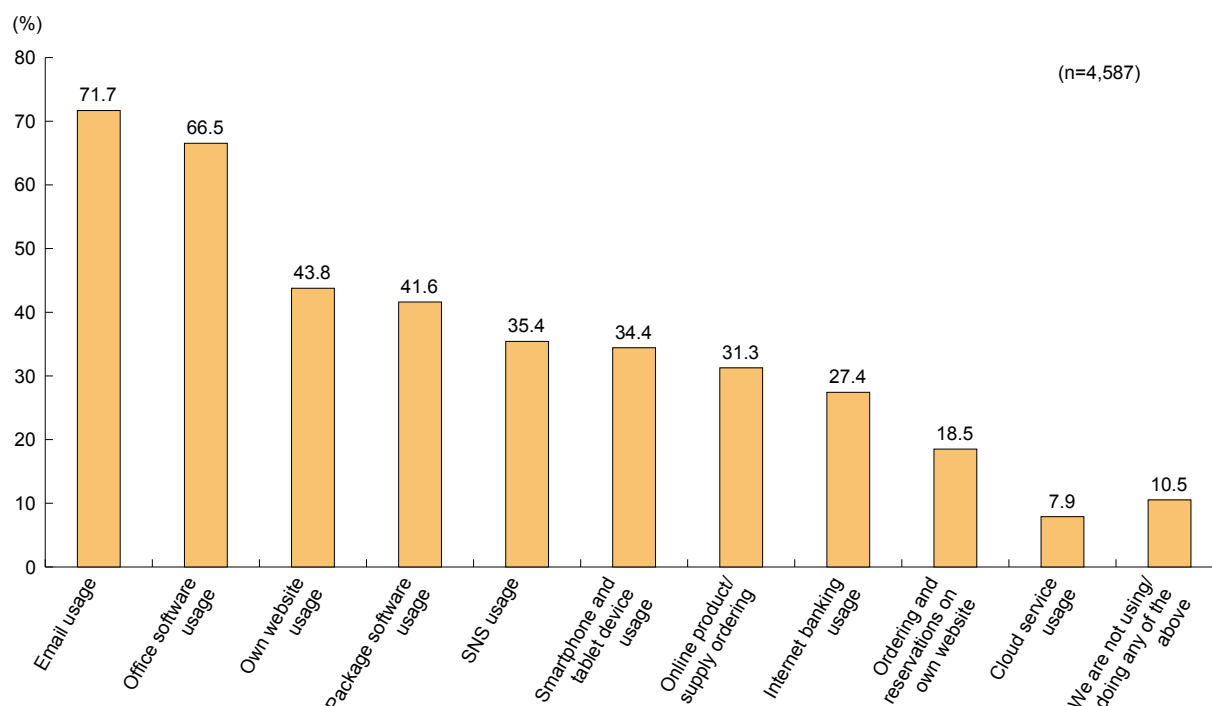
1. IT usage

(1) IT tool and service usage

Fig. 2-2-1 shows the IT tools and services being used in business. Over 70% of micro businesses are using email,

while more than 60% are using office software. Only 10% of businesses indicated that “We are not using/doing any of the above.”

Fig. 2-2-1 IT tool and service usage



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

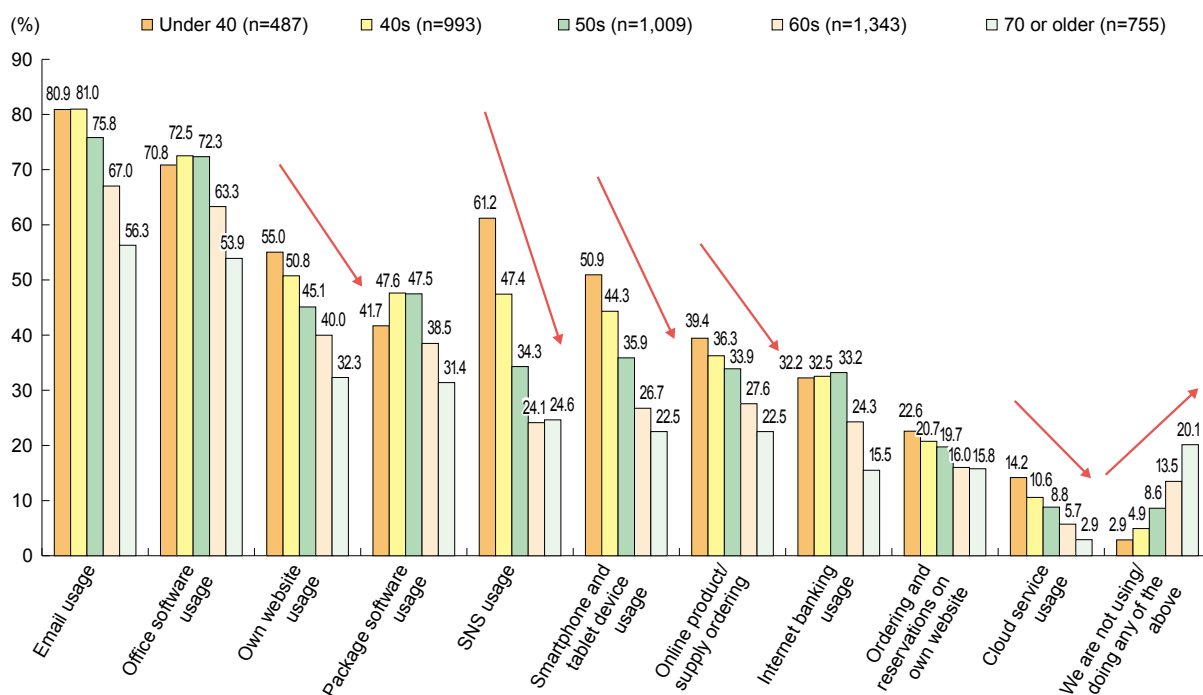
Note: Total does not always equal 100% as multiple responses were possible.

(2) IT tool and service usage (by age of business owner)

Fig. 2-2-2 looks at the age of business owners as it relates the usage of IT tools and services. It shows that various IT tools and services are used more often the

younger a business owner is. Conversely, the older a business owner is, the more likely they are to have chosen “We are not using/doing any of the above.” This response was chosen by 20% of business owners aged 70 or older.

Fig. 2-2-2 IT tool and service usage (by age of business owner)



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

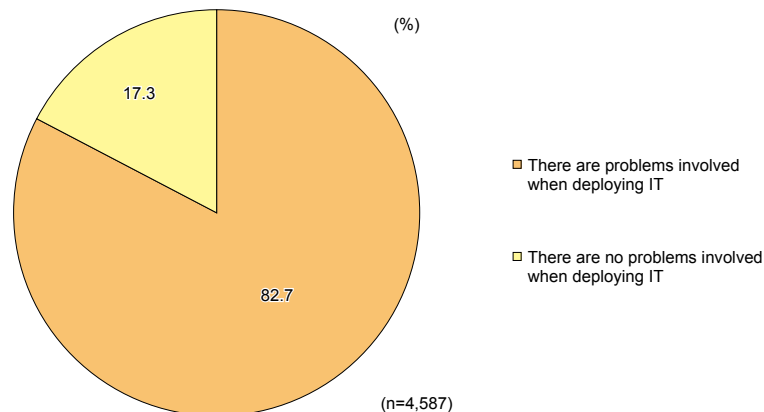
Note: Total does not always equal 100% as multiple responses were possible.

2. Problems involved when deploying IT

(1) Presence or absence of problems when deploying IT

Fig. 2-2-3 looks at the presence or absence of problems

when micro businesses deploy IT. More than 80% of business owners said that “There are problems involved when deploying IT.”

Fig. 2-2-3 Presence or absence of problems when deploying IT

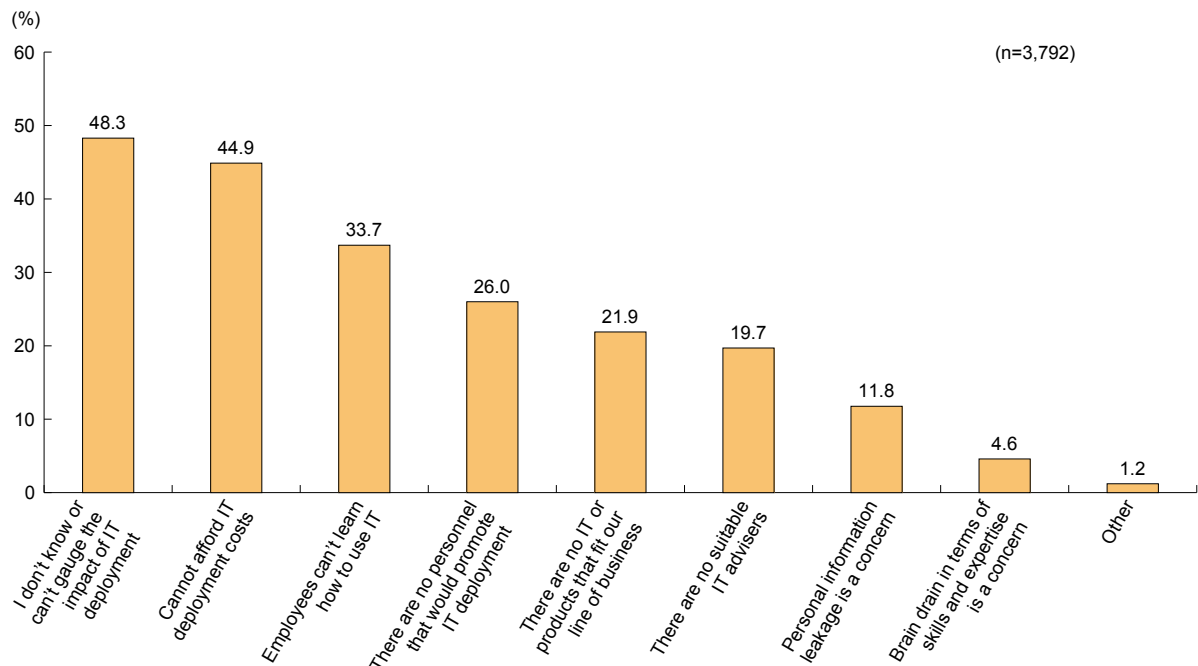
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: “There are problems involved when deploying IT” here refers to those who responded there is at least one problem when attempting to deploy or use IT.

(2) Problems involved when deploying IT (breakdown)

Fig. 2-2-4 asks respondents who selected “There are problems involved when deploying IT” about the problems involved when they deploy IT. The top response chosen by those who face problems when deploying IT was “I don’t know or can’t gauge the impact of IT

deployment” at 48.3%, followed by “Cannot afford IT deployment costs” at 44.9%. This suggests that support organizations could encourage IT deployment at micro businesses by providing information about the advantages of IT usage to those who selected “I don’t know or can’t gauge the impact of IT deployment.”

Fig. 2-2-4 Problems involved when deploying IT (breakdown)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Total does not always equal 100% as multiple responses were possible.
2. These figures denote the respondents who selected “There are problems involved when deploying IT” with respect to the presence or absence of problems involved when deploying IT.

Section 2 Deployment of IT in back office operations

In Section 1 we looked at IT usage at micro businesses and the problems they face in deploying IT. Section 2

will explore these businesses' efforts to deploy IT in back office operations as analyzed in Fig. 2-1-23.

1. Level of IT deployment in back office operations

(1) Number of back office business operations in which IT is deployed

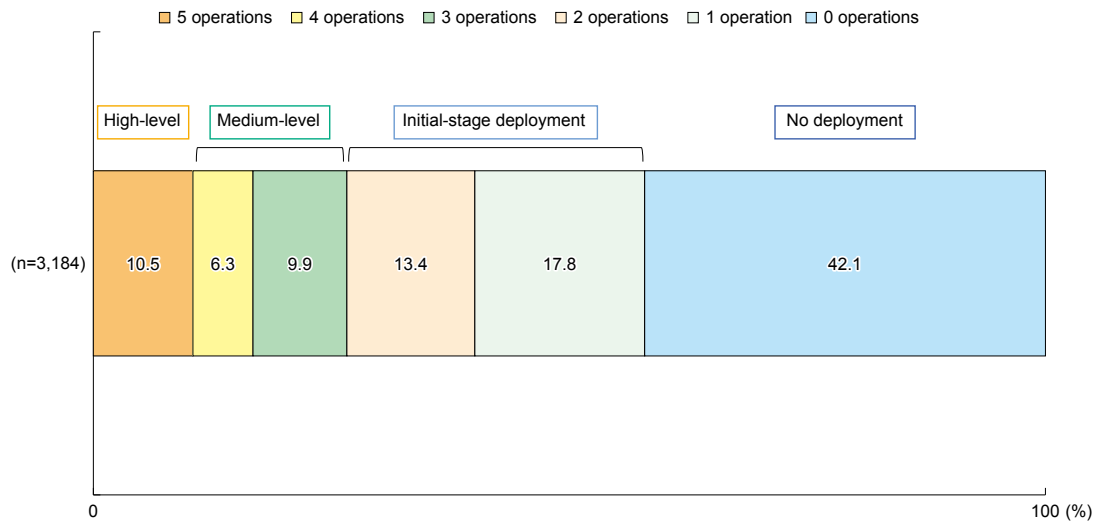
Fig. 2-2-6 shows the number of business operations in which IT is deployed from among five back office business operations, namely "finance and accounting," "inventory control," "wage management and attendance management," "ordering," and "customer relations." IT deployment is defined as "using electronic equipment

such as PCs for almost all operations," as shown in Fig. 2-1-23. Fig. 2-2-5 shows the level of IT deployment in back office operations based on the number of back office business operations in which IT is deployed. 10.5% were "high-level deployment" businesses, 16.2% were "medium-level deployment" businesses, 31.2% were "initial-stage deployment" businesses, and 42.1% were "no deployment" businesses.

Fig. 2-2-5 Level of IT deployment in back office operations

IT deployment is defined as "using electronic equipment such as PCs for almost all operations" in the following five back office operations: "finance and accounting," "inventory control," "wage management and attendance management," "ordering," and "customer relations." The level of IT deployment was determined according to the number of back office business operations in which IT was deployed.

IT is deployed in 5 business operations...	High-level deployment
IT is deployed in 4 or 3 business operations...	Medium-level deployment
IT is deployed in 2 or 1 business operation...	Initial-stage deployment
IT is deployed in zero business operations...	No deployment

Fig. 2-2-6 Number of back office business operations in which IT is deployed

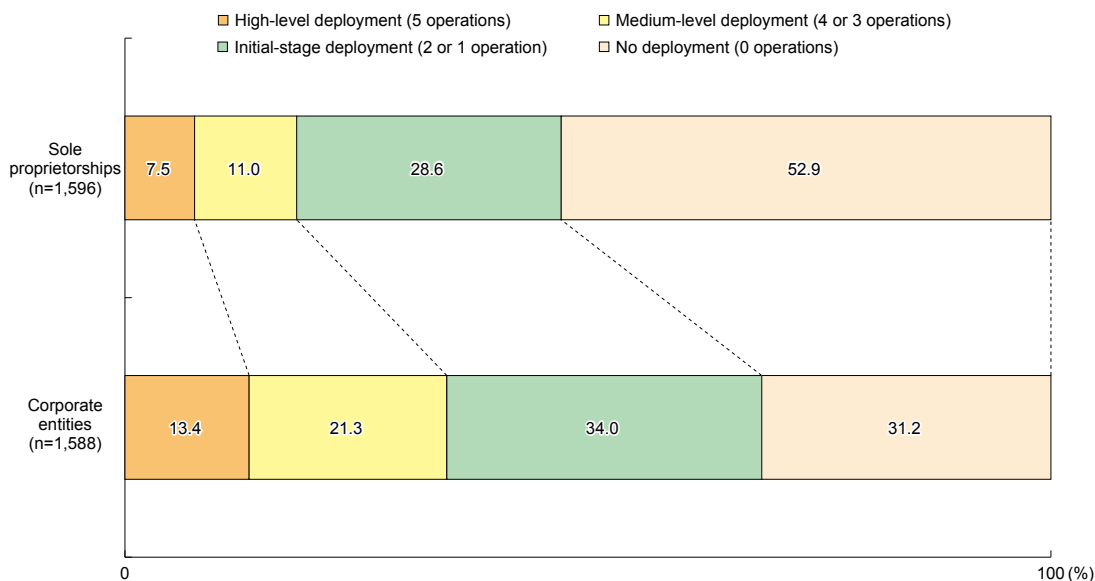
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

- Notes:
- These figures represent the level of back office operation digitalization and denote the respondents who selected either “using electronic equipment such as PCs for almost all operations,” “using both electronic equipment and paper,” or “using mostly paper” in any of the following five back office operations: “finance and accounting,” “inventory control,” “wage management and attendance management,” “ordering,” and “customer relations.”
 - The figures denote the number of business operations in which “electronic equipment such as PCs is used for almost all operations” in the following five back office operations: “finance and accounting,” “inventory control,” “wage management and attendance management,” “ordering,” and “customer relations.”

(2) Level of IT deployment in back office operations (by sole proprietorships and corporations)

Fig. 2-2-7 shows the level of IT deployment in back office operations at sole proprietorships and corporations.

When compared to sole proprietorships, corporations are deploying more IT. We can see that business owners running organized businesses are more likely to be using IT.

Fig. 2-2-7 Level of IT deployment in back office operations (by individuals and corporations)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

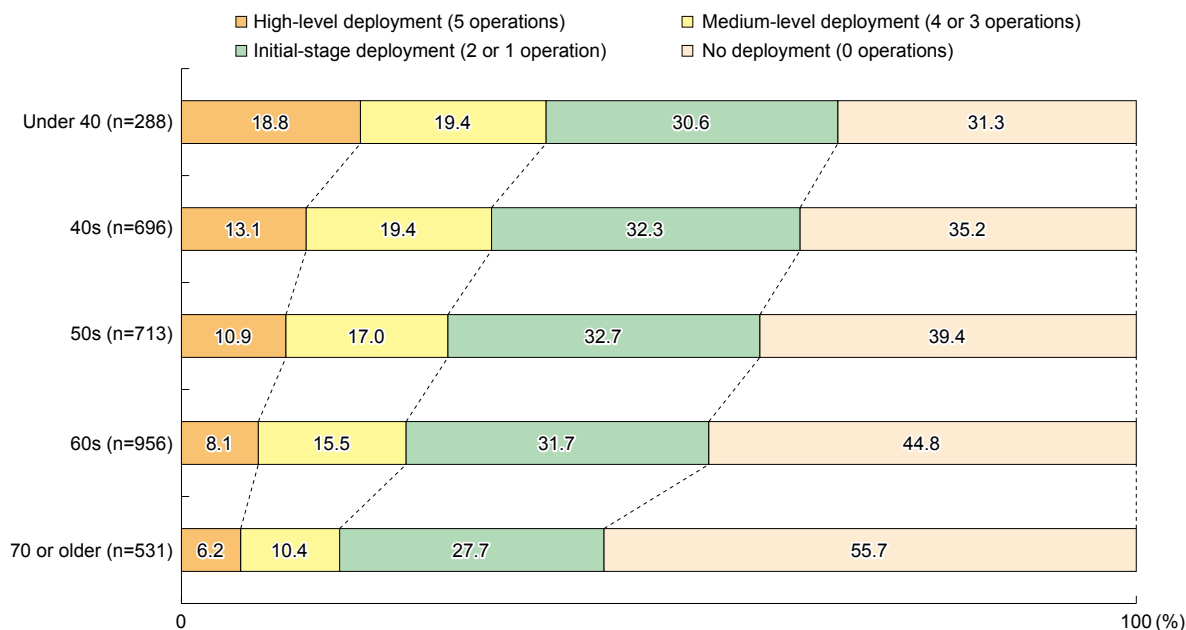
Note: For levels of IT deployment in back office operations, see “Fig. 2-2-5 Level of IT deployment in back office operations” and “Fig. 2-2-6 Number of back office business operations in which IT is deployed.”

(3) Level of IT deployment in back office operations (by age of business owner)

Next, looking at the ages of business owners we find that the level of IT deployment in back office operations is

higher among younger business owners. We also see that more than half of business owners aged 70 or over have not deployed any IT (Fig. 2-2-8).

Fig. 2-2-8 Level of IT deployment in back office operations (by age of business owner)



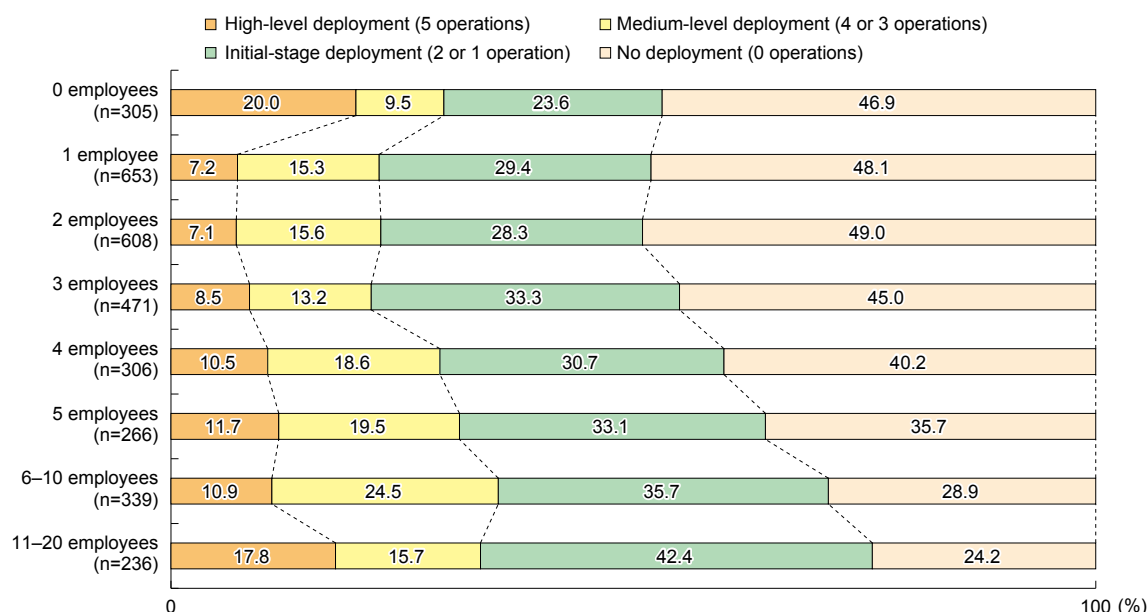
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: For levels of IT deployment in back office operations, see “Fig. 2-2-5 Level of IT deployment in back office operations” and “Fig. 2-2-6 Number of back office business operations in which IT is deployed.”

(4) Level of IT deployment in back office operations (by number of regular employees)

A look at the level of IT deployment in back office operations according to the number of regular employees finds that, for the most part, businesses with more employees have higher levels of IT deployment

(Fig. 2-2-9). However, businesses with “0” regular employees constitutes the biggest category for “high-level deployment.” This suggests that a high percentage of business owners running their businesses alone are highly proficient with IT.

Fig. 2-2-9 Level of IT deployment in back office operations (by number of regular employees)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

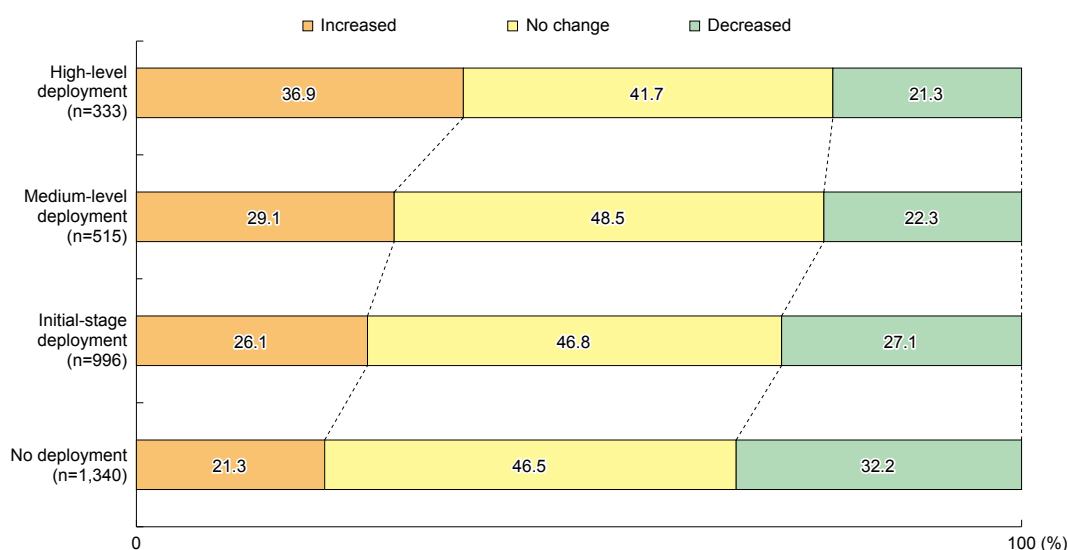
Note: For levels of IT deployment in back office operations, see “Fig. 2-2-5 Level of IT deployment in back office operations” and “Fig. 2-2-6 Number of back office business operations in which IT is deployed.”

2. Improving labor productivity through the deployment of IT in back office operations

(1) Ordinary income over the previous three years (by level of IT deployment in back office operations)

Looking at ordinary income over the previous three years according to level of IT deployment in back office

operations shows that higher levels of IT deployment correlate positively with higher ordinary income over the previous three years (Fig. 2-2-10). This suggests that IT usage is improving the efficiency of back office operations.

Fig. 2-2-10 Ordinary income over the previous three years (by level of IT deployment in back office operations)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

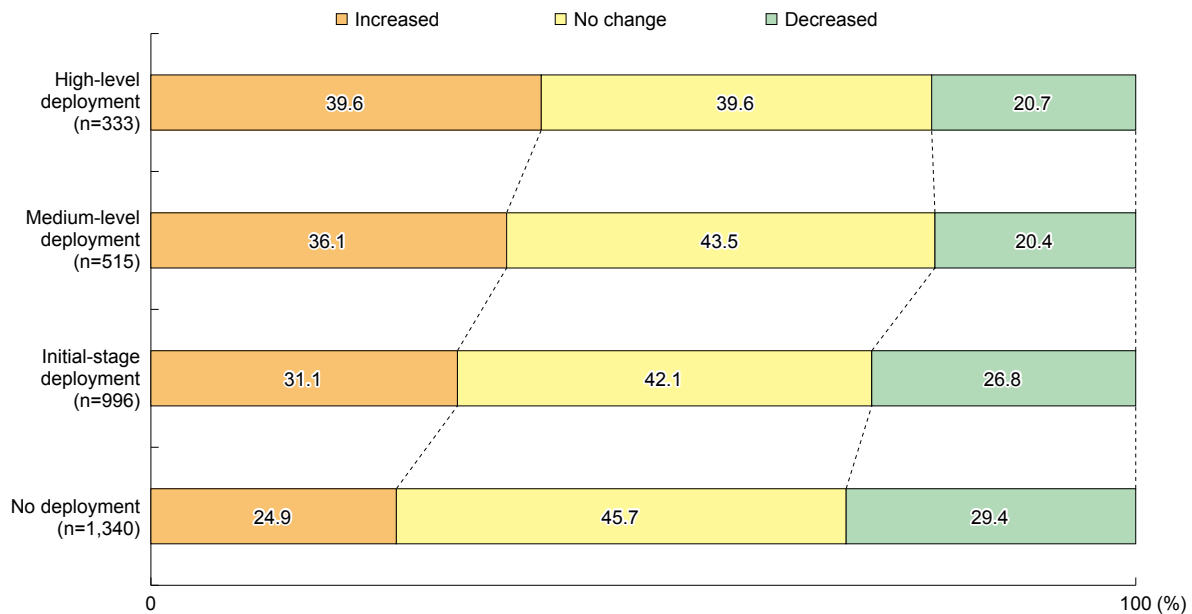
Note: For levels of IT deployment in back office operations, see “Fig. 2-2-5 Level of IT deployment in back office operations” and “Fig. 2-2-6 Number of back office business operations in which IT is deployed.”

(2) Revenue over the previous three years (by level of IT deployment in back office operations)

Looking at businesses' revenues over the previous three years according to IT deployment in back office operations, we see a positive correlation between higher

IT deployment and higher revenues over the previous three years (Fig. 2-2-11). It could be inferred from this that better back office operational efficiencies achieved through IT deployment enabled companies to focus on operations that would improve revenues.

Fig. 2-2-11 Revenue over the previous three years (by level of IT deployment in back office operations)



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: For levels of IT deployment in back office operations, see “Fig. 2-2-5 Level of IT deployment in back office operations” and “Fig. 2-2-6 Number of back office business operations in which IT is deployed.”

Case 2-2-1 Mickey Chain Co., Ltd.

A company that increased its efficiency through IT-based numerical management of production processes

Mickey Chain Co., Ltd. (employees: 14; capital: ¥3.8 million), located in Koriyama City, Fukushima Prefecture, is a micro business that bakes and sells bread and pastries. Originally, the company produced bread in its factory mainly for wholesale to supermarkets and similar retailers, but immediately following the Great East Japan Earthquake, it began selling bread from its factory as an emergency measure to help local residents, thus starting a retail business.

Faced with a life-or-death crisis involving his company in 1992, when an accidental fire in the factory caused his main business partners to withdraw, company president Shinji Yamadera felt that increasing operational efficiency would be essential to boosting his profit margin without increasing wholesale prices. However, at the time it would have cost around ¥15 million to introduce an existing bread-making system, and the company simply could not afford it. Mr. Yamadera therefore studied programming at a computer school, and developed his own production management system, Raku Raku Panya-san, using Microsoft Access. The development cost was around ¥4 million.

Raku Raku Panya-san sets the quantities of dough, bean paste and other materials necessary for each type of bread; when the daily number of orders from customers of the company is input, the system calculates the necessary amount to be produced, the allocation for each customer, etc. for that day. At the same time, the system outputs product seals for the number of products to be delivered, and is also able to reduce the amount of time required for product inspection work. On top of this, the system assigns numerical values to production techniques for each of the company's employees, and every morning outputs Work Plan Sheets that specify the amount of work and the working hours allocated to each employee based on the volume of orders and the shifts for that day. Improvements made over the course of 20 years or so have allowed the completion of an integrated management system that encompasses the taking of orders, manufacture, and delivery, and is based on the specific characteristics of bread production.

As a result, it has become possible to accurately numerically manage the necessary materials, reducing loss due to waste, and in addition to eliminate variation in the amount of materials used between employees, ensuring stable quality. In addition, the Work Plan Sheets make it possible for each employee to work only for the amount of time necessary for the particular job. Because the amount of work to be performed by each employee is confirmed every morning, it is a simple matter to make adjustments if, for example, an employee needs to take a day off because of a sick child. This contributes to the creation of a workplace environment that makes work easier for employees of all ages.

A comparison of the situation before and after the introduction of the system shows reductions of 5% in employee costs and 9% in materials costs, for an overall reduction of 14%, allowing the company to realize stable profits. Products sold through the company's own store are held to low prices of ¥100 to ¥130, ensuring that Mickey Chain's freshly baked bread is easily available to a steady stream of happy local customers.

"All small-scale food production businesses manufacturing bread, sweets and prepared foods share the problem of increasing operational efficiency. Our system is ready to be applied, and so my goal is to work to further expand its use and contribute to the realization of increased efficiency in businesses," says Mr. Yamadera.



Shinji Yamadera, President



Some of the company's products (above) and the exterior of its store (below)

Case

2-2-2

Buhesa Nakamura Kocyoudou Co., Ltd.

A company that progressively introduced IT and increased its efficiency by making use of a sustainability subsidy

Buhesa Nakamura Kocyoudou Co., Ltd. (employees: 2; capital: ¥10 million), located in Tsubata Town, Ishikawa Prefecture, is a micro business involved in wholesale and retail of Chinese medicine. The store was founded in the Meiji era. Kanji Nakamura, the store's President, narrowed down the wide range of products that it formerly handled to focus on Chinese medicine. This reduced inventory loss, and has seen the store recognized by its customers for its high degree of specialization.

Today, Mr. Nakamura's daughter Juri (the sixth generation of the family to be involved in the store) and her husband Shusaku are the central figures in the store's management. Bringing together the knowledge of a pharmacist (Juri) and international Chinese medicine specialists (Juri and Shusaku), they consult with every customer who makes an appointment for close to an hour, allowing them to advise each one regarding the medicines most suited for them. This level of customer service is one of the store's strengths, and has seen it win a high rate of repeat business.

The business had accumulated information on customers since its foundation, and as a result had several thousand hand-written customer records in storage. Based on these records, employees were writing out all addresses for direct marketing, for example when medicines were sent to customers living in remote locations, by hand. However, the workload involved in doing so was increasing, and preventing the business from conducting strategic campaigns. To increase its operational efficiency, the business received support from the Tsubata Town Society of Commerce and Industry in 2014, and, making use of a micro business sustainability subsidy, it created a customer database and linked it to an address printing function. Direct marketing became a simple matter, allowing the store to mount direct marketing campaigns in January, traditionally the month when sales are lowest, resulting in increased sales.

In 2015, the store made improvements including upgrading its homepage using its second sustainability subsidy. Ms. Nakamura disseminated information on Chinese medicine and lifestyle on radio programs and in a column in a local magazine, increasing the popularity of the store. As a result, she began to devote spare time to the writing of the column, and organized to also have it published on the store's homepage. The store also began to employ listing advertisements¹⁾ focusing on the treatment of infertility, one of its strengths, which increased access numbers for its homepage and boosted its recognition. In addition to this, the store introduced a system on their homepage enabling customers to book reservations, reducing the number of drop-in visitors and creating an environment enabling staff to concentrate on serving customers who make reservations.

In 2016, the store used its third sustainability subsidy to link its store POS system and its customer database. The purchase history displayed for each customer can be used while consulting with customers. Mr. Shusaku Nakamura says, "As a result of proceeding with the introduction of IT over several years using sustainability subsidy, we have been able to respond to increased sales without increasing our number of staff. My hope is that we will continue our growth as a store where everyone feels comfortable in seeking consultations regarding Chinese medicine."



Company President Kanji Nakamura, the fifth generation of the family involved in the store



Juri Nakamura, the sixth generation, consulting with a customer

1) A method of advertising in which advertisements related to keywords searched for by ordinary users in a search engine are displayed on the user's search results screen

Case 2-2-3 Miyoshiya Co., Ltd.

A company that introduced IT using a subsidy and reduced its staff workload

Miyoshiya Co., Ltd. (employees: 15; capital: ¥10 million), located in Niimi City, Okayama Prefecture, a hotel business established in 1934, is responsible for the operation of the Grand Hotel Miyoshiya. Niimi City is located at the northwestern tip of Okayama Prefecture, at the border with Tottori and Hiroshima Prefectures. As the “navel of the Chugoku region,” the city has been a major hub for economy, exchange and transport since ancient times. With its prime location near the station as a strong point, the Grand Hotel Miyoshiya operates with a focus on business travelers.

Niimi City is suffering from an aging population and an outflow of its young people. The Grand Hotel Miyoshiya was formerly able to hire new employees when vacancies came up, but over time it became more difficult for the hotel to supplement its staff. The work burden increased, and the hotel attempted to respond through employee multi-skilling, but the sense of a staff shortage only became stronger.

Wage increases and the creation of a workplace in which employees are easily able to take time off are important factors in securing human resources. It was essential for the Grand Hotel Miyoshiya to increase its labor productivity. The hotel originally took reservations by telephone or FAX, and managed its customer information using paper ledgers. Not only was this labor-intensive for employees, but it was also a source of mistakes when there was a high concentration of telephone bookings, resulting in an inefficient situation.

At this time, the hotel's Director, Daisuke Nakagawa, learned about the Ministry of Health, Labour and Welfare's Business Improvement Subsidy²⁾ from Kazuhiko Suzuka, who was then providing support for SMEs at the Okayama Prefectural Office (Mr. Suzuka is now Chief Coordinator for the Okayama Prefecture Yorozu Support Center). Using this scheme, Mr. Nakagawa introduced computers and a system able to handle all procedures from taking reservations to front desk duties such as issuing receipts at a cost of ¥1.8 million (half of which was provided by the subsidy). He was also able to increase employee wages.

The introduction of this system has reduced the number of employees required to take reservations and manage customers from 1.5 to one. The system has not only reduced the employee workload, but also prevents human errors when taking reservations or cancellations, improving the level of service offered by the hotel.

Mr. Nakagawa says, “In a situation in which it was difficult to secure staff, I realized that it was important to increase operational efficiency by introducing IT. It remains difficult to find new hires, and we are only halfway towards the introduction of IT throughout the company as a whole, but I am committed to improving our productivity, increasing our utilization of IT little by little.”



Hotel Director Daisuke Nakagawa



The exterior of the Grand Hotel Miyoshiya

- 2) The Business Improvement Subsidy is a system that supports SMEs and micro businesses in realizing increased productivity, and helps to increase the minimum wage in the workplace. When a micro business conducts capital investments, utilizes services, etc. in order to increase productivity, and increases the minimum wage in the workplace to a predetermined amount or above, this system covers part of the cost of the capital expenditure, etc. For more information, visit the Business Improvement Subsidy site at <http://www.mhlw.go.jp/gyomukaizen/>.

Column 2-2-1 Consumption tax reduction measures

Although the Japanese consumption tax will increase to 10% on October 1, 2019, a reduced consumption tax rate will also go into effect on this date for the sake of low-income earners. A reduced tax rate of 8% will apply to purchases of (1) store-bought food items and nonalcoholic drinks, and (2) fixed-term subscriptions to newspapers issued at least twice a week.

The SME Agency will provide a full range of support to ensure a seamless transition to the new rates for SMEs and small-businesses.

[Robust support and dissemination of information via pamphlets, etc.]

The SME Agency is working with small business associations to provide robust support in the form of holding workshops and forums, setting up a consultation office, and dispatching experts. Consultation is provided by societies and chambers of commerce and industry and other such SME associations.

The SME Agency also prepares easy-to-follow pamphlets and disseminates information to SMEs and small-businesses. More information can be found on the SME Agency's website and on Mirasapo.



[Support for efforts that include replacing cash registers and upgrading ordering systems]

In April 2016, the SME Agency began providing support for SMEs and small-businesses needing assistance with replacing cash registers and other efforts to achieve consumption tax reduction eligibility.

(1) Assistance in deploying and upgrading cash registers covered under the multiple tax rate system

Overview	Support for deploying new cash registers and upgrading existing cash registers covered under the multiple tax rate system. ("Cash registers" includes cash registers with no POS functionality, mobile POS systems, and POS systems.)
Subsidy rates	Generally 2/3 the cost of deployment - 3/4 the cost when deploying only one unit at a cost of less than ¥30,000 - 1/2 the cost for tablets and other general-purpose devices (eligible only if purchased in a set with peripheral devices)
Maximum subsidies	¥200,000 per cash register. An additional ¥200,000 is provided per unit when costs are incurred to set up basic product information on or install the unit. There is a ¥2 million limit per business available when, for example, applying for multiple units.
Eligible costs	- Cash registers - Peripheral devices for cash registers (barcode readers, cash drawers, credit card processing devices, electronic money readers, customer displays, receipt printers, routers, servers) - Costs involved in installing devices (including transport costs) - Costs to set up basic product information (Also applicable for leased equipment)
Application support	This support is available for applications made by applicants themselves, as well as for "proxy applications" made through certain manufacturers, retailers, and vendors published on the administrative office's website. Applications require the submission of several application documents and documentary evidence.
Application timing	After equipment deployment/upgrade (applications are accepted at any time)

(2) Assistance for the upgrading of electronic ordering systems that are not covered under the multiple tax rate system

Overview	Support is provided to businesses that use electronic ordering systems (EDI, EOS, etc.) and that upgrade or replace functions as necessary to achieve reduced tax rate eligibility.
Subsidy rates	Generally 2/3 the cost of deployment
Maximum subsidies	¥10 million for order placement systems purchased by retailers ¥1.5 million for order receiving systems purchased by wholesalers ¥10 million when both order placement and order receiving systems are purchased
Eligible costs	- Upgrading of electronic ordering data formats, codes, etc. - Transitioning from electronic ordering systems currently being used to systems covered under the multiple tax rate system - Upgrading or replacing of functions for setting up basic product information, managing ordering or purchasing, or managing order receiving as needed for electronic ordering. (Support is also provided for packages that combine ordering management products or services with, for example, inventory management and finance and accounting products or services. If these packages include electronic ordering systems, the subsidy shall be the product of the subsidy rate and half of the initial purchase cost.) (Also applicable for leased equipment)
Application support	- For system upgrades that require specialized expertise, proxy applications may be filed by system vendors, etc. specified by the administrative office in place of the applicant himself/herself. - However, when deploying packaged products or services registered with the administrative office, applications must be made by the applicant himself/herself.
Application timing	Upgrades by specified businesses: <u>Before</u> system upgrade or replacement (applications are accepted at any time) Self-deployed: <u>After</u> system upgrade or replacement (applications are accepted at any time)

Further information can be found on the website for the Reduced Consumption Tax Rate Subsidy Administrative Office (www.kzt-hojo.jp).

Contact: Reduced Consumption Tax Rate Subsidy Administrative Office Call Center
Telephone: +81-570-081-222 (hours: 9:00 to 17:00, toll call)

Utilizing these subsidies and making improvements to cash registers and peripheral equipment will achieve reduced tax rate eligibility while also improving business efficiency and productivity.

For example, local SMEs and small-businesses that manage sales and purchasing manually will dramatically improve business efficiency by deploying a POS system.

Deploying a tablet-based mobile POS system and using Cloud-based accounting software allows a business to keep track of financial data in real-time on a daily basis and perform weekly and daily accounting. It also allows for instantaneously ascertaining business status and cash flows, allowing business decisions to be made in a more timely manner.

Businesses can therefore systematically prepare to achieve reduced tax rate eligibility while at the same time improving business efficiency and productivity by making improvements related to cash register systems.

Section 3 IT usage in finance and accounting operations

In Section 2 we examined IT deployment in back office operations. We also learned from Fig. 2-1-19 that “finance and accounting (bookkeeping)” is the area of operations

that business owners most want to reduce. In this section, we will explore the usage of IT in “finance and accounting (bookkeeping)” as a category of back office operations.

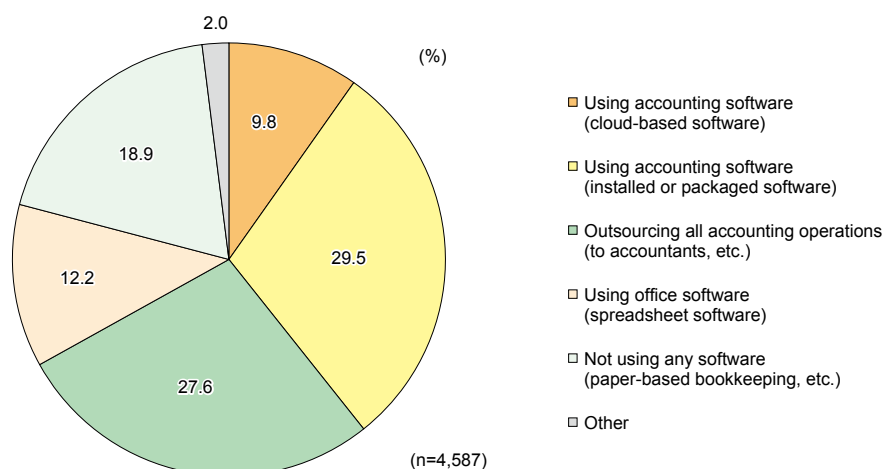
1. IT deployment in finance and accounting operations and its effect

(1) IT deployment in finance and accounting operations

Fig. 2-2-12 shows IT deployment in finance and accounting operations. 39.3% of businesses have deployed accounting software (sum total for cloud-based software,

installed software, and packaged software). 18.9% of businesses, meanwhile, do their bookkeeping on paper. Businesses doing paper-based bookkeeping could achieve considerable operational efficiencies by deploying IT.

Fig. 2-2-12 IT deployment in finance and accounting operations

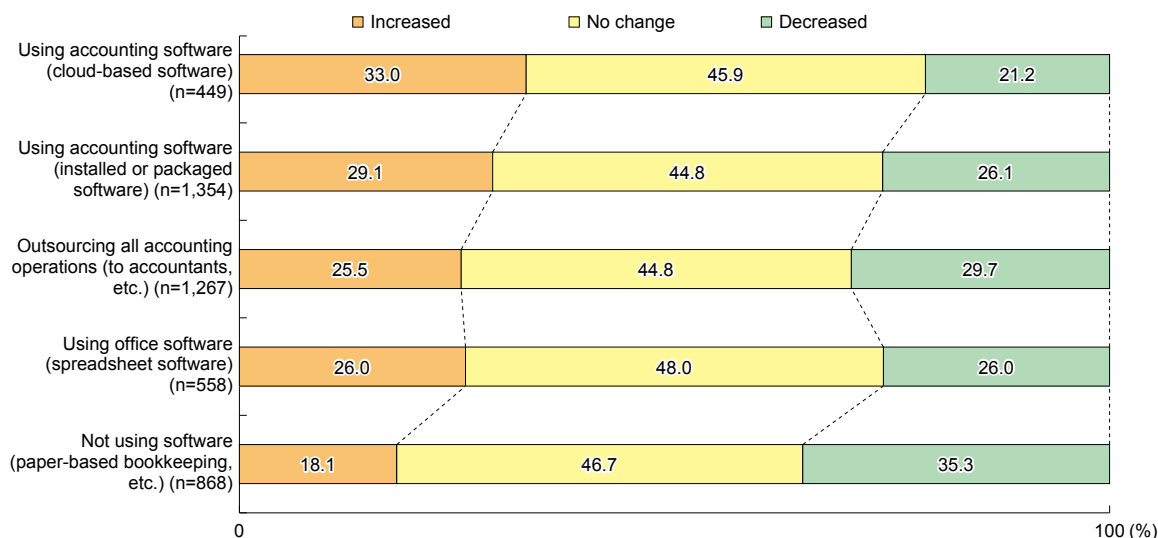


Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

(2) Ordinary income over the previous three years (by IT deployment in finance and accounting operations)

Fig. 2-2-13 shows ordinary income over the previous three years according to IT deployment in finance and

accounting operations. Ordinary income is more likely to be rising at businesses using accounting software than at businesses who are “not using any software (paper-based bookkeeping, etc.).” Users of cloud-based software show the largest increases in ordinary income.

Fig. 2-2-13 Ordinary income over the previous three years (by IT deployment in finance and accounting operations)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: The “Other” category is not shown for IT deployment in finance and accounting operations.

2. Cloud-based accounting software usage

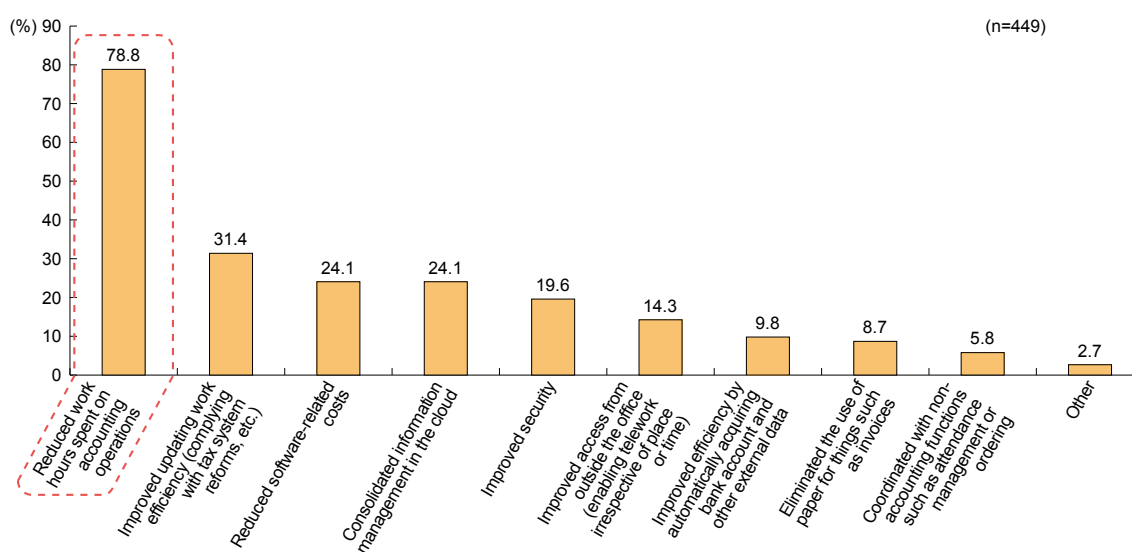
18.9% of micro businesses have not deployed IT in finance and accounting operations (Fig. 2-2-12) and could potentially do so in the future. As one issue related to IT deployment at micro businesses, 44.9% of such businesses said that they “Cannot afford IT deployment costs” (Fig 2-2-4).

From these results, it would appear that using cloud-based accounting software could be a useful option for these businesses³⁾. This section will explore cloud-based

accounting software.

(1) Benefits of deploying cloud-based accounting software

Fig. 2-2-14 shows the benefits that micro businesses have enjoyed by deploying cloud-based accounting software. 78.8% of businesses using cloud-based accounting software indicated that in doing so they “reduced work hours spent on accounting operations.”

Fig. 2-2-14 Benefits of deploying cloud-based accounting software

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Total does not always equal 100% as multiple responses were possible.
2. These figures denote respondents who stated that they use (cloud-based) accounting software with respect to IT deployment in finance and accounting operations.

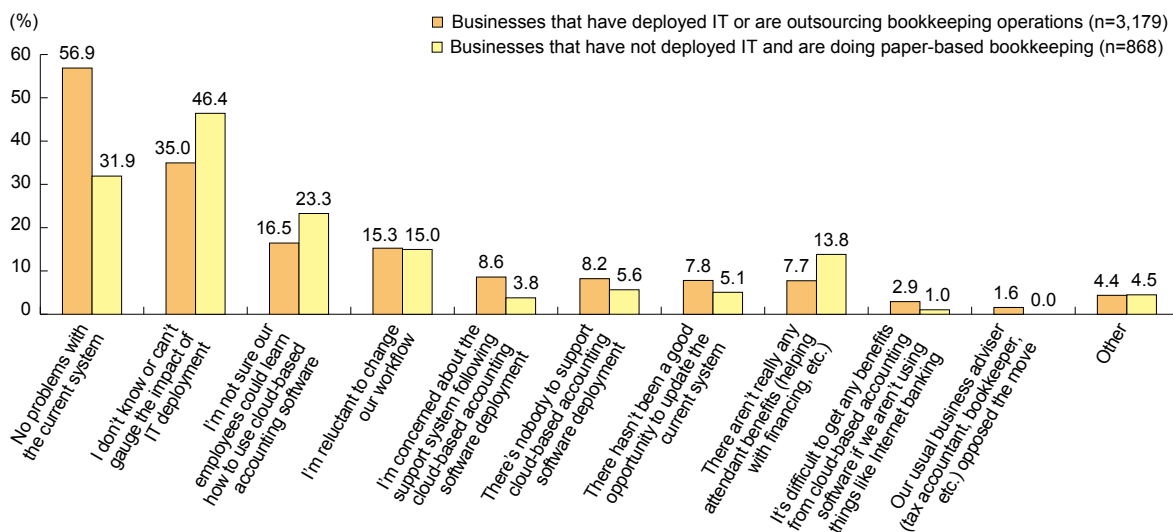
3) According to an interim report released by the Smart SME Study Group in June 2017, the “low initial deployment costs (several thousand yen a month)” and “lack of a need to own servers or other equipment and the relative ease of deployment” are two advantages of cloud-based services.

(2) Issues concerning cloud-based accounting software deployment

Fig. 2-2-15 shows issues concerning cloud-based accounting software deployment according to “businesses that have deployed IT or are outsourcing bookkeeping operations” and “businesses who have not deployed IT and are doing paper-based bookkeeping.” The number of respondents who selected “I don’t know or can’t gauge the impact of IT deployment” was especially high among

“businesses who have not deployed IT and are doing paper-based bookkeeping,” and there is a moderate number of these businesses who have not identified the benefits of using cloud-based accounting software. This suggests that support organizations providing micro businesses with information about the benefits of cloud-based accounting software could be key to getting such businesses to deploy this software.

Fig. 2-2-15 Issues concerning cloud-based accounting software deployment



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Total does not always equal 100% as multiple responses were possible.

2. The figures for “businesses that have deployed IT or are outsourcing bookkeeping operations” denote businesses who stated that they are “using accounting software (installed or packaged software),” “outsourcing all accounting operations,” or “using office software (spreadsheet software)” with respect to IT deployment in finance and accounting operations.

3. The figures for “businesses that have not deployed IT and that are doing paper-based bookkeeping” denote businesses who stated that they are “not using any software (paper-based bookkeeping, etc.)” with respect to IT deployment in finance and accounting operations.

Case 2-2-4 Itoh Sports

A micro business that created the leeway to reconsider its management by increasing efficiency through the introduction of cloud accounting

Itoh Sports (employees: 4; sole proprietorship), located in Odawara City, Kanagawa Prefecture, was established in 1978 as a wholesale and retail store specializing in baseball goods. The store's owner, Takanori Itoh, who took over the business about 10 years ago, narrowed its focus down to the retail of baseball goods. In addition to offering careful repairs of baseball essentials such as gloves and shoe spikes, the store also sells products from niche manufacturers that are not handled by major retailers. As a result of its unique approach, the store is not only patronized by the students of nearby junior and senior high schools and local adults, but also attracts customers from throughout the country.

Previously, the company was performing accounting procedures based on paper ledgers, and it would sometimes be necessary to go back over several months of records to make the numbers match up. This meant a great deal of time and labor. Mr. Itoh's wife Sanae, who had taken over the business's accounting duties five years previously, wanted to streamline the accounting work to make it more compatible with her child-raising duties. Winning a mobile POS register in a social media advertising campaign was the company's first step towards the use of IT.

With the introduction of the POS register app "AirREGI," checking daily sales and other accounting-related duties became a simple matter. Pursuing further efficiency, the couple introduced the cloud accounting software "freee," and linked it to their POS registers in the cloud. When a product transaction is input to a POS register, the data is automatically sent to the cloud accounting software and added to the store's monthly revenue. This has allowed the couple to move away from troublesome paper-based management. "When you increase your efficiency, it's like the difference between heaven and earth" says Ms. Itoh.

Because data is stored in the cloud in cloud accounting, it is possible to conduct accounting procedures anywhere, at any time. This has meant that Ms. Itoh is able to do accounting work on her smartphone or computer when a sick child makes it impossible for her to visit the store and in free time between household tasks, and this has contributed to her ability to realize a balance between work and child-raising. In addition, using the extra time that greater efficiency has made available, Ms. Itoh is able to offer advice from an accounting perspective based on the real-time management data available through cloud accounting, for example whether or not it is necessary to stock up on a particular item, or relating to the amount of purchases by team.

Despite offering these benefits, the cost of introducing cloud accounting was extremely low - approximately ¥30,000 for the purchase of barcode readers as the initial cost, and approximately ¥20,000 per year in use fees as running costs.

Ms. Itoh is enthusiastic about further IT use, and has fulfilled one of her wishes by introducing a credit card payment app. She is considering linking it with inventory management in future.

Mr. Itoh says, "Using the time that we have saved by realizing increased efficiency, we want to introduce some excitement to the local world of sports by utilizing our network of players and coaches to enable us to hold seminars and lectures that local children who love sports, their parents, and their coaches can take part in."



Store owner Takanori Itoh



A poster for the store's repair service

Section 4 IT usage to increase revenues

Whereas previous sections have looked at IT deployment in back office operations, this section will

focus on the usage of IT to increase revenues.

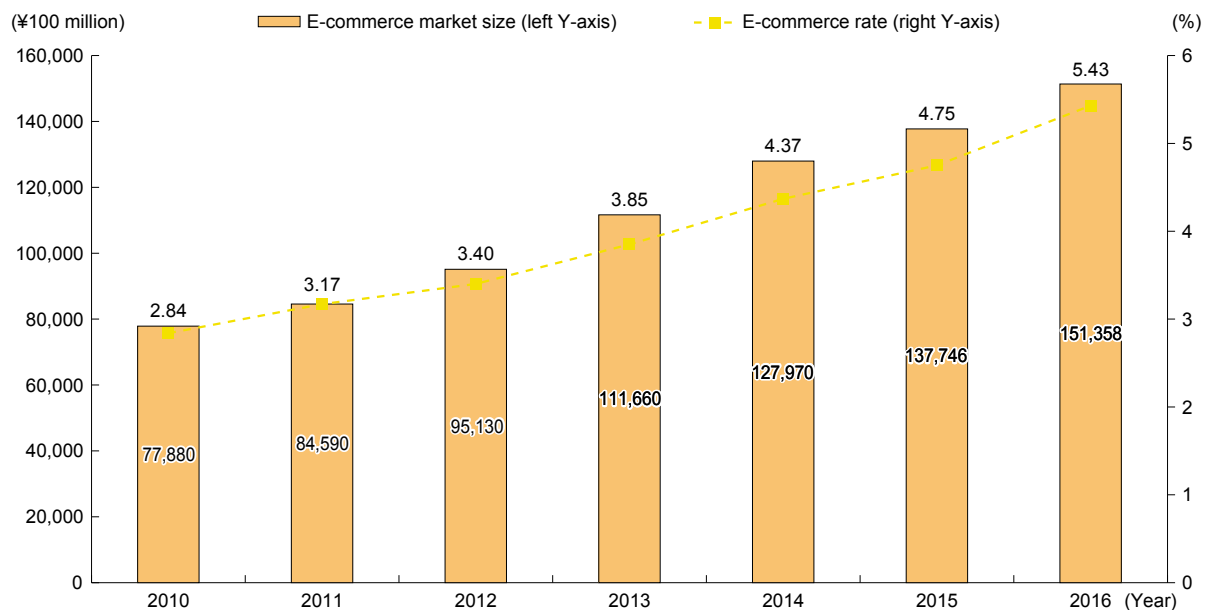
1. Usage of e-commerce among micro businesses

(1) B to C e-commerce market size

Fig. 2-2-16 shows the size of the e-commerce market

targeting general consumers and e-commerce ratios. We can see that the e-commerce market is growing every year.

Fig. 2-2-16 B to C e-commerce market size

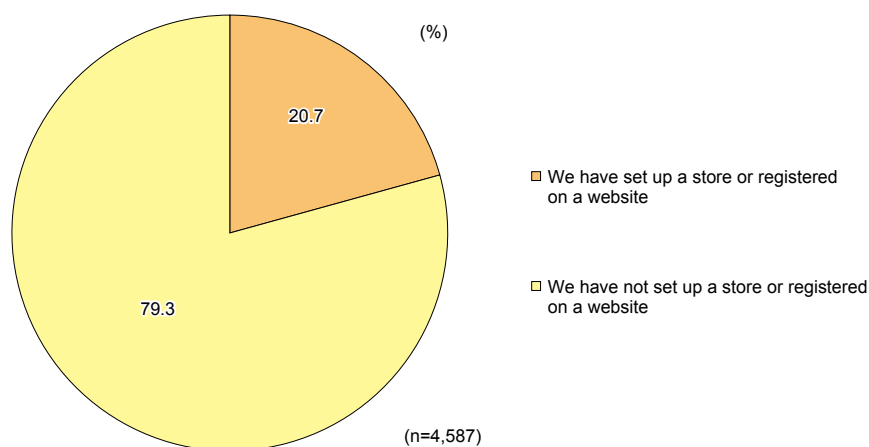


Source: Ministry of Economy, Trade and Industry, *Survey on Actual Conditions and Market Size of Electronic Commerce for 2016*.

(2) Presence or absence of stores and registrations on websites for finding customers or business partners

Let's take a look at measures micro businesses are

taking towards this expanding e-commerce market. About 20% of businesses are putting up stores or registering on some kind of website for finding customers or business partners (Fig.2-2-17).

Fig. 2-2-17 Presence or absence of stores and registrations on websites for finding customers or business partners

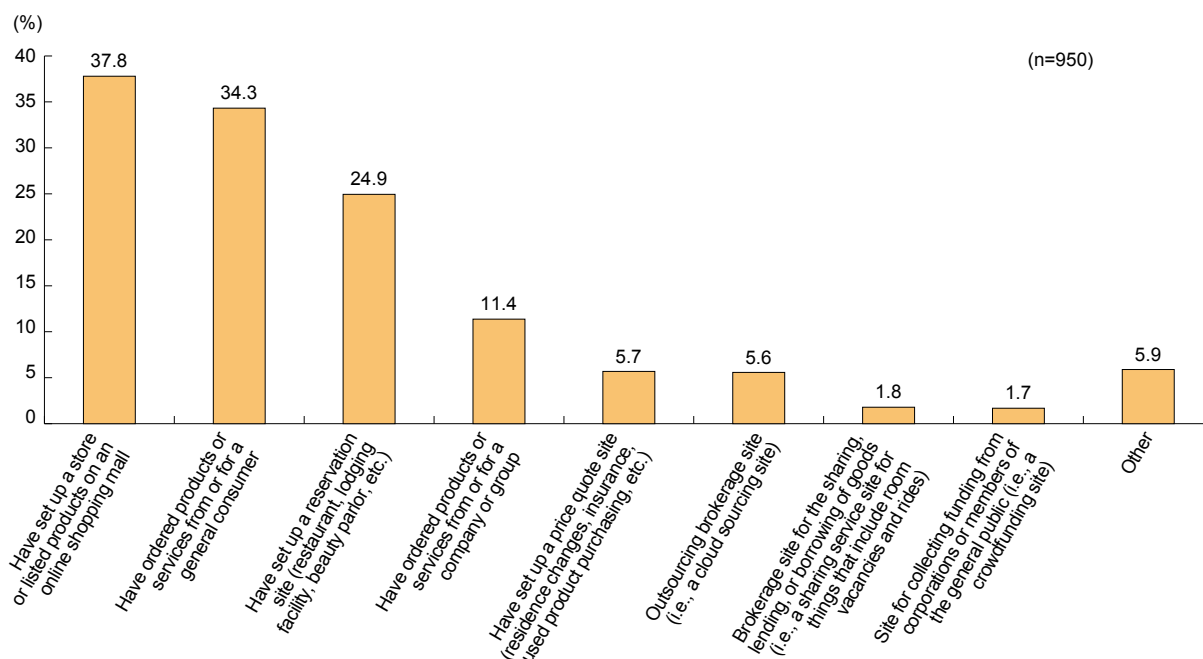
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Businesses that responded with “we have set up a store or registered on a website” here are those that stated that they have set up a store or registered on at least one website for finding either customers or business partners.

(3) Types of stores and registrations on websites for finding customers or business partners

Fig. 2-2-18 shows the specific stores and registrations that have been made by respondents who stated that they

have set up a store or registered on a website for the purpose of finding customers or business partners. There is a relatively large proportion of businesses that have “set up a store or listed products on an online shopping mall.”

Fig. 2-2-18 Types of stores and registrations on websites for finding customers or business partners

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Total does not always equal 100% as multiple responses were possible.
2. These figures are for respondents who stated that they “have set up a store or registered” on a site for finding customers or business partners.

Case 2-2-5 Ose Co., Ltd.

A company that boosted its added value using IT, with assistance from a support organization

Ose Co., Ltd. (employees: 3; capital: ¥10 million), located in Wakayama City, Wakayama Prefecture, is a micro business that has been responsible for the operation of the *ryokan* Shin-Waka Lodge for about 50 years.

The Wakaura district where the *ryokan* is located was formerly very busy as a picturesque area popular with sightseers, but recently the number of visitors has declined, and the number of *ryokan* in the area, which previously stood at about 15, has halved. The Shin-Waka Lodge itself, affected also by the aging of its facilities, gradually saw its own customer numbers decline. The owners mounted efforts including cutting back on costs and engaging in direct marketing campaigns, but the business's difficulties were ongoing, and it continued to record a deficit. Eventually, there was no choice but to dismiss even the kitchen staff. Morimasa Ose, the second-generation owner of the *ryokan*, took up the kitchen knife himself and somehow struggled on with the operation of the inn.

Seeking to break out of this situation, Mr. Ose and his wife took part in a seminar organized to commemorate the establishment of the Wakayama Prefecture Yoroazu Support Center, which they had read about in a Wakayama town magazine. Following the seminar, they took the opportunity to talk to Tadashi Inoue, the Chief Coordinator, and this enabled them to commence their business improvement initiatives with assistance from the support center.

Together with Yukio Yano, a Coordinator with the Wakayama Yoroazu Support Center who was responsible for his case, Mr. Ose considered measures to rebuild the *ryokan*'s business. Because the Oses had limited ability to procure funds, they sought to increase the *ryokan*'s business by means of initiatives that would increase the number of staying guests without large-scale capital investment. Analyzing the business's strengths and weaknesses, they decided that its limited use of IT and few Web reservations were a weakness, while its strength was its ability to offer low-priced meals using fresh local produce such as grouper.

In order to exploit this strength while compensating for the business's weaknesses, Mr. Yano suggested making use of Mirasapo, a system for the temporary dispatch of specialists to companies. As a result, a specialist in the provision of support for the hotel industry introduced Mr. Ose to a reservation system and support company, and he introduced a system that made it possible to more effectively attract customers and manage the business. Following this, Mr. Ose registered the Shin-Waka Lodge on more than 10 Japanese and overseas hotel reservation sites, and conducted a large-scale reform of the business's homepage. The *ryokan* conducted Web-based PR offering a full range of appealing accommodation plans, including a plan focusing on its grouper dishes (a point of pride) and a plan offering a fishing experience in Wakaura as part of the customer's stay.

These initiatives have boosted the *ryokan*'s ability to attract customers to such an extent that in some months its business has increased almost six-fold against figures prior to their introduction. In the two years since they started receiving support from the Wakayama Yoroazu Support Center, Mr. and Mrs. Ose have approximately doubled their revenue, and their business is now in the black. 65% of the increase in revenue that they have recorded is due to Web-based reservations.

Mr. Ose says, "The presence of a Coordinator that we could consult with comfortably was something that we could really rely on as we thought about what we should do. We now have a son, and we want to look towards the future, and even try to help in reinvigorating the Wakaura district."



Dishes of Shin-Waka Lodge



President Ose and his wife

Case 2-2-6 Ota Enka Seizosho Co., Ltd.

A company that received assistance from a support organization and utilized crowdfunding to increase its brand value and attract customers

Ota Enka Seizosho Co., Ltd. (employees: 2; capital: ¥10 million), located in Okazaki City, Aichi Prefecture, is a manufacturer of toy fireworks established in 1928.

Today, more than 90% of the fireworks sold in Japan are produced overseas, but Koji Ota, the President of Ota Enka Seizosho, sought to preserve the Mikawa region tradition of fireworks, which has existed since Edo times, and was committed to continuing production in Japan. In particular, he continued domestic production of the company's hallmark product, the "Dragon" series, with all processes, from the procurement of raw materials to manufacture, being conducted domestically. However, the spiraling cost of gunpowder and other materials made it difficult to secure profits, and he faced difficulties including the suspension of production of the Dragon series in 2008.

While he was seeking a way to turn the situation around, Mr. Ota decided that if he could use crowdfunding, which he had learned about from a television program, to obtain funds, he would be able to sell domestically produced fireworks (with their high manufacturing costs) at a low price. However, because he did not have any concrete plan for proceeding, he consulted with OKa-Biz, a business support center in Okazaki City he had learned about from a leaflet. While talking to the OKa-Biz consultant, Mr. Ota realized something that he had previously been unaware of – that his company's strength was the well-known Dragon brand. As a result, rather than selling domestically-manufactured fireworks at low prices, he decided to launch a project to revive the Dragon brand using crowdfunding.

With the support of OKa-Biz, Mr. Ota considered issues such as the text to be published on crowdfunding websites. Telling the story of the difficult situation of 100% domestically-manufactured fireworks and pointing out that the revamped Dragon brand would be synonymous with their revival, Mr. Ota sought support for the manufacture of Dragon fireworks via crowdfunding from July 2016. He initially set a target of ¥600,000, but that figure was exceeded before he knew it, and he was ultimately successful in procuring ¥2.07 million (345% more than the initial target), making it possible to manufacture the revamped Dragon brand on a larger scale than he had projected. In addition, the impression that men in their 30s to 50s were the main supporters of the Dragon brand was backed up by the data, and Mr. Ota says that he wants to make use of this information in new product development.

"I realized that crowdfunding allowed you to get your message out at low cost, and is an easy mechanism for a micro business to use. I am also going to make active use of social media, my homepage, and other means to get the message out. In the future, I want to work on projects that communicate the appeal of Japanese-made fireworks and Japan's fireworks traditions, and that keep them alive," says Mr. Ota.



Koji Ota, President



The Dragon series

Case 2-2-7 Suzuki Kikoh Co., Ltd.

A company that increased its added value through groundbreaking original product development and promotion using IT

Suzuki Kikoh Co., Ltd. (employees: 17; capital: ¥30 million), located in Matsudo City, Chiba Prefecture, is a micro business that designs, manufactures and markets industrial machinery mainly for food processing factories.

After taking over the business from his father, Yutaka Suzuki, the company's President, faced a difficult period of unstable profits. Taking advice from a Tax Advisor, Mr. Suzuki decided to formulate a management plan and reform the management of the company. Within this management plan, he established a concrete one-year action plan. He defined an area strategy (concentrating sales activities on businesses that could be visited within one hour), and decided to intensively focus his management resources. He focused on close communication with his customers, building relationships of trust, and while his sales temporarily declined, profits increased.

With the company's profits stabilized, Mr. Suzuki added "Basic Guidelines for New Businesses" to his management plan as a new initiative that looked towards the future. He decided to conduct developments with a focus on "stock business" that would be used by customers on an ongoing basis and would encourage repeat purchases. Following these guidelines, the company developed the high-performance lubricant Bell Hammer as an original brand product.

Because the product was able to be used not only for gears and bearings in industrial machinery, but also for applications including motorbikes, cars, doors and window sashes, the company expected demand to be strong among ordinary users. Seeking to expand his sales channels, Mr. Suzuki conducted a customer survey. Based on 1,000 responses, he found that 10% of purchasers of Bell Hammer were concerned about the price of the product when they purchased it. Based on this result, Mr. Suzuki launched a trial price campaign on the Internet, reducing Bell Hammer's recommended price of ¥3,560 to the trial price of ¥1,600. Before the spread of Internet use, promotions of this type involved considerable expense just to make consumers aware of their existence, and as a result they were difficult for micro businesses to mount. Mr. Suzuki also used social media, and as a result, in four months his video was viewed more than 300,000 times, and 13,000 people had purchased a can of Bell Hammer. The cost of the campaign was only around ¥300,000, but it realized sales of ¥20 million, and won the company numerous repeat customers.

After this, based on a proposal from the financial institution that Suzuki Kikoh dealt with, Mr. Suzuki used crowdfunding to seek support for Bell Hammer. Setting a target amount of ¥300,000, Mr. Suzuki ended up raising ¥4 million, and with 600 supporters, was able to acquire a more solid customer base. Recognizing financial institutions as business partners able to provide high-potential information, Mr. Suzuki has since expanded his range of transactions with these institutions.

Mr. Suzuki says, "With the rapid spread of the Internet and SNS, we are now in an era when even micro businesses can conduct effective promotions. The use of IT provides a means for micro businesses to grow. Not just using IT, but I intend to continue to mount initiatives that look towards the future, with my management plan as the axis."



Yutaka Suzuki, President



Company employees (above),
Mr. Suzuki's management plan (below) and Bell Hammer (R)

Section 5 Summary

This chapter looked at the current state of IT usage among micro businesses and the problems these businesses face. It also examined how these businesses use IT in back office operations to improve efficiency and increase revenue.

Although these businesses face a diversity of problems when deploying IT, it is likely that these businesses enjoy good labor productivity because of their relatively high level of IT deployment. The same trend is seen

in finance and accounting operations, an area where business owners have a strong interest in cutting work hours spent. It appears likely that micro businesses can further improve work productivity by rationalizing back office operations through the use of IT and by using IT that improves revenue, as was seen in the case studies. Effective support in deploying and using IT will no doubt become increasingly important as businesses work to address labor shortages.

Chapter 3

Improvements in labor productivity due to capital investment by micro businesses

In this chapter, we analyze the situation for capital investment by micro businesses and the improvements in productivity that result from capital investment. While these micro businesses individually only invest small amounts, this analysis reveals the ways in which capital investment is useful.

Section 1 Current capital investment by micro businesses

We begin by looking at the current situation for capital investment by micro businesses over time. Our analysis uses the SME Agency's *Basic Survey of Small and*

Medium Enterprises and distinguishes between medium enterprises, micro businesses (corporations) and micro businesses (sole proprietorships).

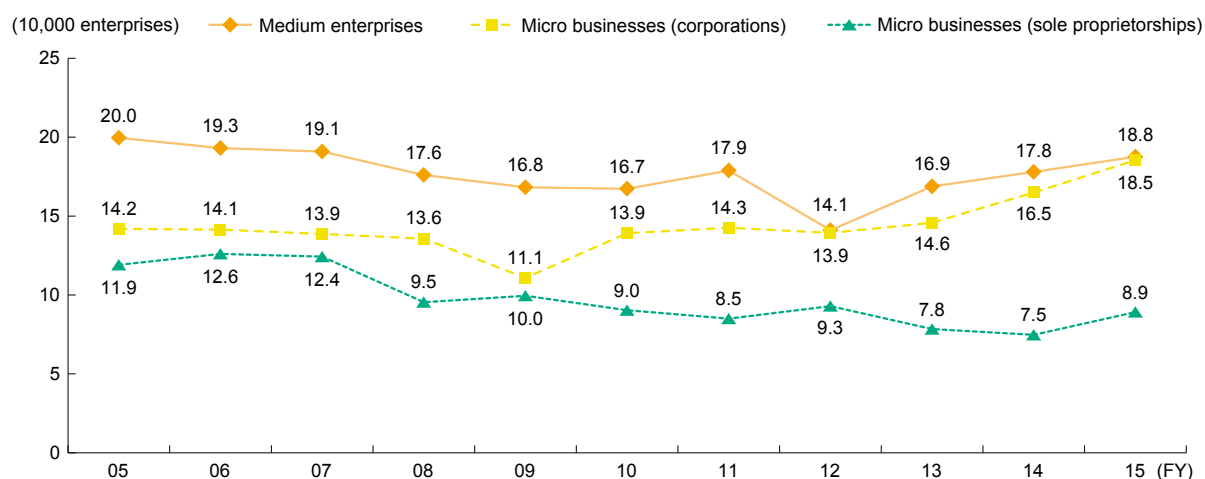
1. Trends in capital investment by micro businesses

(1) Numbers of enterprises undertaking capital investment

Looking at the number of enterprises that have engaged in capital investment, we see that the number of micro businesses (corporations) has been increasing since 2012 (Fig. 2-3-1).

We also see that there was a declining trend in the number of micro businesses (sole proprietorships), but that the number has increased by approx. 14,000 in the last year.

Fig. 2-3-1 Numbers of enterprises undertaking capital investment

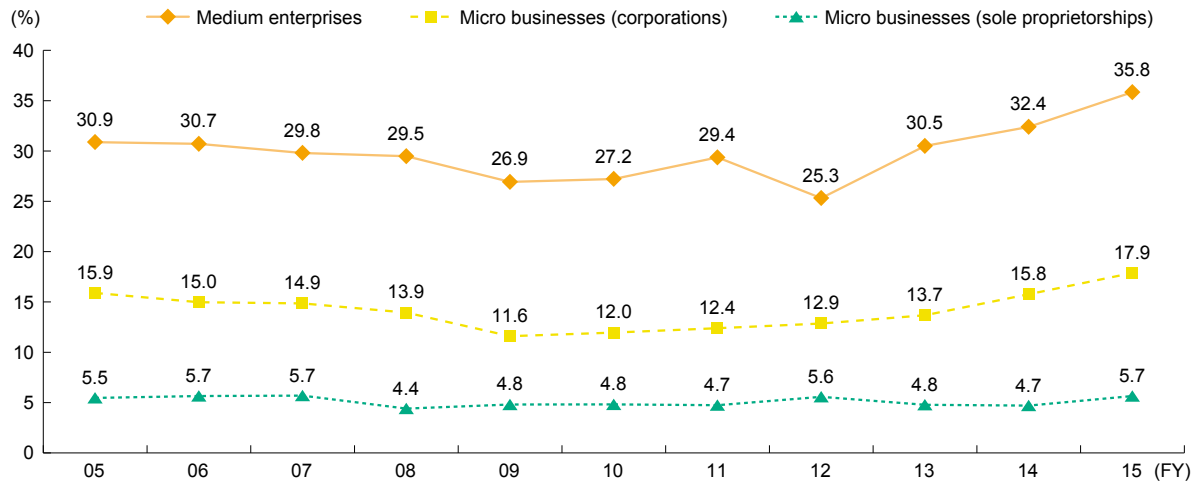


Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

(2) Rates of capital investment

If we look at the rates of capital investment, the rate

among micro businesses (corporations) shows a rising trend in recent years (Fig. 2-3-2).

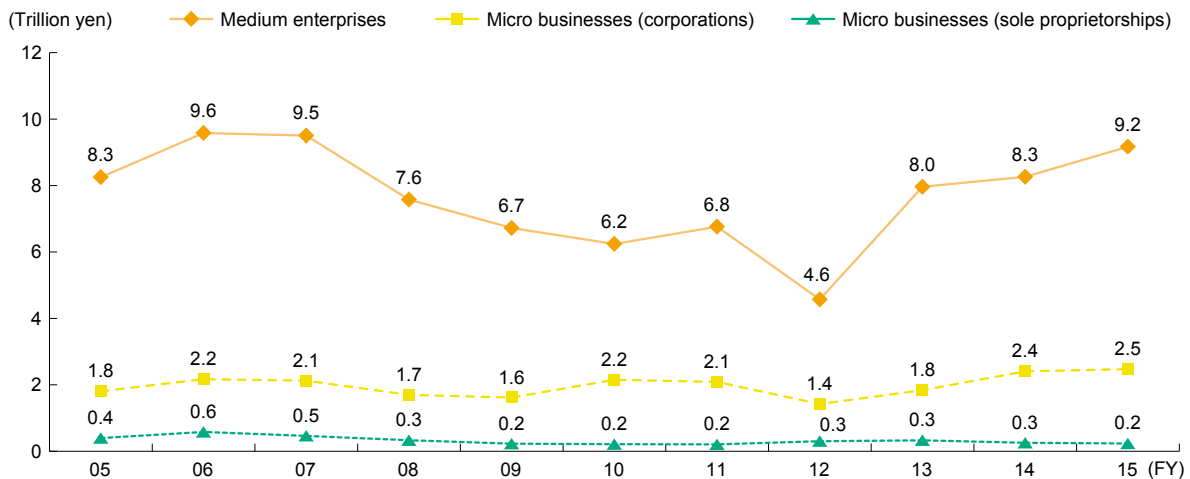
Fig. 2-3-2 Rates of capital investment

Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

(3) Amounts invested in capital

When we look at the amounts of money invested in capital, the amounts invested by micro businesses (corporations) have been generally increasing since

2012. Conversely, the amounts invested by micro businesses (sole proprietorships) show a weakening trend (Fig. 2-3-3).

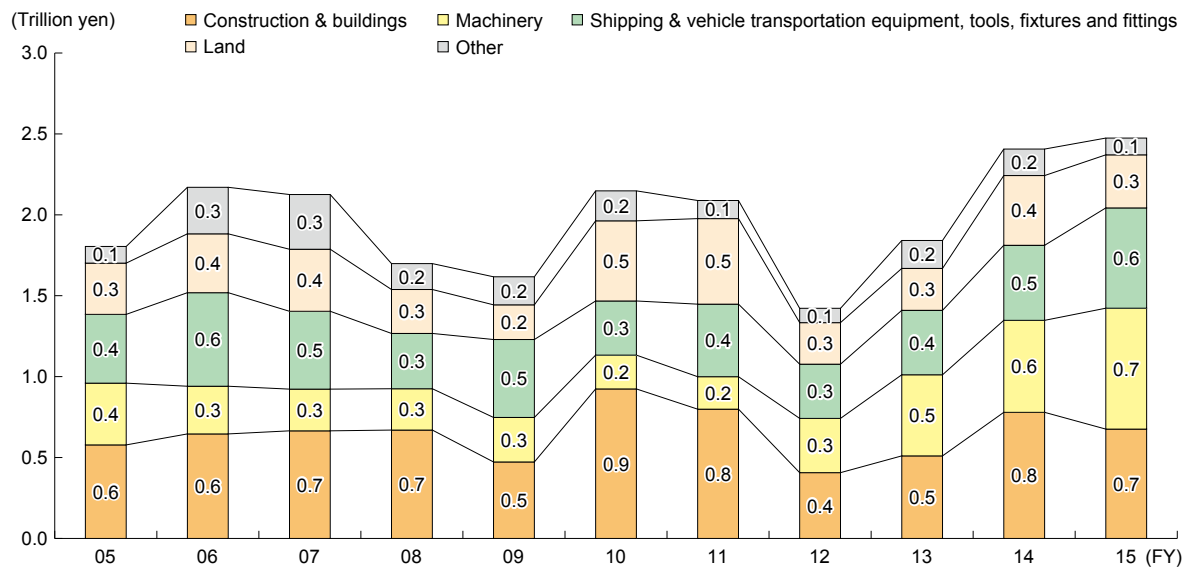
Fig. 2-3-3 Amounts invested in capital

Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

(4) Amounts of capital investment by micro businesses (corporations) in each investment type

We now move on to a detailed analysis of the shifts in capital investment amounts in each type of investment.

Fig. 2-3-4 shows the amounts of capital investment by micro businesses (corporations) for each investment type. In the last 4 years, we see a trend towards increasing investment in “Machinery” and “Shipping & vehicle transportation equipment, tools, fixtures and fittings.”

Fig. 2-3-4 Amounts of capital investment by micro businesses (corporations) in each investment type

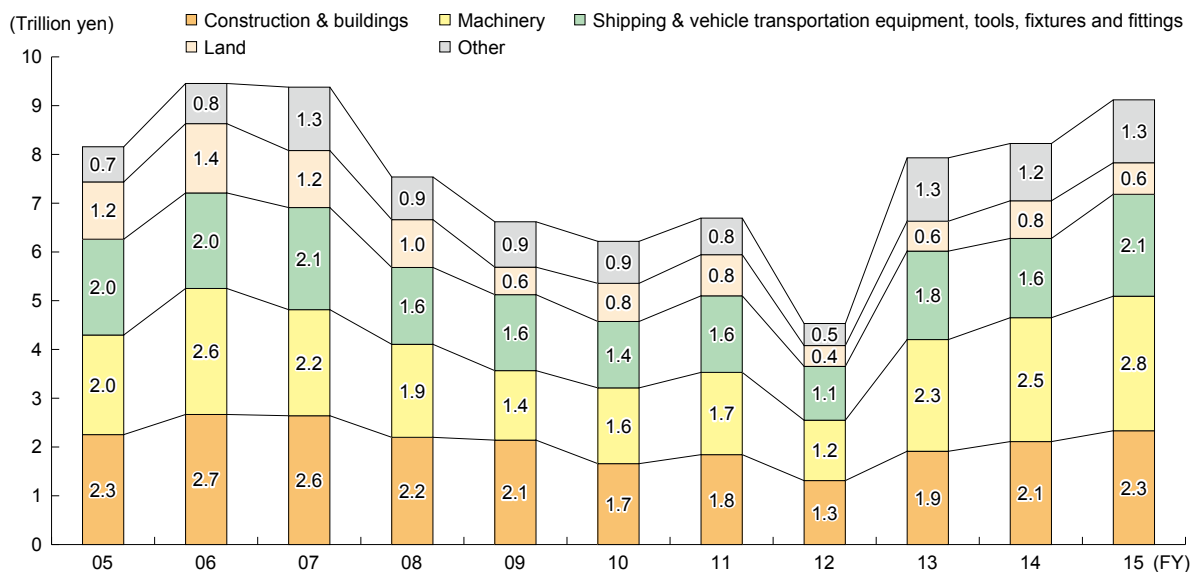
Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

Note: The "Other" category indicates the total value for "Construction in progress," "Other owned fixed assets" and "Intangible fixed assets."

(5) Amounts of capital investment by medium enterprises (corporations) in each investment type

Fig. 2-3-5 shows the amounts of capital investment by medium enterprises (corporations) in each investment

type. In the last 4 years, we see increasing investment in "Construction & buildings," "Machinery" and "Shipping & vehicle transportation equipment, tools, fixtures and fittings."

Fig. 2-3-5 Amounts of capital investment by medium enterprises (corporations) in each investment type

Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

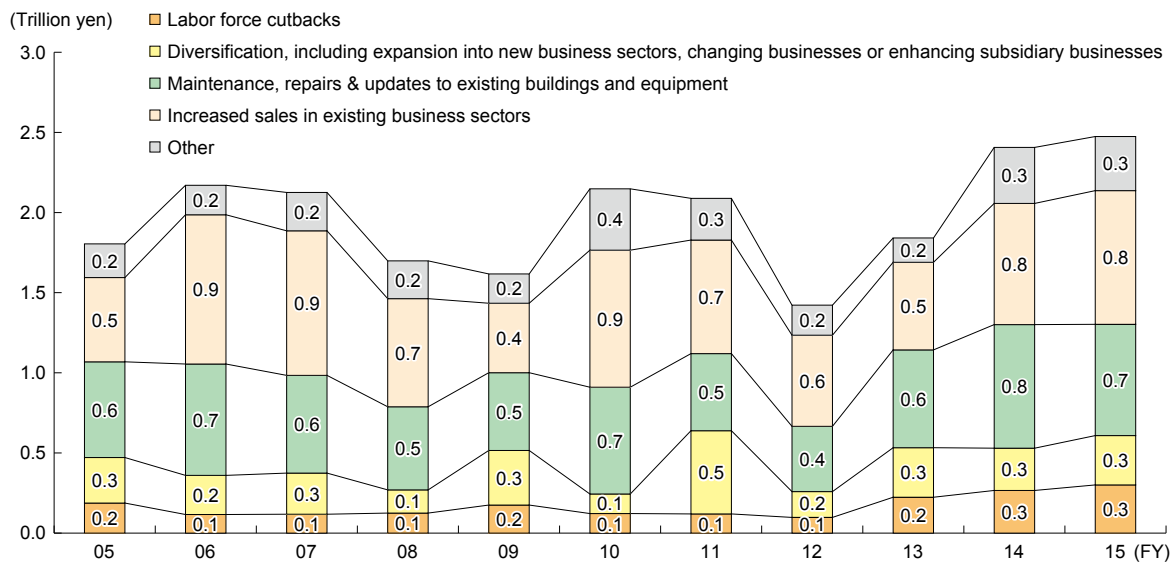
Note: The "Other" category indicates the total value for "Construction in progress," "Other owned fixed assets" and "Intangible fixed assets."

(6) Amounts of capital investment by micro businesses (corporations) by investment goal

Fig. 2-3-6 shows the amounts of capital investment by micro businesses (corporations) for each investment goal. Recently, the most popular investment goal has been

“Increased sales in existing business sectors.” The next most popular goal is “Maintenance, repairs & updates to existing buildings and equipment.” We also see a rising trend for “Labor force cutbacks” in the last 3 years.

Fig. 2-3-6 Amounts of capital investment by micro businesses (corporations) by investment goal



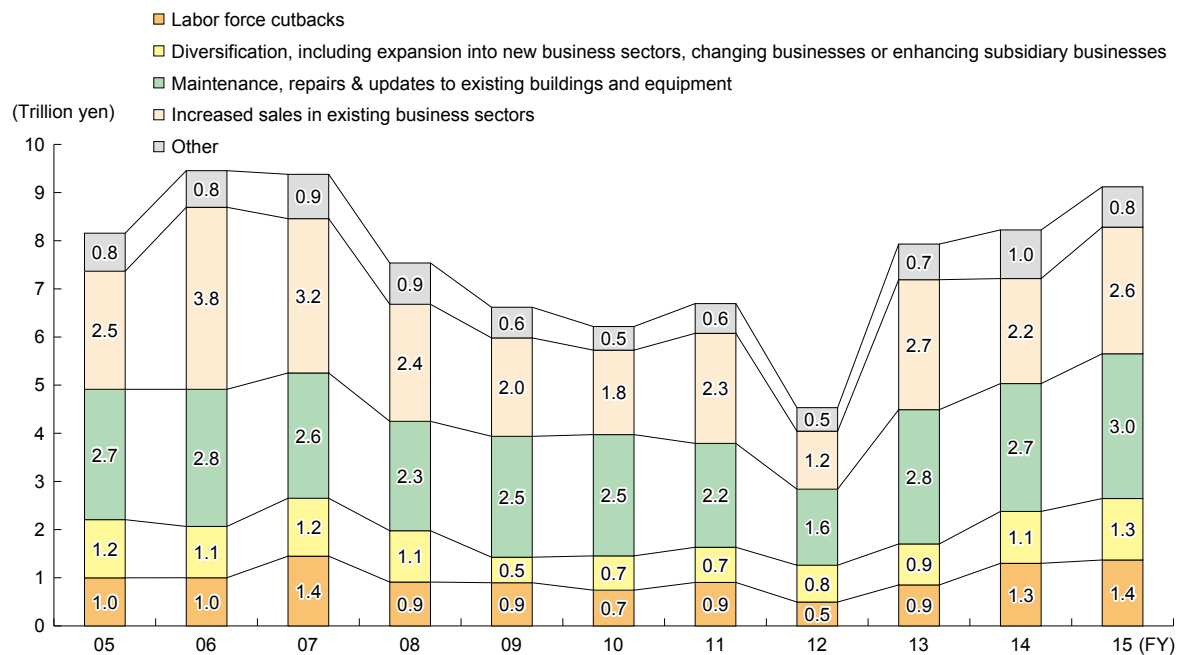
Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

Note: “Labor force cutbacks” indicates the total value for “Labor force cutbacks (directly related divisions)” and “Labor force cutbacks (management).”

(7) Amounts of capital investment by medium enterprises (corporations) by investment goal

Fig. 2-3-7 shows the amounts of capital investment by medium enterprises (corporations) for each investment goal. The most frequently stated goal is “Maintenance,

repairs & updates to existing buildings and equipment,” but in recent years there has been increasing investment in goals such as “Labor force cutbacks” and “Diversification, including expansion into new business sectors, changing businesses or enhancing subsidiary businesses.”

Fig. 2-3-7 Amounts of capital investment by medium enterprises (corporations) by investment goal

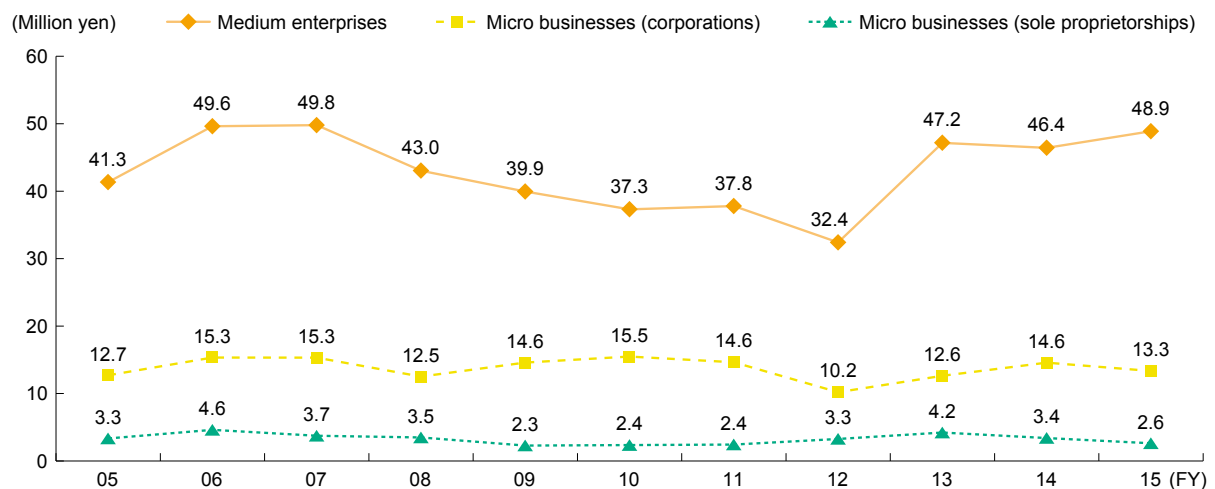
Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

Note: "Labor force cutbacks" indicates the total value for "Labor force cutbacks (directly related divisions)" and "Labor force cutbacks (management)."

(8) Amounts of capital investment per enterprise

Looking at the amounts invested in capital by individual enterprises that undertook capital investment, we note

that the level for micro businesses is lower than that of medium enterprises (Fig. 2-3-8). Micro businesses (sole proprietorships) in particular invested small amounts.

Fig. 2-3-8 Amounts of capital investment per enterprise

Source: Recompiled from SME Agency, *Basic Survey of Small and Medium Enterprises*.

2. Capital investment results and outlook

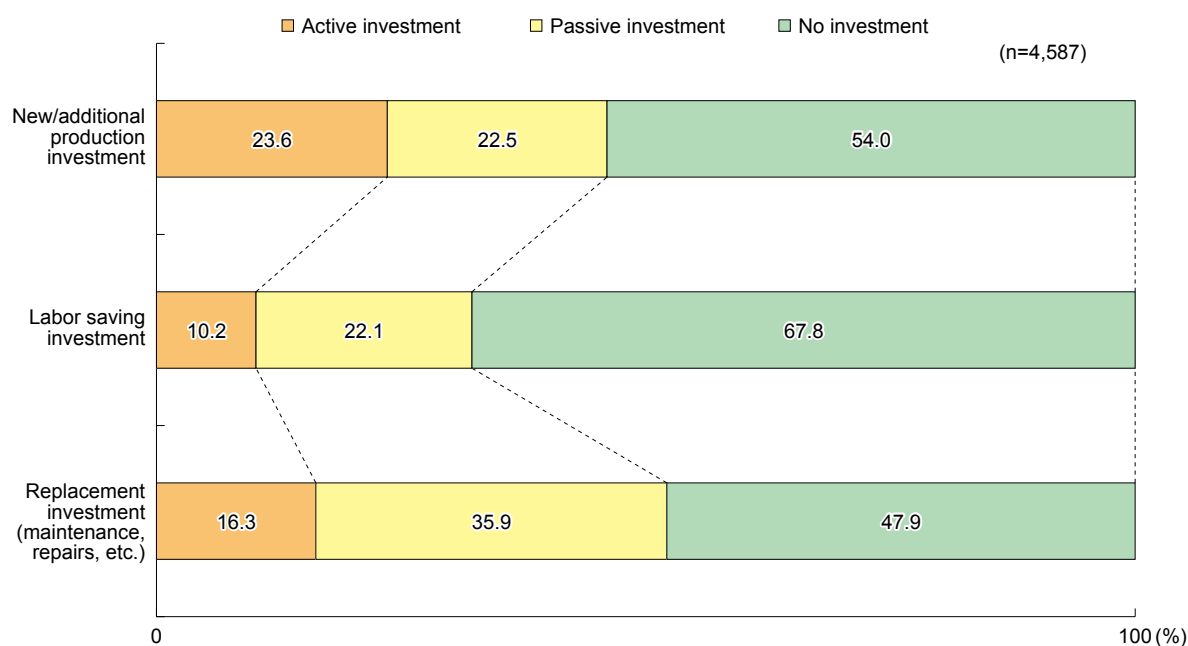
This analysis is again based on the results of the *Survey of Business Activities at Micro Businesses, etc.*

(1) Capital investment in the last 3 years

Fig. 2-3-9 shows the capital investment results for the last 3 years according to “New/additional production investment,” “Labor saving investment” and

“Replacement investment (maintenance, repairs, etc.).” Of the three types of investment, the “Active investment¹⁾” proportion is highest for “New/additional production investment.” If we look at the proportions as the total for both “Active investment” and “Passive investment²⁾,” then “Replacement investment (maintenance, repairs, etc.)” ranks highest.

Fig. 2-3-9 Capital investment in the last 3 years



Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

(2) Projected capital investment for the upcoming 3 years

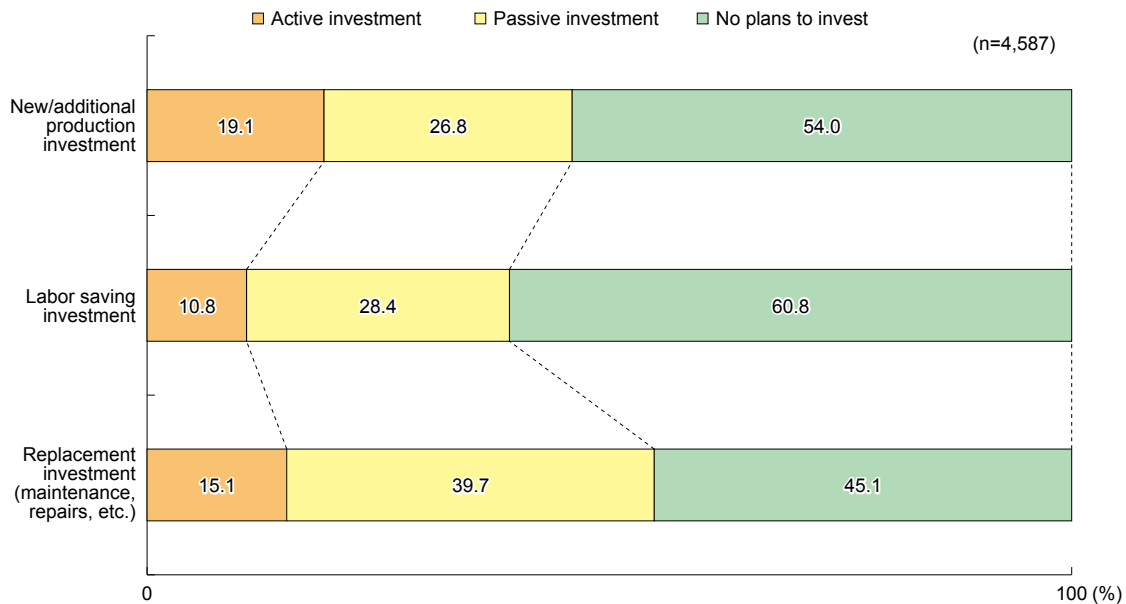
Fig. 2-3-10 shows the capital investment outlook for the next 3 years according to “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.).” Of the three types of investment, the projected “Active

investment” proportion is highest for “New/additional production investment.”

If we look at the proportions as the total for both “Active investment” and “Passive investment,” then “Replacement investment (maintenance, repairs, etc.)” ranks highest.

1) “Active investment” refers to investment amounts that are relatively high compared with depreciation costs and past investment.

2) “Passive investment” refers to investment amounts that are relatively low compared with depreciation costs and past investment.

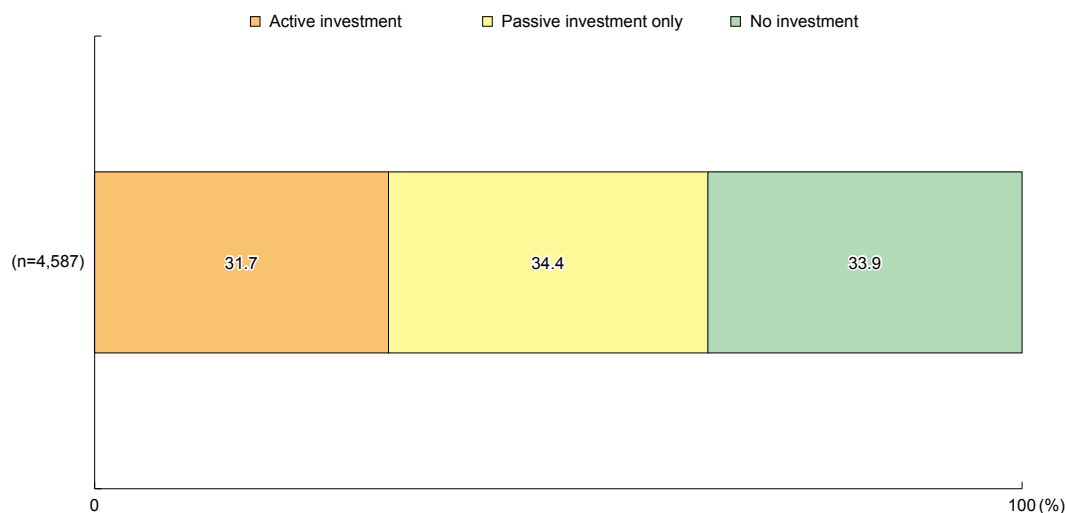
Fig. 2-3-10 Projected capital investment for the upcoming 3 years

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

(3) Capital investment in the last 3 years (summarized by capital investment type)

In Fig. 2-3-11, in order to show the capital investment trends for micro businesses, investment is defined as “Active investment” where there is active investment in at least one of three investment types consisting of “New/additional production investment,” “Labor saving

investment” and “Replacement investment” (maintenance, repairs, etc.). It is defined as “Passive investment only” where there is passive investment in at least one of the three investment types but no active investment in any, and is defined as “No investment” where there is no investment in any of the three investment types.

Fig. 2-3-11 Capital investment in the last 3 years (summarized by capital investment type)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: For the capital investment results for the 3 investment types consisting of “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.),” investment is defined as: “Active investment” where there is active investment in at least one of three investment types, “Passive investment only” where there is passive investment in at least one of three investment types but no active investment in any, and “No investment” where there is no investment in any of the three investment types.

Section 2 Factors behind the weakness in capital investment

As we saw in Section 1, though the recent trend is for increasing rates of capital investment by micro businesses, the amounts invested are not increasing and investment

remains weak. So in this section, we analyze the factors that are undermining strong capital investment by micro businesses.

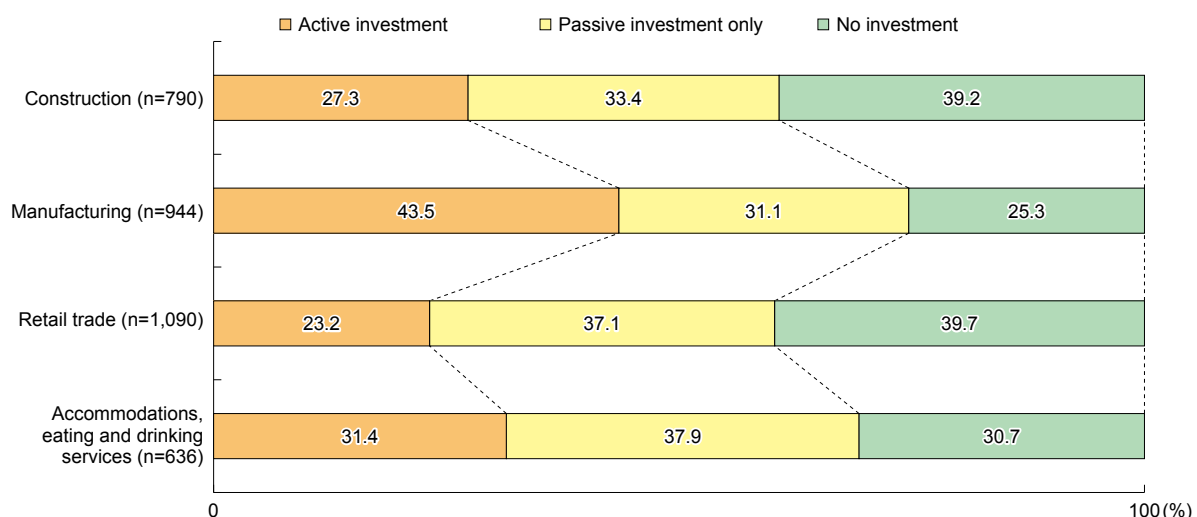
1. Trends by level of capital investment

This section uses questionnaire survey results to look at capital investment trends according to enterprise attributes such as the industry type and management attributes such as manager age groups. These results will then be used to analyze the factors underlying the weakness of capital investment.

(1) Capital investment in the last 3 years (by major industry type)

Fig. 2-3-12 shows the capital investment results for the last 3 years in the major industry types. The figure shows that, of the major industry sectors, manufacturing has a high proportion of active investment.

Fig. 2-3-12 Capital investment in the last 3 years (by major industry type)



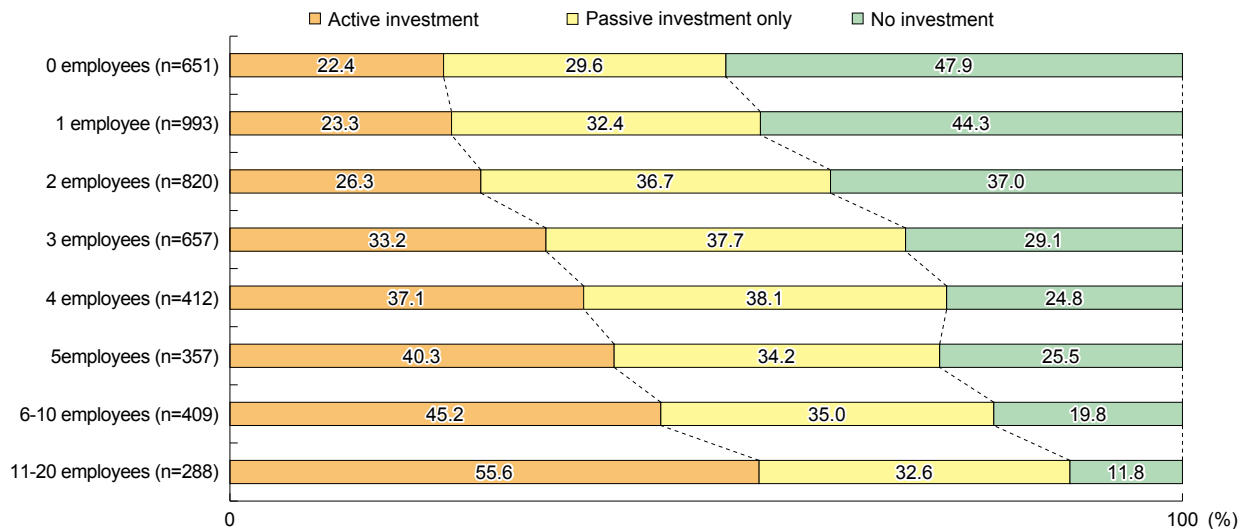
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: For the capital investment results for the 3 investment types consisting of “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.),” investment is defined as:
 “Active investment” where there is active investment in at least one of three investment types,
 “Passive investment only” where there is passive investment in at least one of three investment types but no active investment in any, and
 “No investment” where there is no investment in any of the three investment types.

(2) Capital investment in the last 3 years (by number of regular employees)

Fig. 2-3-13 shows the capital investment results for the

last 3 years according to the number of regular employees. The figure shows that the higher the number of employees, the higher the proportion of active investment.

Fig. 2-3-13 Capital investment in the last 3 years (by number of regular employees)

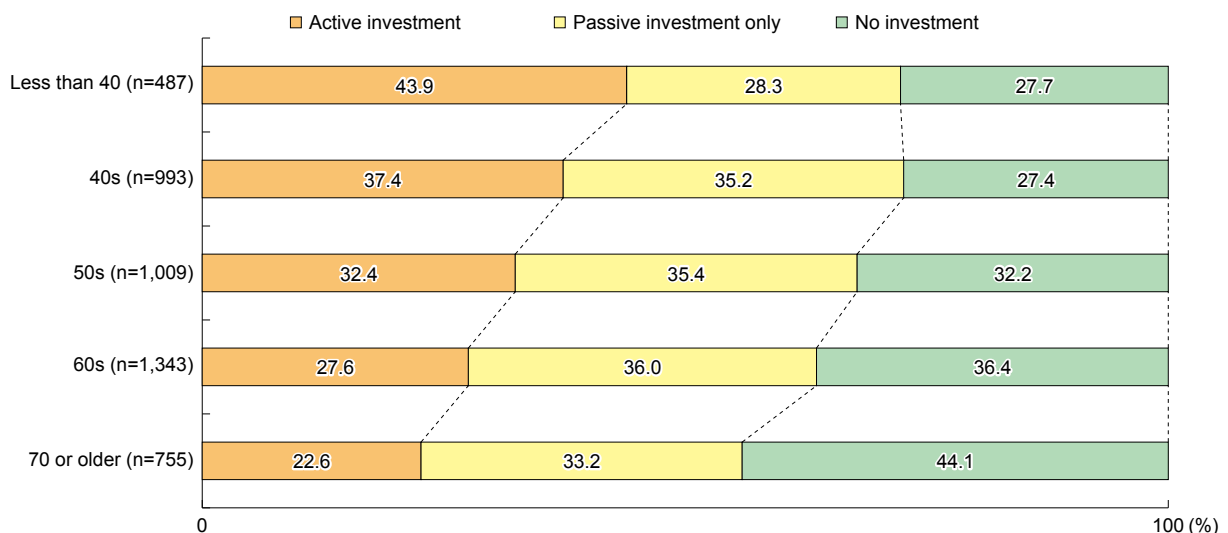
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: For the capital investment results for the 3 investment types consisting of “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.),” investment is defined as: “Active investment” where there is active investment in at least one of three investment types, “Passive investment only” where there is passive investment in at least one of three investment types but no active investment in any, and “No investment” where there is no investment in any of the three investment types.

(3) Capital investment in the last 3 years (by manager age group)

Fig. 2-3-14 shows the capital investment results for the last 3 years in the different manager age groups. The

figure shows that the younger the managers, the higher the proportion of active investment. Presumably, this indicates that investment will also be more active where managers are younger due to business succession.

Fig. 2-3-14 Capital investment in the last 3 years (by manager age group)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

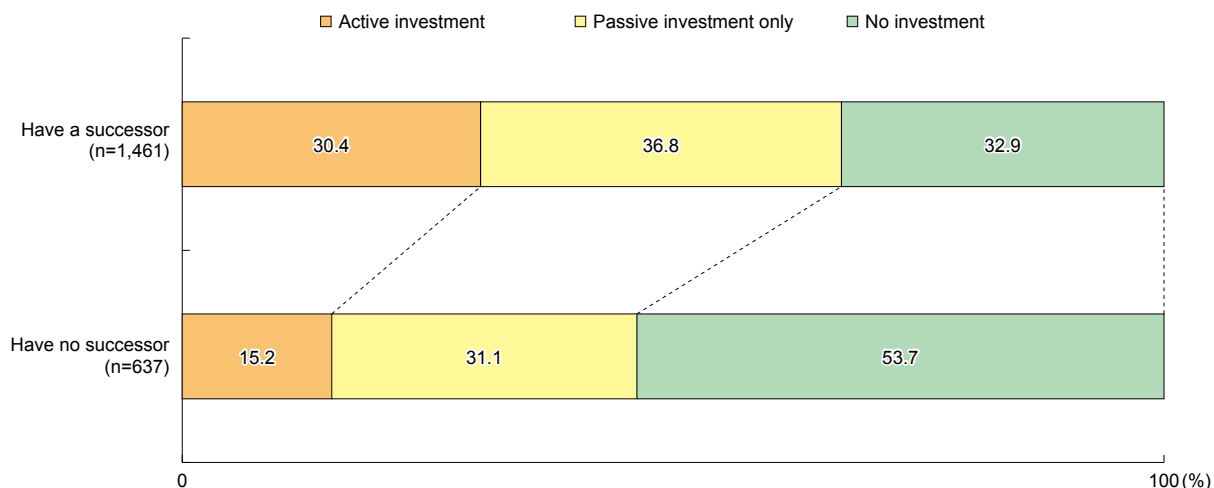
Note: For the capital investment results for the 3 investment types consisting of “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.),” investment is defined as: “Active investment” where there is active investment in at least one of three investment types, “Passive investment only” where there is passive investment in at least one of three investment types but no active investment in any, and “No investment” where there is no investment in any of the three investment types.

(4) Capital investment in the last 3 years by managers aged 60 or older (by successor presence/absence)

Fig. 2-3-15 shows the capital investment results for the last 3 years for businesses with managers aged 60 or older according to whether or not they have a successor.

If we look at businesses with managers aged 60 or older that have a successor, one striking way they differ from businesses without a successor is that they have twice the rate of active investment. This clearly shows that business continuity is a key factor in determining whether businesses invest.

Fig. 2-3-15 Capital investment in the last 3 years by managers aged 60 or older (by successor presence/absence)



Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

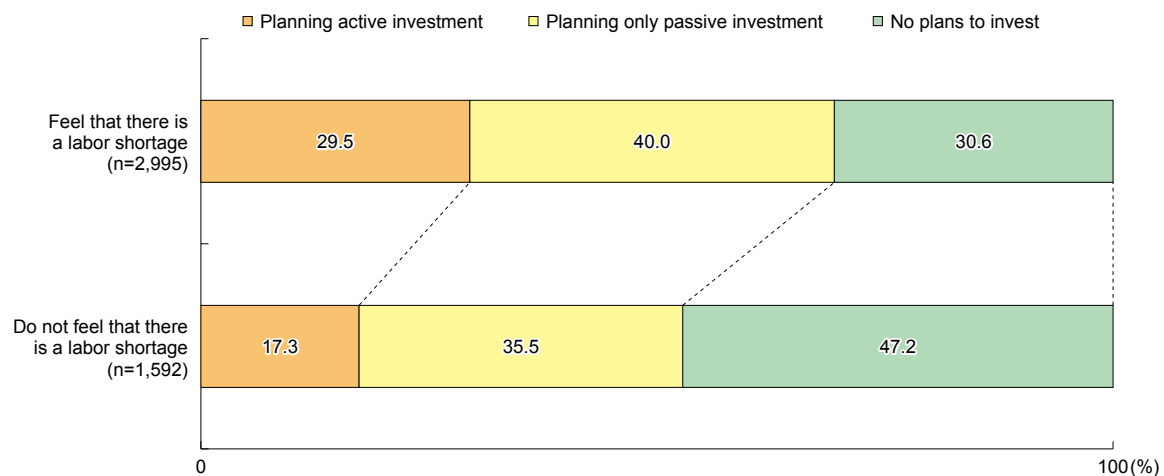
Notes:

1. The totals are for managers aged 60 or older.
2. For the capital investment results for the 3 investment types consisting of “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.),” investment is defined as: “Active investment” where there is active investment in at least one of three investment types, “Passive investment only” where there is passive investment in at least one of three investment types but no active investment in any, and “No investment” where there is no investment in any of the three investment types.

(5) Projected capital investment for the coming 3 years (by impressions of labor shortages)

Fig. 2-3-16 shows the capital investment results for the next 3 years according to the respondents’ impressions of whether there is a labor shortage. The greater the labor

shortage experienced by businesses, the more they plan capital investment. From this, we can conclude that they see capital investment as an effective way to deal with labor shortages.

Fig. 2-3-16 Projected capital investment for the coming 3 years (by impressions of labor shortages)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

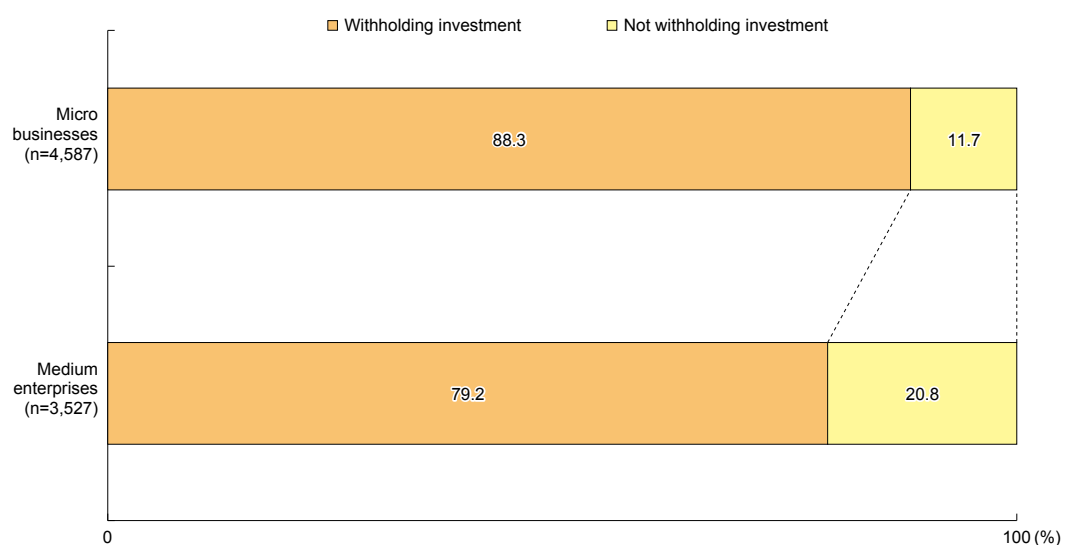
Notes: 1. Here, "Feel that there is a labor shortage" refers to respondents who selected "Serious shortages," "Shortages" or "Shortages, but can still do business" with respect to their impressions of labor shortages.
 2. For the 3 types of projected capital investment consisting of "New/additional production investment," "Labor saving investment" and "Replacement investment (maintenance, repairs, etc.)," investment is defined as: "Planning active investment" where active investment is projected in at least one of three investment types, "Planning only passive investment" where passive investment is projected in at least one of three types of projected investment but no active investment projected in any, and "No plans to invest" where there are no plans to invest in any of the three investment types.

2. Reasons underlying withheld capital investment

(1) Management inclination to withhold capital investment

Fig. 2-3-17 looks at the inclination to withhold capital investment among managers according to whether they

are in micro businesses or medium enterprises. The figure shows that managers in micro businesses were more inclined to withhold capital investment than those in medium enterprises.

Fig. 2-3-17 Management inclination to withhold capital investment

Sources: Totals for micro businesses -- Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Totals for medium enterprises -- Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey on Initiatives for Increasing Productivity to Address Labor Shortages* (December 2017).

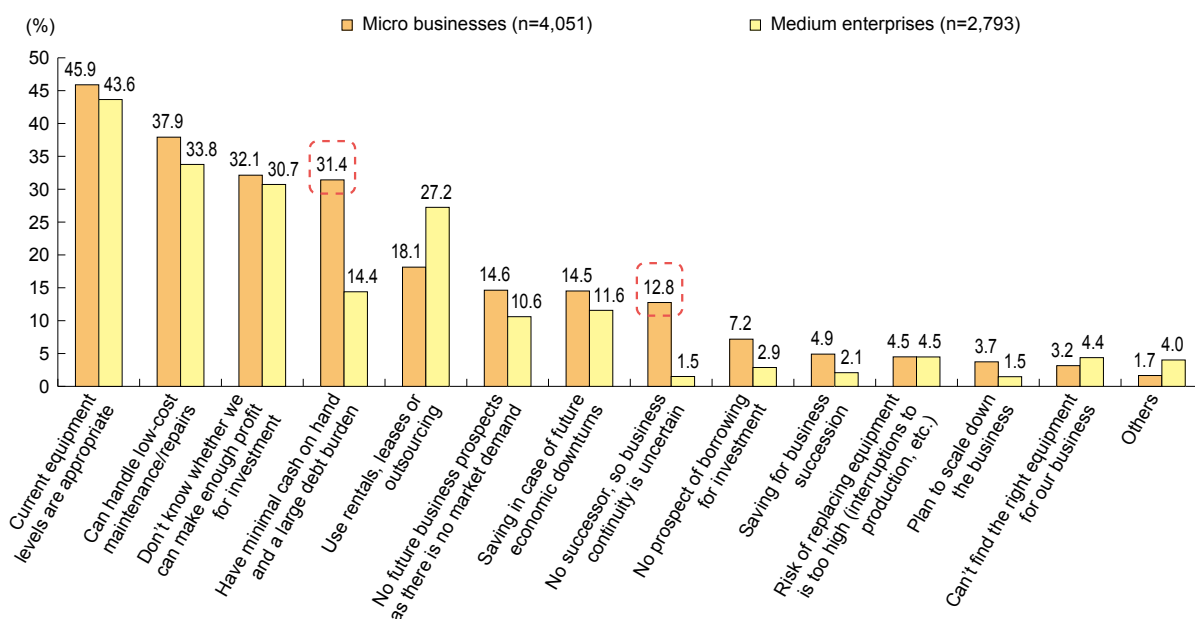
Note: Here, "Withholding investment" refers to businesses who nominated one or more of the reasons for withholding investment in their responses.

(2) Reasons underlying withheld capital investment

Fig. 2-3-18 looks at the reasons behind the withholding of capital investment, distinguishing between micro businesses and medium enterprises. The most popular response from both micro businesses and medium enterprises was “Current equipment levels are appropriate.” When we compare the responses from micro businesses and medium enterprises, the ratio of enterprises responding “Have minimal cash on hand

and a large debt burden” and “No successor, so business continuity is uncertain” was high among micro businesses in particular. Fig. 2-3-15 confirms that enterprises with no successor tend not to engage in capital investment, suggesting that providing business succession support for micro businesses and facilitating their access to financial support may well spur them to greater engagement in capital investment.

Fig. 2-3-18 Reasons underlying withheld capital investment



Sources: Micro businesses -- Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Medium enterprises -- Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey on Initiatives for Increasing Productivity to Address Labor Shortages* (December 2017).

Notes: 1. Total does not always equal 100% as multiple responses were possible.

2. Totals for the suppression of capital investment are for respondents who selected “Withholding investment.”

Section 3 Improvements in labor productivity due to capital investment

In Section 2, we looked at the factors undermining the strength of capital investment, and in this section we

will analyze the effects of capital investment by micro businesses on their labor productivity.

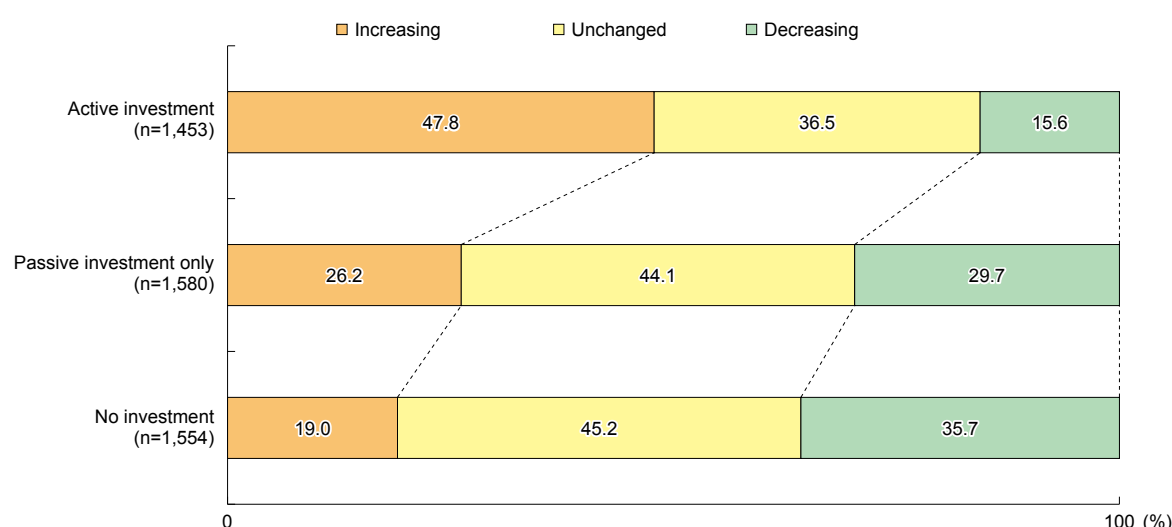
1. Sales and ordinary profit amounts by level of capital investment

(1) Sales trends in the last 3 years (by capital invested in the last 3 years)

Fig. 2-3-19 shows the trends in sales for the last 3 years according to the capital investment results for the

same period that were shown in Fig. 2-3-11. The more businesses actively invest in capital, the more their sales tend to increase.

Fig. 2-3-19 Sales trends in the last 3 years (by capital invested in the last 3 years)



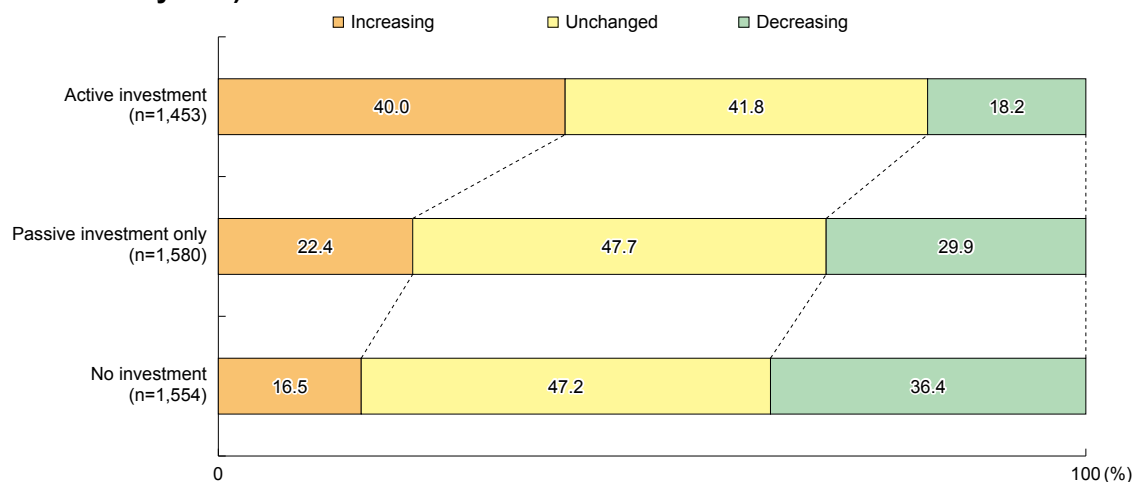
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: For the capital investment results for the 3 investment types consisting of “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.),” investment is defined as: “Active investment” where there is active investment in at least one of three investment types, “Passive investment only” where there is passive investment in at least one of three investment types but no active investment in any, and “No investment” where there is no investment in any of the three investment types.

(2) Ordinary profit trends in the last 3 years (by capital invested in the last 3 years)

Fig. 2-3-20 shows the trends in the amounts of ordinary profit in the last 3 years according to the capital investment

results for the same period. The figure confirms that the more businesses actively invest in capital, the more their ordinary profits tend to increase. This suggests that active investment is a factor in raising labor productivity.

Fig. 2-3-20 Ordinary profit trends in the last 3 years (by capital invested in the last 3 years)

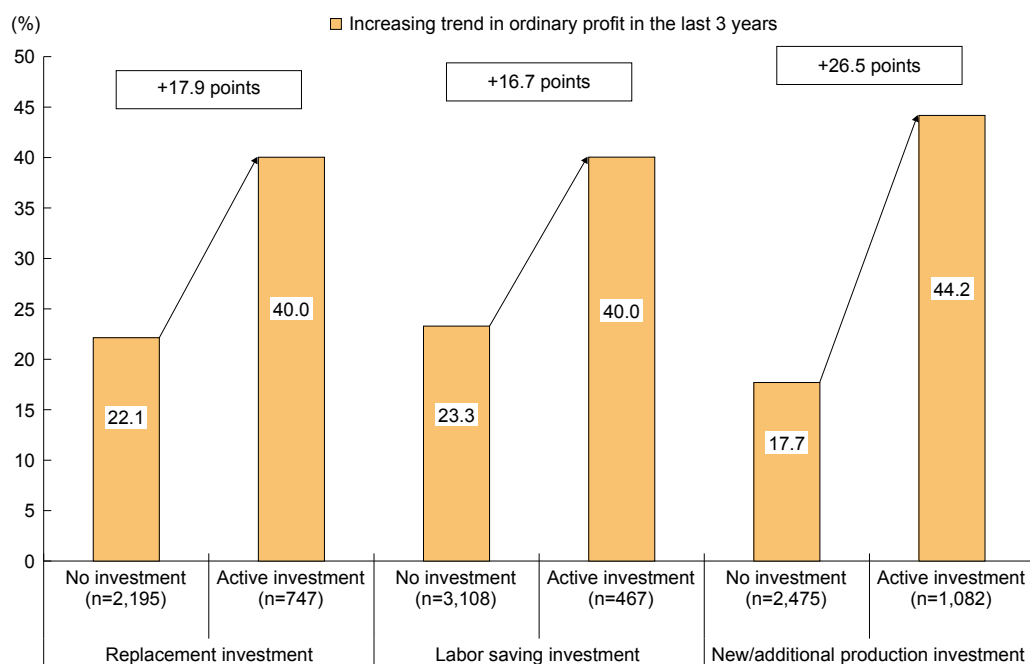
Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: For the capital investment results for the 3 investment types consisting of “New/additional production investment,” “Labor saving investment” and “Replacement investment (maintenance, repairs, etc.),” investment is defined as: “Active investment” where there is active investment in at least one of three investment types, “Passive investment only” where there is passive investment in at least one of three investment types but no active investment in any, and “No investment” where there is no investment in any of the three investment types.

(3) Capital investment in the last 3 years and changes in ordinary profit

Fig. 2-3-21 shows the proportions of businesses that have seen their ordinary profits increase in the last 3 years according to whether they have engaged in capital investment during the same period. If we look at capital

investment by type, a higher proportion of businesses that actively invested enjoyed increasing ordinary profits in the last 3 years compared with those that did not invest, particularly where the investment was in new/additional production.

Fig. 2-3-21 Capital investment in the last 3 years and changes in ordinary profit

Source: Mitsubishi UFJ Research and Consulting Co., Ltd, *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Column 2-3-1 “Micro Business Sustainability Subsidy” – Market Development Based on Business Plans –

“Sustainable business development” for micro businesses is a core principle of the Basic Act for Promoting Small Enterprises, and the establishment of the Act was accompanied by a budgetary measure called the “Micro Business Sustainability Subsidy,” which supports sustainable business development by helping micro businesses grow their markets. This column provides an overview of the Micro Business Sustainability Subsidy, which has already assisted over 85,000 businesses with market development.

Program outline (FY2017 supplementary budget)

This support program assists micro businesses with the costs of engaging in market development, including such initiatives as exhibiting their products, developing new products and installing production equipment. To apply for the subsidy, businesses are required to submit a business plan that was formulated in consultation with a society and chamber of commerce and industry. The business is then supported on the basis of that plan. In the FY2017 supplementary budget, priority was given to supporting businesses that are working to improve productivity and developing business succession plans.

Fig. Column 2-3-1 Overview of the Micro Business Sustainability Subsidy

Intended users	Micro businesses
Maximum subsidy	¥500,000, ¥1 million (wage increases, overseas expansion, measures for disadvantaged shoppers) or ¥5 million (joint operations by multiple businesses)
Subsidy rate	2/3
Eligible costs	Costs of market development initiatives aligned with a business plan formulated by a micro business in consultation with a society and chamber of commerce and industry

Case 2-3-1 Suzukaen Co., Ltd.

A company which has increased customer numbers and decreased lost stock through the use of LED lights

Suzukaen Co., Ltd. (employees: 2; capital: ¥3 million), located in Sagae City, Yamagata Prefecture, is a flower shop founded in 1967. In recent years the shop has found a decline in the number of customers due to competition from online retailers. Customers who used to visit the shop could not appreciate the beauty of the flowers because the shop was poorly lit. Taking on board some advice from a business advisor at the Sagae City Society of Commerce and Industry and making use of a micro businesses sustainability subsidy, all the lighting was changed to LED.

Instantly the flowers looked more attractive and the shop had a much brighter feel due to the way in which the flowers were displayed. Because of the new lighting effect it became easier for customers to enter and leave the shop. As a result, the number of visitors increased by 50% compared to the previous year and sales also increased by 10%. LED lights give off less heat compared with conventional lighting which contributes to prolonging the life of the flowers. As a result of this wasted flower stock decreased by 10% and profits improved. "We will continue to try and make our flowers as accessible and attractive as we can." says company president Mr. Junichi Suzuki.



The flower shop from the outside



Junichi Suzuki, President

Case 2-3-2 Jintake Shokudo

A business owner who has improved turnover by installing tables and counter for small numbers of people

Jintake Shokudo (employees: 1; sole proprietorship), located in Tsugaru City, Aomori Prefecture and founded in 1924, is a prosperous store well known as one of the "Tsugaru Hundred Year Restaurants". The restaurant's tantanmen noodles are especially popular and loved by the locals.

The restaurant had seating for 24 people around tables for four which meant that often visitors had to share a table at busy times. Some people refused to sit down at a shared table and went elsewhere meaning that the restaurant was not accommodating the needs of its customers.

Utilizing a ¥500,000 micro businesses sustainability subsidy with the help from a business advisor from the Tsugaru City Society of Commerce and Industry, the owner Mr. Shoji Jin added a counter for single customers and changed some 4 person table seating from chairs to benches (which could seat from 4 to 5 people) so as to minimize wasted seats during busy times. A drinks dispenser and outdoor bench were also provided for waiting customers (total cost ¥840,000, actual cost ¥340,000).

As a result of these efforts waiting times during busy periods went down, customer turnover increased by 10% and sales also increased. Providing drinks for customers proved to be very popular and hardly any waiting customers left to go elsewhere. In this way customer satisfaction also improved. "We will continue to work with business advisors to improve our business and develop new menus, etc. in order to improve customer satisfaction and sales." says Mr. Jin.



The restaurant after improvements were made



Shoji Jin and his restaurant

Case 2-3-3 Kappo Iwato

A business owner who bought a vacuum pack machine with a subsidy making improvements to the business

Kappo Iwato (employees: 1; sole proprietorship), located in Otsuchi Town, Iwate Prefecture, is a Japanese restaurant founded in the early Meiji period. Based in the Sanriku region the restaurant attracted regular customers for special events and ceremonies, etc. During the aftermath of the Great East Japan Earthquake the restaurant was flooded by the tsunami but the owner, Mr. Tsuyoshi Sato worked tirelessly to provide warm meals for the local people. Following this he relocated the restaurant to a residential area unaffected by the flooding but due to the change in clientele lunchtime numbers dropped. This brought with it concerns over wasted food and the need to move into a new kind of business.

With the help of a business advisor from the Otsuchi Society of Commerce and Industry Mr. Sato began to look at the restaurant's work processes. Utilizing advice from the business advisor and a ¥320,000 micro businesses sustainability subsidy Mr. Sato bought a vacuum packaging machine (¥480,000, actual cost ¥160,000). By vacuum packing ingredients wasted food was reduced by 10% and cooking times were also reduced by as much as 10 minutes. Retail sales of handmade take-away soba noodles are also underway leading to a steady increase in sales. "I will continue to improve the business with the help of business advisors from now on and I'll have a go at branding my products to improve sales." says Mr. Sato.



Vacuum packed ingredients



Tsuyoshi Sato

Case 2-3-4 AOI Co., Ltd.

A company which has improved sales by increasing work productivity while addressing labor shortages through investment

AOI Co., Ltd. (employees: 4; capital: ¥3 million) is a company which runs a Hamburg steak restaurant in Ginza (floor space: 36m²; seats: 21). It's a flourishing restaurant popular with office workers in Ginza where competition is fierce between restaurants.

At the time of celebrating their 20th anniversary in 2015, AOI Co., Ltd. thought that the problems of labor shortage would become a more pressing issue in the future and so for the first time since the company was founded considered automating the work process. Taking their cue from a restaurant trade fair they brought in a rice serving machine (Shariben-Robot) and then installed a ticket machine to replace the traditional ordering and payment process.

Before the introduction of the Shariben-Robot it took a chef and a part-time worker about 30 seconds to serve one portion of rice but after using the rice serving machine this time was reduced to just 5 seconds while the chef prepared the food. The amount of rice served also became more accurate with a 2% degree of accuracy with the machine compared with about a 5% degree of accuracy when served by hand. From this the restaurant was better able to standardize the amount of food served. Furthermore, with the installation of the ticket machine, as well as the serving machine, the time each customer had to wait from buying their ticket to receiving their food was reduced by 2 minutes and 30 seconds. As a result customer turnover increased and monthly sales (calculated on a tsubo basis; 1 tsubo=3.3m²) increased from ¥200,000 - ¥300,000 to ¥500,000 - ¥600,000.

At the time it was difficult to purchase such expensive machines and so the owner decided to lease them at a cost which he could cover out of his own pocket should they not prove to be successful.

As well as helping to improve work productivity the Shariben-Robot has also had a positive effect on the taste of the rice. It was difficult for part-time workers to get to grips with the Shariben-Robot but no matter who operates the machine it always provides delicious rice with a light, fluffy texture.

"Staff retention is extremely difficult in the restaurant business. Now our restaurant won't operate without a robot or ticket vending machine. Of course work productivity is important but for us real taste is even more precious. It's necessary to strike a balance between automating the work process and keeping great tasting food." says owner and Chef Mr. Koji Iwai.



The popular Hamburg steak



The Shariben-Robot



Section 4 Summary

We have seen that the current situation with capital investment is one in which, despite increasing rates of capital investment by micro businesses, the amounts invested are not increasing and overall investment remains weak.

The likely factors underlying this lack of enthusiasm for capital investment by micro businesses include an uncertain future due to the lack of a successor, the lack of surplus cash on hand, and the view among some businesses that their current levels of capital investment are adequate.

We have also seen that business who actively engage in capital investment tend to enjoy increased sales and ordinary profits. Active investment also appears to be effective in raising labor productivity.

The case studies also showed that a large number of micro businesses have achieved improved labor productivity with relatively small amounts of capital investment. It seems likely that micro businesses who are forward looking and develop a business plan will also make use of support measures to actively engage in capital investment.

Chapter 4

Better labor productivity through inter-company collaboration for micro businesses and business successions

In this chapter we will analyze the improvement of labor productivity through inter-company collaboration for micro businesses and business successions. For micro businesses that are poor in management resources per business, collaboration with enterprises is an effective means of increasing operational efficiency and increasing added value. Business succession is also thought of as an opportunity for micro businesses to change management. We will also analyze micro businesses working on improving their labor productivity through the opportunities given to them by business succession.

Section 1 The current status of inter-company collaboration among micro businesses

To begin with we will look at the current status of micro businesses' efforts on collaboration.

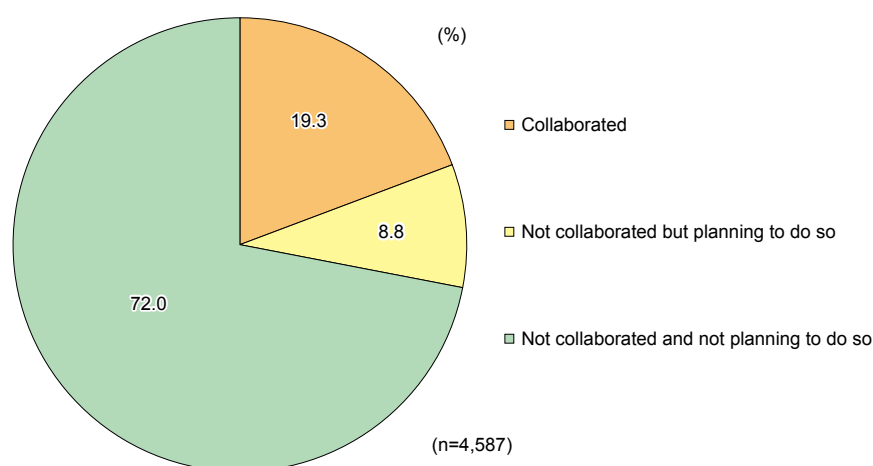
1. The implementation status of inter-company collaboration and content of such efforts

(1) Implementation status of collaboration among enterprises

We will look at the state of implementation of inter-company collaboration among micro businesses (Fig.

2-4-1). 19.3% of micro business owners replied that they have had collaboration with other companies. In addition, 8.8% of micro business owners say that they have had no collaboration but there are plans to do so in the future.

Fig. 2-4-1 Implementation status of collaboration among enterprises

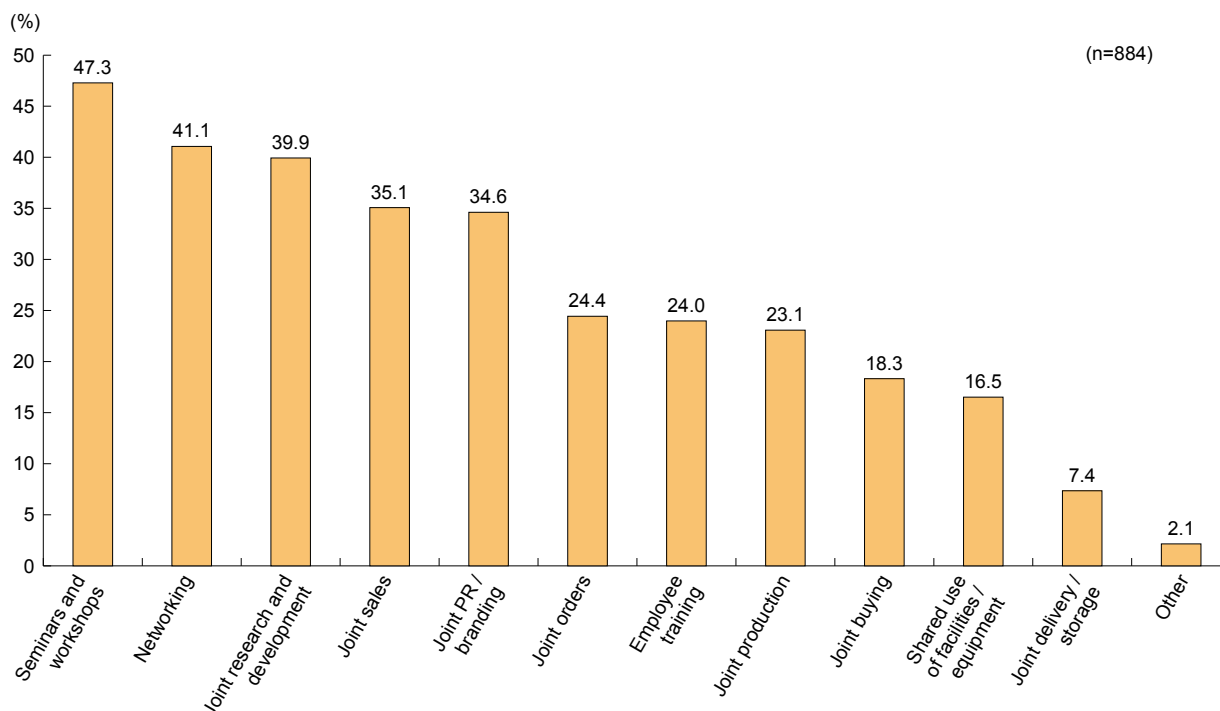


Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

(2) Content of inter-company collaboration efforts

Fig. 2-4-2 shows the content of such efforts of enterprises that have collaborated with other businesses.

Of these efforts “seminars and workshops” and “networking,” which are comparatively easy to do, rate highly.

Fig. 2-4-2 Inter-company collaboration efforts

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

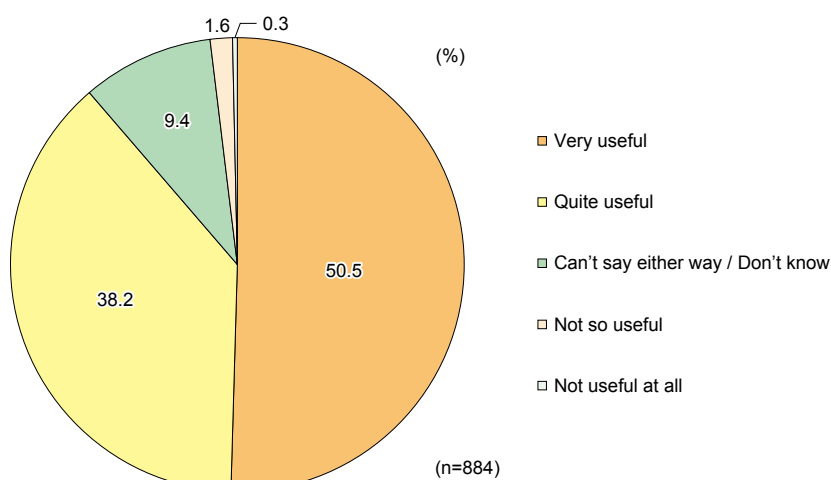
Notes: 1. Total does not always equal 100% as multiple responses were possible.
2. Compiled from those who responded that they have collaborated with other companies.

2. Effectiveness and issues of inter-company collaboration

(1) The effectiveness of inter-company collaboration

Fig. 2-4-3 shows the effectiveness of collaboration between companies. “Very useful” and “quite useful” account for 88.7% of the responses regarding the

effectiveness of inter-company collaboration suggesting that there is a real effect for those enterprises which engage in collaboration.

Fig. 2-4-3 Effectiveness of inter-company collaboration

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

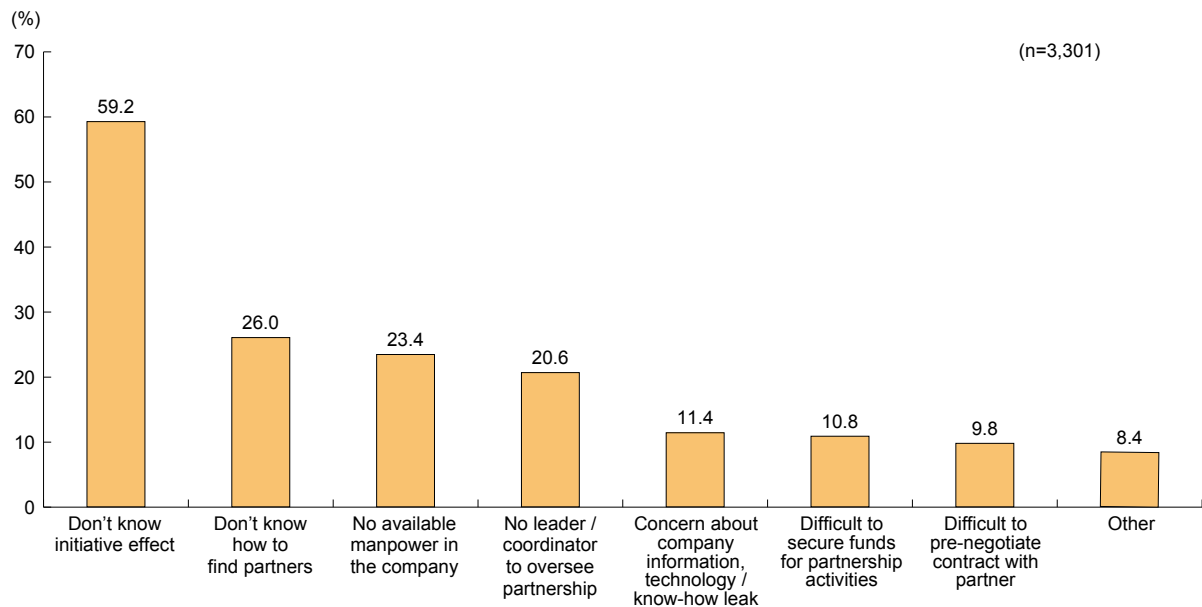
Note: Compiled from those who responded that they have collaborated with other companies.

(2) Inter-company collaboration issues

Fig. 2-4-4 highlights the issues faced by business owners of enterprises that have not and have no plans for collaboration with other businesses. Many business owners state “don’t know initiative effect” as a potential

issue of these efforts. From this it can be thought that business owners would be able to consider inter-company collaboration as a management option provided they know more about the effects of the collaboration.

Fig. 2-4-4 Inter-company collaboration issues



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. Total does not always equal 100% as multiple responses were possible.
2. Compiled from those who responded that they have not collaborated nor have any future plans of collaborating with other companies.

Section 2 Labor productivity improvements through inter-company collaboration

We will look at the effects of labor productivity improvements from inter-company collaboration initiatives.

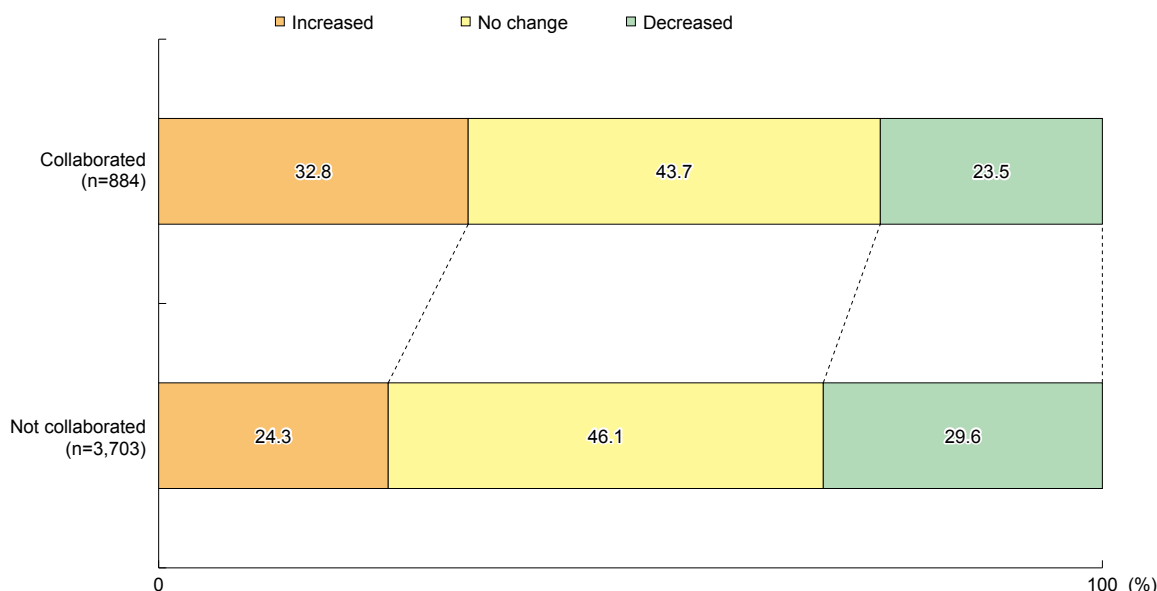
1. Ordinary income trends based on inter-company collaboration or not

(1) Ordinary income results for past three years based on whether businesses have collaborated with other companies or not

To begin with, Fig. 2-4-5 shows the results of ordinary income for the most recent three years, depending on whether there has been any inter-company collaboration

or not. Those businesses which collaborated with other companies showed an increased trend in ordinary income compared with businesses which did not collaborate. It can be inferred that labor productivity tends to be higher for businesses that have collaborated with other companies.

Fig. 2-4-5 Ordinary income results for past three years based on inter-company collaboration or not



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

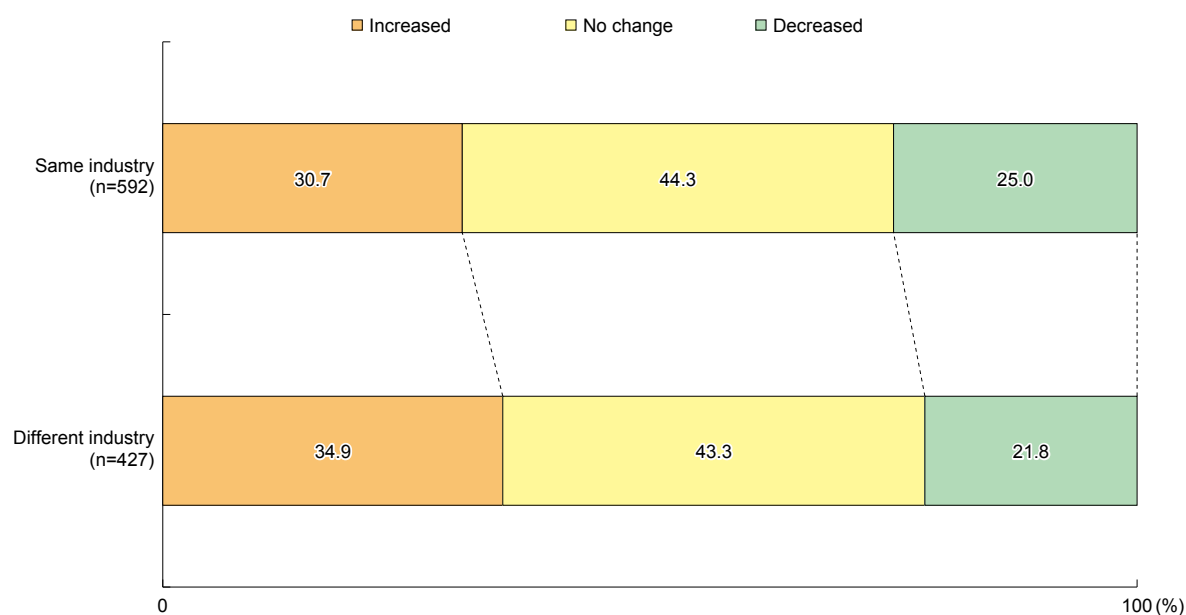
Note: Here, “not collaborated” refers to those respondents who answered “not collaborated but planning to do so” and “not collaborated and not planning to do so” with regards to their situation for collaboration with other companies.

(2) Ordinary income results for past three years based on inter-company (same / different industry) collaboration or not

Next, Fig. 2-4-6 shows the ordinary income trends for the most recent three years for inter-company collaboration within the same industry and for collaboration across

different industries. Compared with collaboration among companies in the same industry, ordinary income for the past three years for businesses which collaborated across different industries showed an increasing tendency suggesting a marked effect.

Fig. 2-4-6 Ordinary income results for past three years based on inter-company (same / different industry) collaboration or not



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Responses were compiled based on whether the other party in the collaboration was in the “same industry” or “different industry” with regards to collaborations considered most important.

Case 2-4-1 Sanritsu Mokuzai Co., Ltd.

A company which has tried to eliminate labor shortages and improve its service by partnership

Sanritsu Mokuzai Co., Ltd. (employees: 20; capital: ¥10 million), located in Tenryu Ward, Hamamatsu City, Shizuoka Prefecture, is a real estate agent and wooden house builder founded in 1926. The company originally sold local timber including Tenryu cedar, but due to the slump in sales created by cheaper imported wood the company shifted their focus to building tailor-made houses around the time of 1989.

With the ever aging population and declining birthrate demand for housing is expected to fall in the future. For that reason, and with their main office situated close to the mountains, the company acquired a housing showroom in the city of Hamamatsu as a sales base in 2016.

After acquiring the showroom there wasn't anyone to manage it and so the Executive Director, Mr. Yoshinori Kawashima, decided to enlist the help of an old friend and designer Ms. Akiko Shirakawa to jointly run the showroom. Ms. Shirakawa manages the showroom's layout and also helps out with consultations and drawing up the plans of buildings in urban areas. Through introductions from Ms. Shirakawa, the company has been collaborating with female staff with experience in house design and interior design and who are looking after young children. This has helped to combat the problems of labor shortage. Customers have said they feel comfortable with women in consultations which has led to improved service.

The showroom was named Tenryu Sodachi-no-ie when it was opened but it wasn't well heard of in the area. With the help of a business advisor from the Tenryu Society of Commerce and Industry and with the cooperation of Ms. Shirakawa, the company utilized a micro businesses sustainability subsidy in 2016 and held promotional events every month for six months. The company took charge of a woodwork workshop and Ms. Shirakawa created a website to help spread the word about the events and planned some women-orientated workshops such as aromatherapy classes and soap making. The events proved to be popular with local residents and helped to raise the profile of the company and of Tenryu Sodachi-no-ie. This prompted some home-build seminars which led to a rise in demand.

"We were able to make up for lack of staff in the company by collaborating with female designers. Looking to the future I want to improve our service by taking advantage of our strengths in Tenryu cedar and taking on board suggestions from a female perspective." says Mr. Kawashima.



Yoshinori Kawashima



A look at the workshops in action

Case 2-4-2 WM-Entertainment Co., Ltd.

A company which promotes regional tourism through collaboration with other companies

WM-Entertainment Co., Ltd. (employees: none; capital: ¥10,000), located in Sapporo City, Hokkaido, is a micro business which creates and develops virtual reality (VR) contents for local government and events. Company president Kenta Mita made a name for himself in the 2000s through his hobby of posting videos and set up the video production and web design company in 2009.

While trying to differentiate himself from other companies Mr. Mita realized there was a business opportunity in VR which was showing signs of promise around the end of 2014 and so he brought some VR equipment and a VR panorama camera. While shooting an event in Bibai City, Hokkaido, he was spotted by one of the staff from the city's tourist board and the mayor and was asked to produce some VR footage to promote tourism in the city. Mr. Mita completed the city's VR promotional video in the summer of 2015 and as a result of showing this video at a tourism expo in Thailand, tourists from Thailand to Bibai City increased by 11 times from the previous year. Company president Mr. Mita's production ability and video creation skills were widely acknowledged and he gained more work from other local governments in the prefecture.

Mr. Mita had been handling a series of tasks ranging from sales, filming, and production and editing but in recent years, using his network of contacts, he has outsourced editing work to YouTubers and worked closely with other companies with skills in VR applications. When company president Mr. Mita attended an IT seminar he hit it off with Mr. Yoshida, CEO of JEROP Co., Ltd., a company which runs restaurants and souvenir shops in Furano City, and they decided to work together on a joint tourism promotion project. The project aimed to attract tourists back to Furano in the summer, after they had visited in the winter and experienced the lavender fields in virtual reality. WM-Entertainment produced a great looking ultra high definition 8k VR video which visitors could experience in a VR booth set up in JEROP's souvenir stores. They are also trying out new ways of experiencing VR, not just through the senses of sight and sound, but also through smell using lavender oil sold by JEROP. If the number of tourists increases due to this kind of collaboration between companies then it should also have a knock-on effect for other companies in the area with improved sales, etc.

"I want to uncover the treasures of Hokkaido which I love so much and show these to people through VR without losing sight of the idea of entertainment as it says in the company name. I want to think of ways to promote tourism by using VR in partnership with local government and private enterprises." says President Mita.



Kenta Mita, President



The lavender fields in VR (above), and the VR headset (below)

Section 3 Labor productivity improvements triggered by business succession

According to the Business Succession Guidelines¹⁾, “Preparations for business succession take about 5 to 10 years, including the time it takes to foster a potential successor. Based on the average retirement age of around 70 years old, business owners would need to start preparations for business succession when they are about 60.” This section will focus on and analyze information on business owners over the age of 60.

Furthermore, according to the *2017 White Paper on Small and Medium Enterprises in Japan*, since the

average age of business owners at the time of business succession for micro businesses within the family is 47 years old, we will focus on business owners that are 50 years old or younger and on enterprises within a 5 year time frame after business succession, and analyze them compared with the aforementioned business owners over 60 years old.

We will therefore look at labor productivity improvements triggered by business succession based on the conditions above.

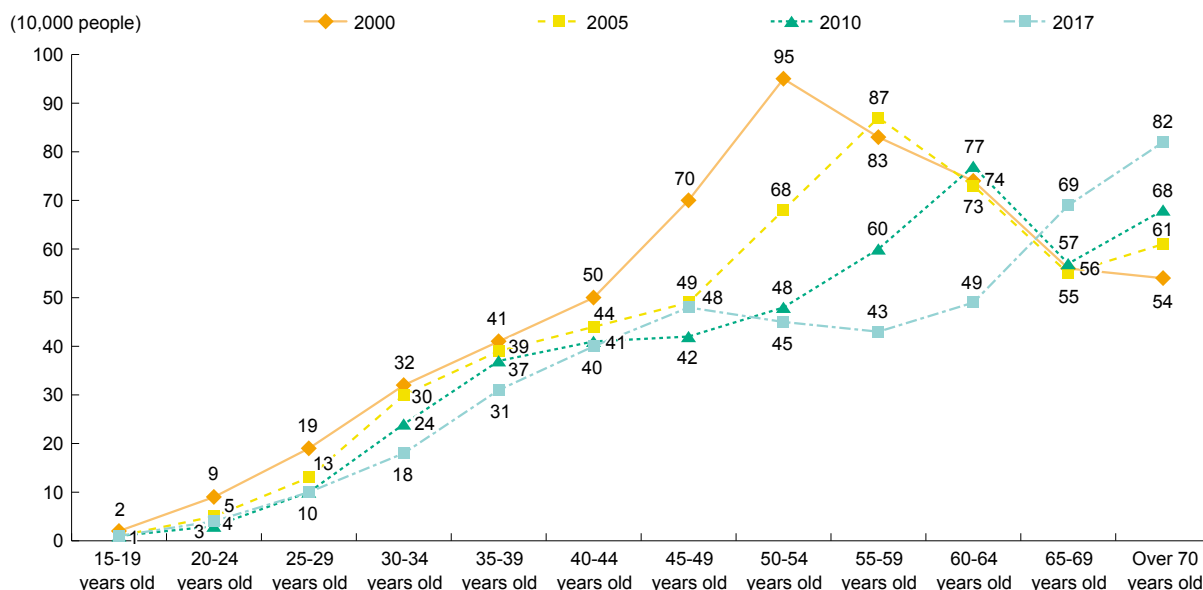
1. Business succession intentions and successors

(1) The number of sole-proprietors by age group

Fig. 2-4-7 shows the shift in number of sole-proprietors by age group. In the 2017 survey, business owners “over

70” are most common. On checking the change over time since 2000 a marked increase in the age of business owners can be seen.

Fig. 2-4-7 The shift in sole-proprietor numbers by age group



Source: Ministry of Internal Affairs and Communications, *Labor Force Survey (Basic Tabulation)*.

Notes: 1. Compiled from non-agriculture and forestry industries.

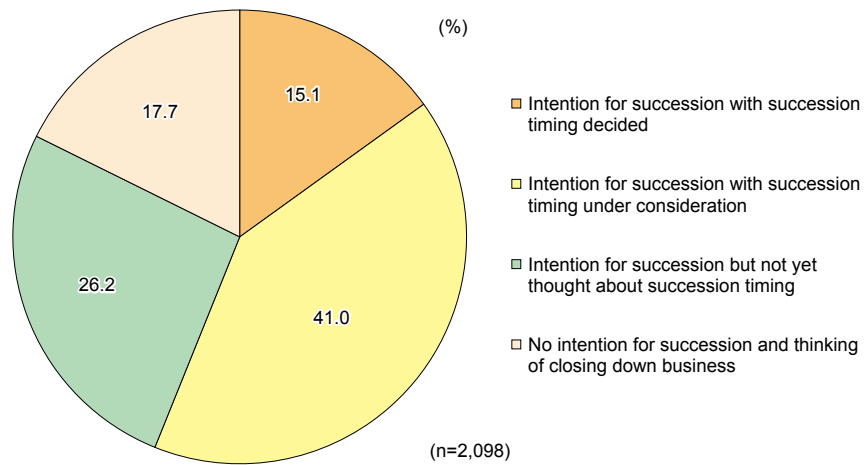
2. Here, sole-proprietors refer to those people running businesses under private management.

(2) Intentions for future business succession (business owners over the age of 60)

Fig. 2-4-8 shows the intention for future business succession for business owners over the age of 60. The proportion of those with “intention for succession with succession timing decided” is 15.1%. “Intention for succession with succession timing under consideration”

is 41.0% and “intention for succession but not yet thought about succession timing” is 26.2%. Of the businesses that have intentions towards business succession, you can see that there are differences in the degree of preparation for business succession. Conversely, 17.7% of business owners replied with “no intention for succession and thinking of closing down business.”

1) In light of the growing number of aged business owners, the Business Succession Guidelines formulated by the SME Agency in December 2016 are a compilation of key points concerning succession, including the importance of early and well-planned preparation, measures for overcoming challenges, and future directions for enhancing systems for supporting business succession to revitalize the business of SMEs through promoting seamless business succession.

Fig. 2-4-8 Intentions for future business succession (business owners over the age of 60)

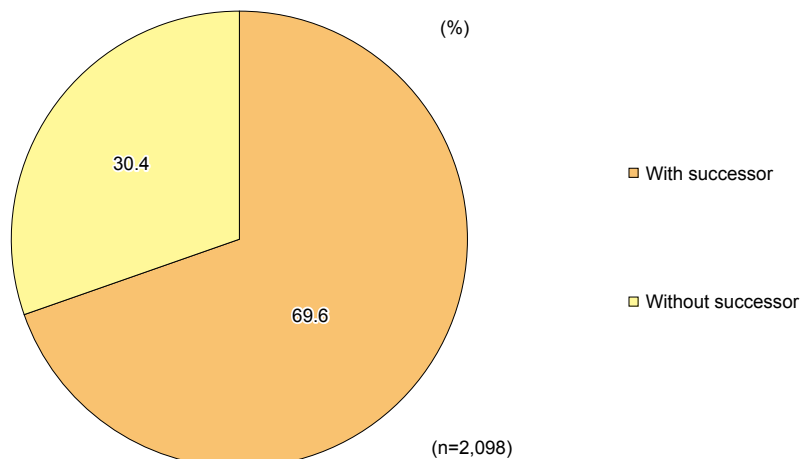
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Compiled from business owners over the age of 60.

(3) Presence or absence of a successor (business owners over the age of 60)

Fig. 2-4-9 shows whether business owners over the age

of 60 have a successor in place or not. The proportion of business owners with a successor is 69.6%.

Fig. 2-4-9 Presence or absence of a successor (business owners over the age of 60)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

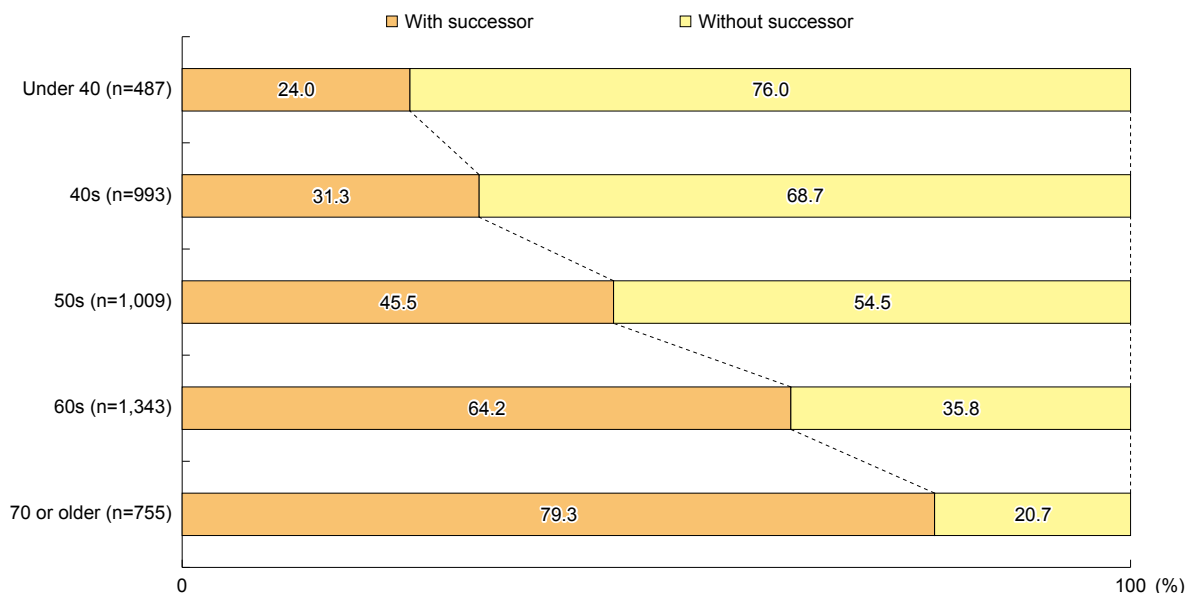
Note: Compiled from business owners over the age of 60.

(4) Presence or absence of a successor (by business owner's age)

In Fig. 2-4-10 we will look at whether there is a successor in place for business owners based on their age

and not restricted to just business owners over the age of 60. We can see that the proportion of successors increases as business owners get older.

Fig. 2-4-10 Presence or absence of successor (by business owner's age)



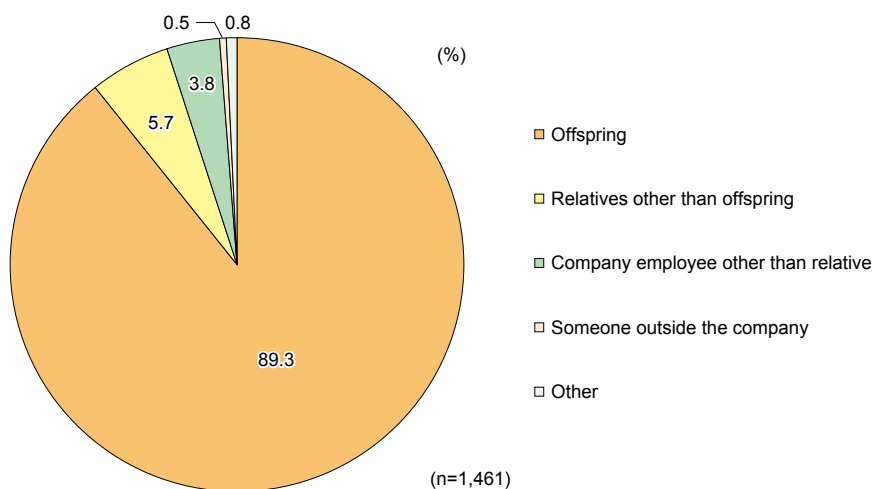
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

(5) The successors (business owners over the age of 60)

In Fig. 2-4-11 we are asking those business owners over the age of 60 who have a successor in place who the successor is. Approximately 90% of the successors

for micro businesses are “offspring.” The proportion of successors within the family, including “relatives other than offspring,” account for 95% showing that the vast majority of business successions for micro businesses happen within the family.

Fig. 2-4-11 The successors (business owners over the age of 60)



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Compiled from business owners over the age of 60 who answered “with successor” with regards to whether a successor was in place or not.

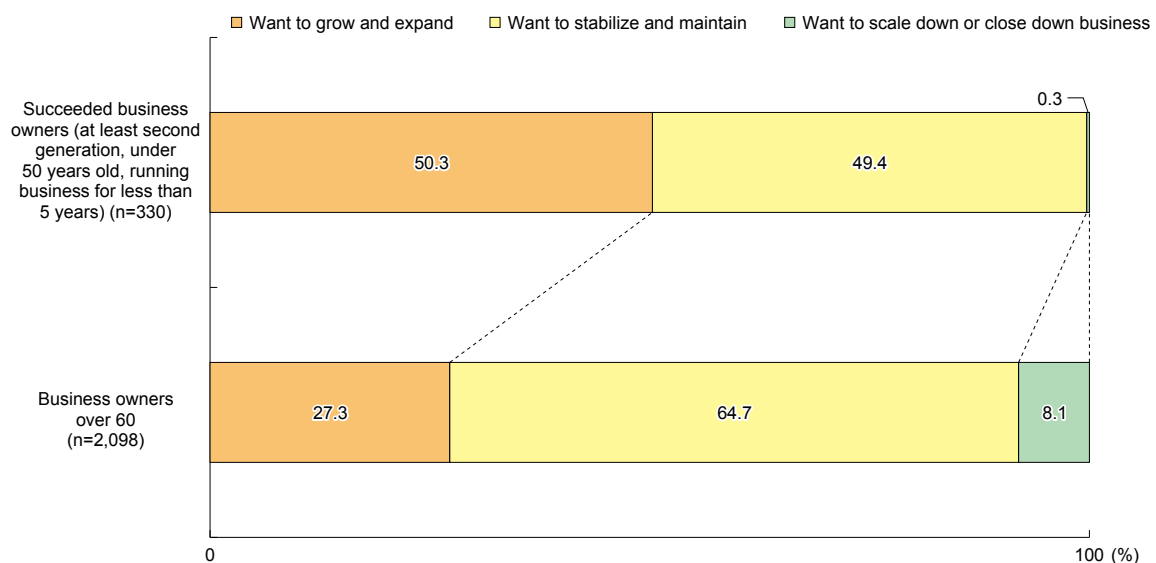
2. Trends in business development policy and ordinary income of succeeded business owners

(1) Future business development policy

In Fig. 2-4-12 we look at the future business development policy of business owners over 60 years old and business owners who have taken over a business through business succession²⁾. Compared with business

owners over the age of 60, business owners who have succeeded a business are more willing to grow and expand their business in the future. Business succession is an effective means for business owners to grow their business.

Fig. 2-4-12 Future business development policy (based on succeeded business owners and business owners over the age of 60)



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Succeeded business owners compiled from business owners who fulfill the three requirements of being at least second generation business owner, under 50 years old and running the business for less than 5 years.

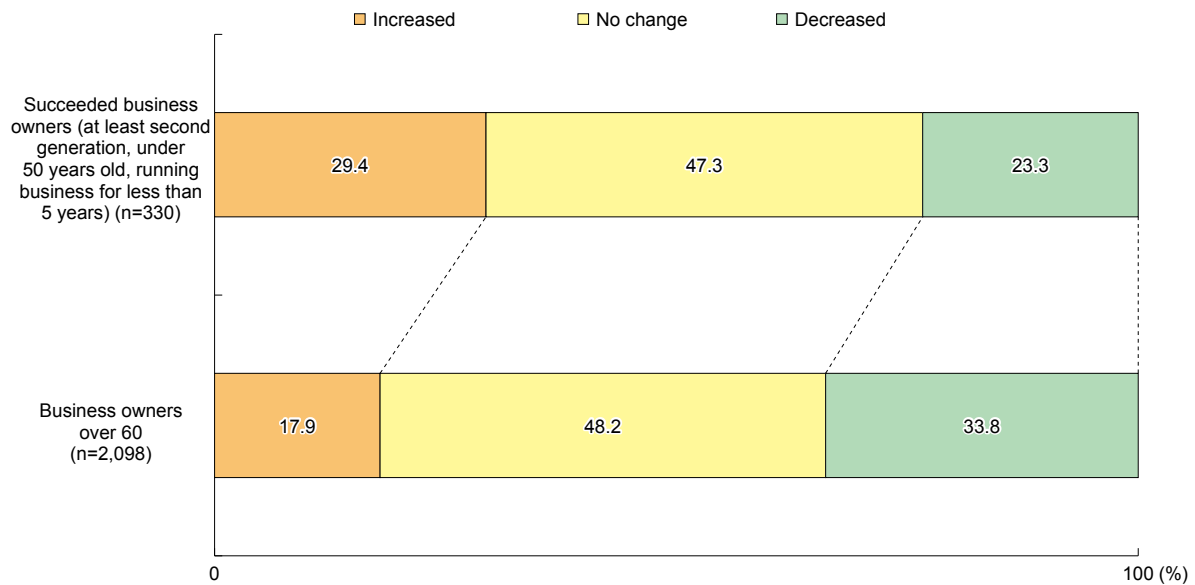
(2) Trends in ordinary income over the last three years (based on succeeded business owners and business owners over the age of 60)

In Fig. 2-4-13 we see the trends of ordinary income for the most recent three years based on those business owners who are over 60 years old and business owners

who have taken over a business through business succession. Compared with business owners over the age of 60, the results of ordinary income for the most recent three years have been on the rise for business owners who have taken over a business through succession.

2) At least second generation business owners who have taken over a business through business succession and who are under 50 years old and have been running the business for less than 5 years.

Fig. 2-4-13 Trends in ordinary income over the last three years (based on succeeded business owners and business owners over the age of 60)



Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Succeeded business owners compiled from business owners who fulfill the three requirements of being at least second generation business owner, under 50 years old and running the business for less than 5 years.

Case 2-4-3 Matsuo Nouen

A micro business which has taken advantage of business succession to streamline its business by using IT and made efforts to improve sales

Matsuo Nouen (employees: 4; sole proprietorship), located in Matsuura City, Nagano Prefecture, is a micro business which sells flower and vegetable seeds and seedlings and gardening materials.

After graduating from university, Mr. Shuhei Matsuo became interested in creating work systems by himself while he was working for a local major mail order company as a program producer and dreamed of starting his own business. Even though he was reluctant to carry on the family business he began helping out in the garden center to gain experience for his own venture. It was while he was helping out at the family business that he realized the potential for developing new business building on the strengths of the garden center so closely tied to the local community. He decided to carry on the family business instead of starting his own business. In 2016 he succeeded the business from his father becoming the third person in his family to manage the business.

After taking over the business Mr. Matsuo opened a cafe, Matsuo Nouen + Coffee, and a shop that sells farm produce opposite the garden center with the help of the Matsuura Chamber of Commerce and Industry and a micro businesses sustainability subsidy. To see the reaction on customers' faces the shop sells rare vegetables, which are also sold at the garden center. The shop also provides drinks made with local farm produce. Customers who come to the shop for a cup of coffee lovingly prepared by Mr. Matsuo's wife Erika will oftentimes end up buying some farm produce too, thereby creating synergies in the business.

Workload increased along with diversification of the business and at the time when Mr. Matsuo was burdened with managing cash-flow and accounting he received a recommendation from a business advisor about a point of sale (POS) app for mobile devices called AirREGI which he incorporated into the cafe. Workloads decreased due to the reduction in time it took to enter orders and print out receipts using the tablet device. In addition, with the support of the Matsuura Chamber of Commerce and Industry, Mr. Matsuo introduced tablets (approx. ¥170,000, actual cost ¥70,000) into the garden center too using a tax subsidy in 2017. All handwritten slips were digitized making it possible to check daily sales regardless of place or time. Mr. Matsuo also installed the MF Cloud Accounting software which is compatible with the AirREGI. With a monthly fee of about ¥900 the company has been able to drastically reduce time spent on inputs and journal entries of transactions and they are automating the end of year tax return too.

Along with the business expansion the company hired some new employees and started using MF Cloud Payroll in addition to MF Cloud Accounting in January 2018. By doing so they have been able to more efficiently handle admin tasks with the software's ability to create pay slips automatically online.

Making the most of his freed up time Mr. Matsuo actively promoted the coffee shop and garden center on social media attracting customers from further away, local families and younger people. Coffee shop sales have increased year on year continuing to grow at the heart of the new business.

"Social media is a powerful management tool which can spread the word far and wide reducing the distance between micro businesses in small towns and customers all over the country. In the future we are planning to launch an online seed and seedlings shop targeting our nationwide social media customer base," says Mr. Matsuo.



Shuhei Matsuo and Erika



Matsuo Nouen + Coffee (left) and the garden center (right)

Section 4 Labor productivity improvements triggered by taking over management resources

Although most business successions of micro businesses take place within the family, some business owners hand over management resources to others when

scaling down or closing down the business. In this section we will analyze those business owners who have acquired management resources.

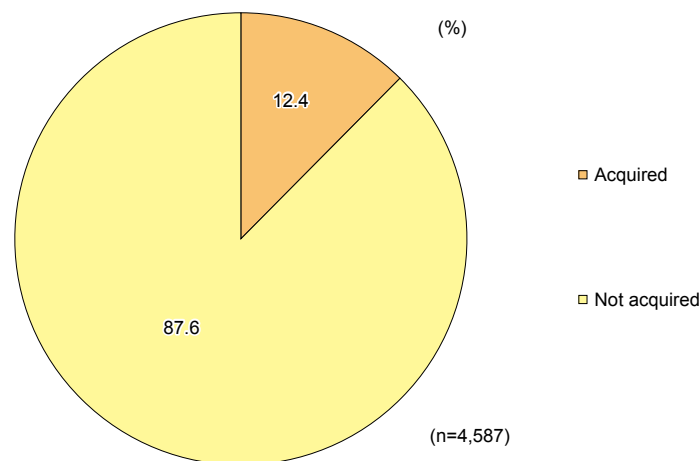
1. The current state of acquiring management resource

(1) Whether or not management resources have been acquired

Fig. 2-4-14 shows what has happened to management resources for businesses which have scaled down or closed

down in recent years (about the past five years). For micro businesses it can be seen that 12.4% of businesses have received some kind of management resources in recent years (about the past five years).

Fig. 2-4-14 Whether or not management resources have been acquired



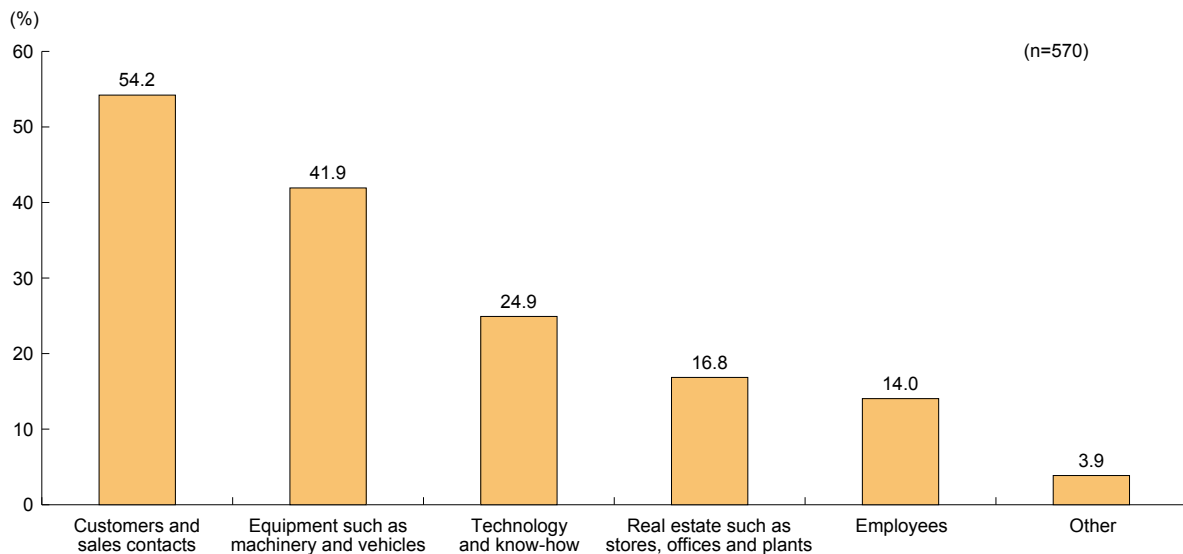
Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Notes: 1. “Acquire” means “to acquire management resources held by enterprises and organizations that scale down or close down the business in order to utilize them for their own business.”
2. Here, “acquired” refers to a person who responded that they have received one or more types of management resources.

(2) Details of management resources acquired

Fig. 2-4-15 shows the kinds of management resources which have been acquired by businesses. Management resources acquired by businesses include “customers

and sales contacts” as the highest proportion at 54.2% followed by “equipment such as machinery and vehicles” at 41.9%.

Fig. 2-4-15 Details of management resources acquired

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

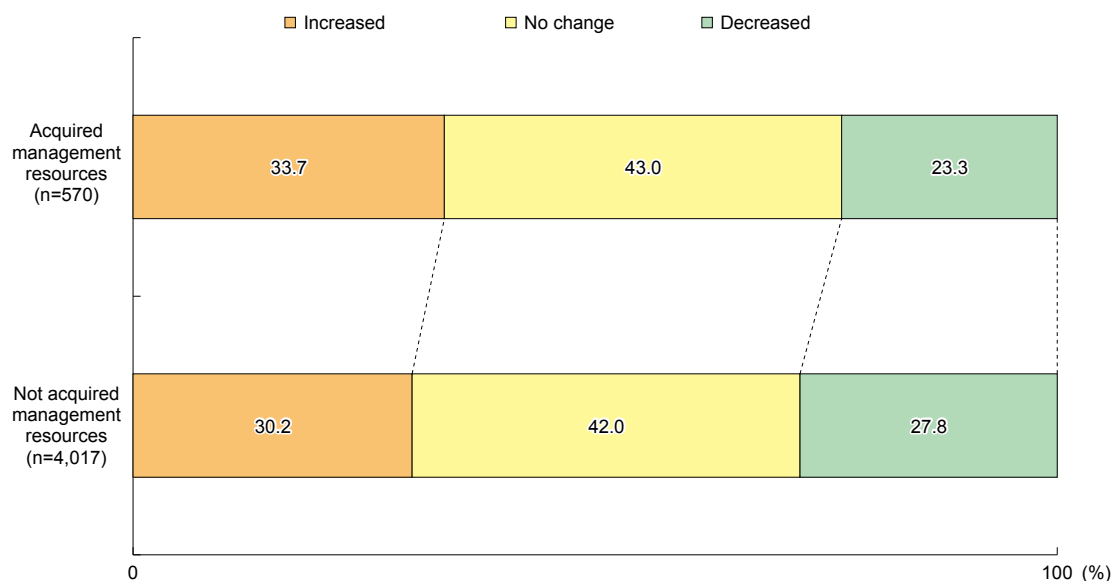
Notes: 1. Total does not always equal 100% as multiple responses were possible.

2. Compiled from those who responded that they have “acquired” management resources.

(3) Sales trends for the past three years (based on whether management resources have been acquired or not)

Fig. 2-4-16 shows the sales trend for the most recent three years depending on whether or not management

resources have been acquired. Businesses which have acquired management resources have increased sales in the most recent three years, compared with businesses that have not acquired such resources.

Fig. 2-4-16 Sales trends for the past three years (based on whether management resources have been acquired or not)

Source: Mitsubishi UFJ Research and Consulting Co., Ltd., *Survey of Business Activities at Micro Businesses, etc.* (December 2017).

Note: Here, the phrase “acquired management resources” refers to a person who responded that they have acquired one or more types of management resources.

Case 2-4-4 Fujita Fishmongers and Kurayoshi Foods Co., Ltd.

A merger between a sole proprietorship and a corporation supported by multiple organizations

Fujita Fishmongers (employees: 3; sole proprietorship), located in Akita City, Akita Prefecture, was a fishmongers founded in 1955. The successor, Mr. Masahito Fujita ran the fishmongers as the de facto manager in place of his aging father. As well as the wholesale side of the business selling to nursery schools, etc. the business also had a retail side selling to individuals over the counter and from its mobile shop. With the ever declining and aging population, sales in the retail business were particularly stagnant and Mr. Fujita was concerned about its future prospects in managing the business as its successor.

On the other hand however, Kurayoshi Foods Co., Ltd. (employees: 5; capital: ¥10 million), located in Akita City, Akita Prefecture, sold fish and processed seafood products which larger companies would not handle to hospitals, nursing homes and hotels, etc. The company also received orders online for golf competition prizes from all over the country, but when the company president Kazuo Sasaki was in his 60s he thought about passing on the business sooner rather than later due to age and health concerns. There was no suitable person within the company to take over the business and so after consultations with the Kawabeyuwa Society of Commerce and Industry and a business succession advisor he was introduced to the Akita Prefectural Business Succession Support Center and heard about the idea of M&A.

Mr. Fujita had experience as the head of the Society of Commerce and Industry Youth Dept. and also worked as chief director of the Business Promotion Association and it was through the Society of Commerce and Industry that he heard about a possible merger with Kurayoshi Foods Co., Ltd. When Mr. Fujita looked into more detail on the business and finances of Kurayoshi Foods Co., Ltd. through the Society of Commerce and Industry he realized that the business would have synergies with his own without any conflict with existing businesses and markets, and so he made the decision to merge with and acquire Kurayoshi Foods. Mr. Fujita consulted with the Business Succession Support Center to proceed with the M&A. He was introduced to a specialist certified public accountant from whom he received help with the financial due diligence and creation of various contracts, etc. In addition, the Society of Commerce and Industry and Business Succession Support Center worked together to assist Mr. Fujita in preparing his business plan and ways to raise the necessary funds. With regards to financing the schedule for the business succession was fairly tight but funds were secured through The Akita Bank.

After all the paperwork was complete Mr. Fujita became the Representative Director of Kurayoshi Foods Co., Ltd. Mr. Sasaki remained as a company director for the short-term taking advantage of his knowledge within the business which ensured a smooth succession. Now, Fujita Fishmongers has merged with and is run by Kurayoshi Foods Co., Ltd.

"It was a small sole proprietorship but with the help of the support organizations we were able to complete a successful M&A. It was very encouraging to see that a framework of specialists who worked together and assisted me was in place. M&A work not only with taking over assets on paper but also with management resources such as customers and vital insights into the business which is effective for expanding business. Since I am taking over the business I will work together with the support organizations to make further innovations in the business." says Mr. Fujita.



Masahito Fujita, President



Processing seafood

Case 2-4-5 Sawada Machinery Co., Ltd.

A company whose business survived by selling it through M&A when there was no successor

Sawada Machinery Co., Ltd. (employees: 12; capital: ¥10 million), located in Kochi City, Kochi Prefecture, is a metal machining company of machine parts for various industries and environmental maintenance with a focus on manufacturing parts for shipping cranes used on dredging vessels and cargo ships.

Founded in 1959, the company president Yasuo Sawada succeeded the business in 1992 as the second member of his family to run the business. However, as there was no-one else in the family to take over the business after him Mr. Sawada considered closing the business in 2013. On going to his bank, The Shikoku Bank, in December 2014 to talk about closing the business due to there not being anybody to succeed him, the bank floated the idea of a business transfer (M&A) to another company. And so with The Shikoku Bank acting as intermediary Mr. Sawada talked with the Kochi Prefecture Business Succession Support Center about a business transfer.

In 2015 Tamura Plant Kogyo Co., Ltd. (employees: 34; capital: ¥10 million), a company in the metal manufacturing industry, went to the Kochi Prefecture Business Succession Support Center because they wanted to acquire a business to expand and make operational efficiencies.

A perfect match was found between the two companies in March 2016 via the Business Succession Support Center. The reason why Tamura Plant Kogyo Co., Ltd. decided to acquire Sawada Machinery Co., Ltd. was because of the machining technology, equipment and customers the business possessed.

The M&A was taken care of by The Shikoku Bank which had both companies as its clients. With the help of the Business Succession Support Center and the Kochi Chamber of Commerce and Industry, the two companies negotiated over the business' asset value and goodwill, etc. and in August 2016 successfully closed the deal in the form of a share transfer.

Currently the company continues its business as a subsidiary of Tamura Plant Kogyo Co., Ltd. The average age of employees has come down due to the hiring of new staff since becoming a subsidiary, and technical expertise has been passed down from skilled workers to younger employees aiming to improve their skills. Furthermore, Tamura Plant Kogyo Co., Ltd. is working to add more value by making use of the machining technology possessed by Sawada Machinery Co., Ltd., and is aiming to increase orders through high quality production and develop new business in the future.



Toshiaki Tamura, current company president

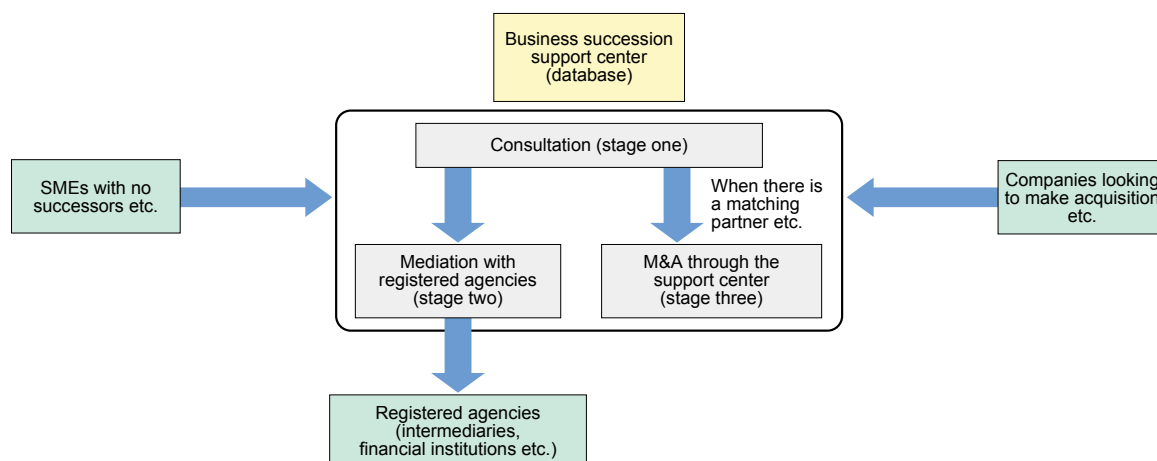


Inside the plant and metal machine parts

Column 2-4-1 Support provided by the Business Succession Support Center

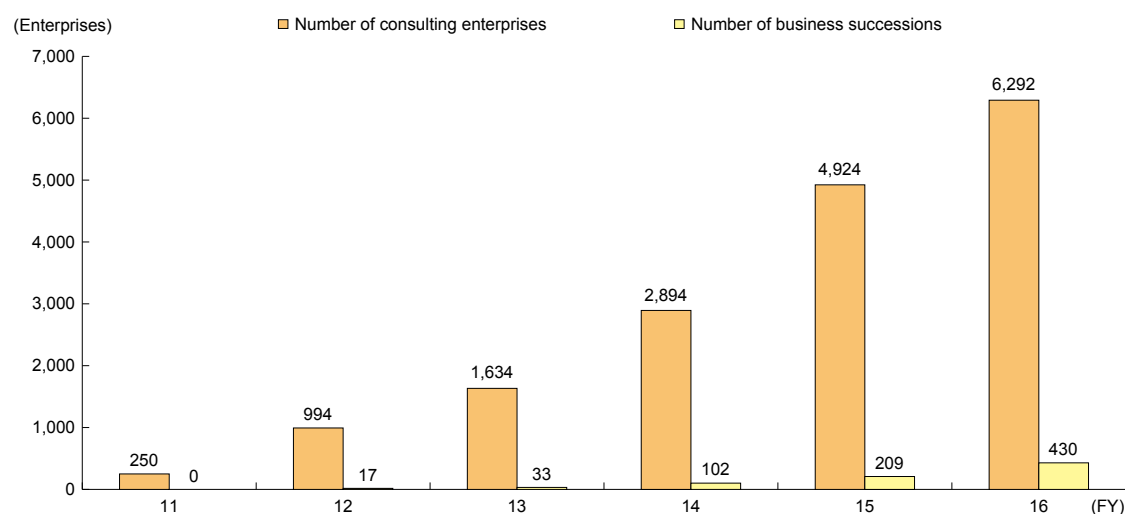
In order to facilitate business succession for SMEs the Business Succession Support Center³⁾ established in each prefecture provides advice, information and business matching support to help businesses overcome some of the challenges they face (Fig. Column 2-6-8 (1)).

Fig. Column 2-4-1 (1) The Business Succession Support Center support scheme



Business Succession Support Centers started with seven centers in fiscal 2011 to ten centers in fiscal 2013, sixteen centers in fiscal 2014, 46 in fiscal 2015, and then 47 centers in fiscal 2016 with support centers now set up in every prefecture. Fig. Column 2-4-1 (2) shows the number of consulting enterprises and the number of business successions concluded by Business Succession Support Centers. The chart clearly shows the number of consulting enterprises and the number of concluded business successions increasing along with the establishment of these business succession support centers. It is expected that further cooperation with other support organizations (local societies and chamber of commerce and industry, financial institutions, professional experts etc.) will further help promote support for business succession.

Fig. Column 2-4-1 (2) Consulting enterprises and concluded business successions by Business Succession Support Centers



Source: Data from SME Business Succession Support national headquarters

3) A business succession support center is a specialized agency established to support SMEs and others by matching them with successors, based on the Act on Strengthening Industrial Competitiveness.

Section 5 Summary

In Sections 1 and 2 of this chapter we have looked at the current status of inter-company collaboration for micro businesses and productivity improvement through inter-company collaboration. Greater effects are seen especially with collaboration among companies in different industries. As shown in the case examples collaboration is taking place with a whole range of different objectives.

As for inter-company collaboration issues, “don’t know initiative effect” and “don’t know how to find partner” rated highly. If the benefits of inter-company collaboration could be better communicated and support given for finding an effective partner then it would surely help to promote inter-company collaboration for micro businesses.

In Section 3, after reviewing business succession intentions and successors we looked at the trends of

business owners who have taken over a business through business succession. Business owners who took over a business through business succession tended to have a strong inclination towards growth and we saw an increased rate in earning power for these businesses over recent years. As seen in the case examples, we can infer that business succession is also an opportunity for diversification and improvement in work efficiency leading to improved labor productivity.

In Section 4 we looked at the taking over of management resources. Management resources can be taken over not only by relatives but also by third parties, contributing to business expansion for the business owners who acquired these resources. It is necessary to improve the system to support seamless business succession and the taking over of management resources.

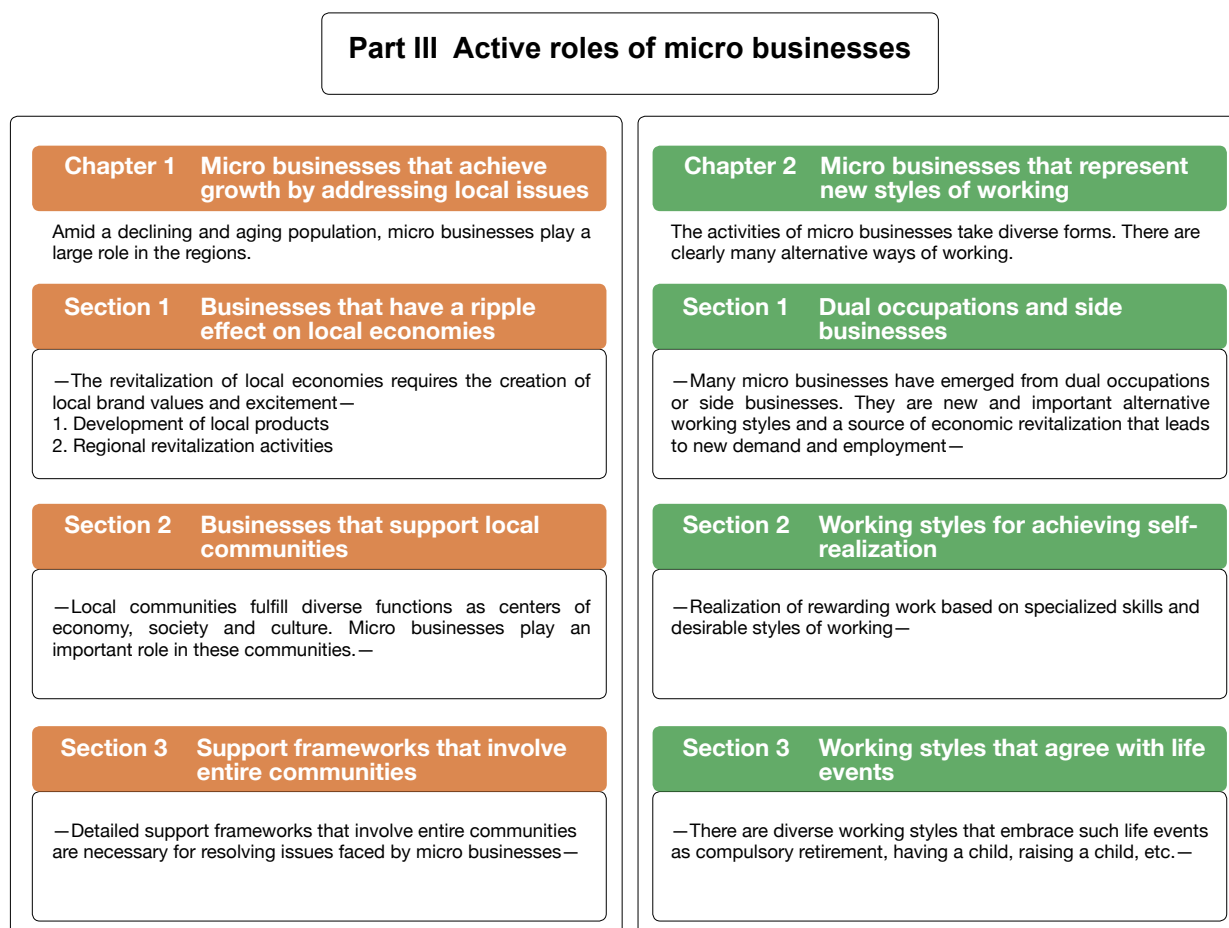
Part III



Active roles of micro businesses

In Part II, we analyzed the increase in labor productivity of micro businesses. In Part III, we shall examine (1) micro businesses that engage in business activities that contribute to the revitalization of local economies and (2) micro businesses that represent new working styles, such as dual occupations, side businesses or freelance work.

Fig. 3-1-1 Overview of Part III



Chapter 1

Micro businesses that achieve growth by addressing local issues

Japan's population is continuously declining and aging, and various local issues are surfacing as a result. Under this situation, the revitalization of local economies requires the creation of local brands and excitement. Micro businesses aptly play this role.

Micro businesses also play a large role in supporting the lifestyles of local residents and ultimately revitalizing local communities, which fulfill diverse functions as centers of economy, society and culture.

In order for such micro businesses to achieve sustainable growth, they must be supported by the united and detailed efforts of their community.

Based on this background, this chapter will introduce businesses that have a ripple effect on local economies, with a specific focus on case studies of businesses that engage in the development of local products and undertake local revitalization activities.

Case studies of micro businesses and support organizations will also be introduced from the perspectives of businesses that support local communities and support frameworks that involve entire communities.

Fig. 3-1-2 Overview of Part III, Chapter 1

Chapter 1 Micro businesses that achieve growth by addressing local issues

Amid a declining and aging population, micro businesses play a large role in the regions.

Section 1 Businesses that have a ripple effect on local economies

— The revitalization of local economies requires the creation of local brand values and excitement —

- | | |
|---------------------------------------|---|
| 1. Development of local products | • Case 3-1-1 Tobishima Kankitsu Kobo Co., Ltd. (Hiroshima Prefecture) |
| | • Case 3-1-2 Saitama European Vegetables (Saitama Prefecture) |
| 2. Regional revitalization activities | • Case 3-1-3 OzLinks Co., Ltd. (Toyama Prefecture) |
| | • Case 3-1-4 Care Green Co., Ltd. (Chiba Prefecture) |
| | • Case 3-1-5 Poussette (Kyoto Prefecture) |

Section 2 Businesses that support local communities

— Local communities fulfill diverse functions as centers of economy, society and culture. Micro businesses play an important role in these communities. —

- | | |
|---|-------------------|
| • Case 3-1-6 Infinity Co., Ltd. | (Gifu Prefecture) |
| • Case 3-1-7 Kiyama Mall Shopping Street | (Saga Prefecture) |
| • Case 3-1-8 G-net (Incorporated non-profit organization) | (Gifu Prefecture) |

Section 3 Support frameworks that involve entire communities

— Detailed support frameworks that involve entire communities are necessary for resolving issues faced by micro businesses —

- | | |
|--|------------------------|
| • Case 3-1-9 Izumi Chamber of Commerce and Industry | (Kagoshima Prefecture) |
| → Individual support case: (1) Case 3-1-10 Arrange (2) Case 3-1-11 Mugiho Bread and Sweets Co., Ltd. | |
| (3) Case 3-1-12 Igawa Tatami | |
| • Case 3-1-13 Seika Town Society of Commerce and Industry | (Kyoto Prefecture) |
| → Individual support case: (1) Case 3-1-14 Onkashitukasa Futaba | |
| (2) Case 3-1-15 Morichukensetsu Landscape Supply Co., Ltd. | |
| • Case 3-1-16 Akita Prefecture Business Succession Support Center | (Akita Prefecture) |
| → Individual support case: Case 3-1-17 Bread & Coffee Mizuki | |
| (Akita Prefecture) | |
| • Case 3-1-18 Fukuoka Prefecture Yorozu Support Center | (Fukuoka Prefecture) |
| • Case 3-1-19 Numazu Shinkin Bank | (Shizuoka Prefecture) |

Section 1 Businesses that have a ripple effect on local economies

(1) Development of local products

Case 3-1-1 Tobishima Kankitsu Kobo Co., Ltd.

A company which uses partnership between agriculture, commerce, and industry to develop lemon sweets and build a brand as a lemon production region

Tobishima Kankitsu Kobo Co., Ltd. (employees: 4; capital: ¥5 million), located in Kure City, Hiroshima Prefecture, is a food manufacturer established in 2013, which makes products such as cakes and jams, using lemons grown in the region of Akinada Tobishima Kaido¹⁾.

Hiroshima Prefecture is Japan's largest producer of lemons, but the producing farmers were seeing their earnings drop as farm gate prices declined due to price competition against imports. Farms were also troubled by problems such as aging operators and lack of successors. Also, lemons which deviate from standards were traded at prices of tens of Yen per kilo, so most of those lemons were simply discarded.

President Satoshi Kubo established the company with the aim of improving the production region's plight. Partnering with a patissier friend, Mr. Hata, and local lemon farmers, he developed regional brand products using non-standard lemons. Using the "New Businesses From Regional Vitality ∞ National Expansion Project", a project assisted by SME Agency to support the nationwide expansion of new businesses based on the local vitality of micro business operators²⁾, the company presented its Lemongue (meringues using lemon juice) product at national produce shows. The product won praise for its flavor and originality, and inquiries flooded in, so Lemongue became an established product for the company.

The company buys non-standard lemons at prices close to those paid for standard lemons, leading to higher Nokyo (farming cooperative) buying prices for non-standard lemons and contributing to improved earnings for all producers in the region. The company has also used crowdfunding to take action on abandoned farm land, organized events such as inspection tours and symposia to raise awareness among lemon farmers, and used unoccupied houses to attract new workers. It has been pursuing such measures in collaboration with local farmers and businesses.

President Kubo says, "We are moving towards farms as tourist attractions, emphasizing the region's character as Japan's number one lemon-growing area, branding the region as a "sacred ground for lemons." We want these efforts to revitalize lemon farmers, and by extension, the whole region."



Satoshi Kubo, President



From the lemon orchard, through manufacturing, to products

- 1) Akinada Tobishima Kaido is a nickname for the land route which links from Kawajiricho in Kure City, Hiroshima Prefecture on Japan's Honshu island through the islands of Shimo-Kamagarijima, Kami-Kamagarijima, Toyoshima, Osaki-Shimajima, Herashima, and Nakanoshima, through to Okamurajima in Ehime Prefecture.
- 2) A project that supports efforts leading to increased sales for multiple businesses, such as the development of special regional products and their sales channels, and the attraction of tourists, through partnerships between societies and chambers of commerce and industry, etc. and local micro businesses.

Case 3-1-2 Saitama European Vegetables

Creating a new regional brand through partnership between small farmers, restaurants, and regional agencies

Saitama European Vegetables is a voluntary organization that grows vividly-colored European vegetables within Saitama City, and partners with local restaurants and other customers to develop regional brand menus using those vegetables.

Many of the farmers at the heart of the organization are farm managers in their 30s who have recently inherited operations from their parents. Looking to the future, they saw the need to produce vegetables of much higher added value to grow their businesses. Meanwhile, French and Italian chefs in the city were thinking that they would like to get fresh European vegetables locally, without relying on imports, and develop regional brand menus. In 2013, Saitama Sangyou Souzou Zaidan, a public interest incorporated foundation which had listened to both sides, acted as the Executive Office to start activities in which four small-scale farmers were joined by restaurant managers, seedling growers, wholesalers, and others.

Saitama European Vegetables was used as a forum for exchanging ideas and opinions, and it received technical assistance in vegetable cultivation from Tokita Seed Co., Ltd. (Saitama City), which was involved in the development of seeds for flowers and vegetables. The group also gained the cooperation of Kanto Syokuryo Co., Ltd. (Okegawa City, Saitama Prefecture), which makes daily deliveries to restaurants in the prefecture, for vegetable deliveries. These partnerships combined into a system able to produce high-quality European vegetables and deliver them to chefs who needed them. European vegetables gradually took root as a local brand.

In 2017, five years after the group started its activities, its network of trading partner restaurants and hotels etc. had expanded to 1,000 in the prefecture and nearly 200 more outside it. Its land under cultivation expanded from 0.3ha in 2013 to 8ha in 2017, and its revenue grew from ¥1 million in 2013 to more than ¥60 million in 2017. The original farmers were joined by seven new members, for a total of 11 farmers. In April 2016, with the assistance of Saitama Sangyou Souzou Zaidan, the 11 farmers of the group established the Fennel agricultural cooperative, as a production organization adapted to business expansion.

Small-scale farmers are improving their farming operations through the group. Knowing that farmers are seeking an effective way to use IT tools, Saitama Sangyou Souzou Zaidan connected them with its own experts. The experts helped the farmers to introduce a "Hataraku Nikki" (field work diary) smart phone app that they can use to keep logs of their cultivation history and manage shipments. Linked to Excel, the app also helps to make tasks such as the preparation of thousands of invoices and delivery slips a year more efficient.

Yuko Fukuda of the Executive Office says, "We will carry on supporting this work so that it will become a self-sustaining system that will still generate earnings in 20 years. It is led by small-scale farmers and restaurants, and if they work in close collaboration, that raises the added value for both sides. In future, we want to go on expanding European vegetables into a new regional resource that makes people think 'let's eat delicious vegetables when we go to Saitama'."



Member farmers of Saitama European Vegetables



Freshly-harvested European vegetables

(2) Regional revitalization activities

Case 3-1-3 OzLinks Co., Ltd.

A company which stimulates its region by using accommodation and exchange facilities based on traditional Japanese houses to attract tourists

OzLinks Co., Ltd. (employees: 1; capital: ¥8 million), located in Toyama City, Toyama Prefecture, is a micro business which operates accommodation and exchange facilities that use traditional Japanese houses.

President Sayuri Harai was born in Toyama City, and after graduating, she went to China and worked there for four years as a teacher in a school for Japanese people. Looking to the future, she moved back to Toyama and got a job with a local consulting company. When she returned to Toyama, the area was anticipating increased tourism from Japan and overseas due to the impending opening of the Hokuriku Shinkansen line. However, she had doubts about whether Toyama would be able to adequately projects its true character, including its traditional culture, so she decided to start a company to convey Toyama's appeal.

As preparation for starting her independent business, she participated in the "Toyama Tourism Future Creation Academy³⁾", organized by Toyama Prefecture, and worked an internship for half a year at a company in Gifu Prefecture, where she experienced the full range of tasks for the planning, sale and running of inbound tours. After graduating from Toyama Tourism Future Creation Academy, she want looking for a site to start her business. Seeing the appeal of Yatsuomachi in Toyama, with its roots in real Toyama traditional culture, she established the business there in January 2016.

The company has developed the "Etchu-Yatsuo Base Oyatsu" accommodation and exchange facility, which is a refurbished traditional house that was built in 1872 in the Uchikura style, as its site. The "Owara Kaze no Bon" festival takes place in Yatsucho over three days from September 1st, and the area is bustling with crowds of tourists, but there is little tourism at other times. In addition to the traditional house accommodation project, the company also operates cultural experience tours for foreigners and guided tours in the off season about how to enjoy "Owara Kaze no Bon." These projects are meant to bring in year-round tourism.

On days when there are no accommodation bookings for Etchu-Yatsuo Base Oyatsu, space in the building is rented out for diverse events, such as jazz concerts and shamisen experience lessons for tourists. Local residents visit the cafe in the facility, where conversations and interaction naturally occur with tourists and guests. Etchu-Yatsuo Base Oyatsu functions as a center for tourism in Yatsuomachi.

President Harai says, "Other than Etchu-Yatsuo Base Oyatsu, we are opening two townhouses as new guest rooms. I want the town's tourism-related businesses to join forces, with this company providing guest room functions, and local bars and restaurants providing dining functions, so that Yatsuomachi as a whole delivers hotel-like functions, to convey the town's appeal."



Sayuri Harai, President



Scene at a kimono-wearing experience

3) Looking forward to a surge in foreign tourists and further progress in globalization, this Toyama Prefecture project aims to raise the personnel who will take charge of the next generation of tourism.

Case 3-1-4 Care Green Co., Ltd.

A company which shoots action movies to convey culture and revitalize the community

Care Green Co., Ltd. (employees: 3; capital: ¥10 million), located in Chiba City, Chiba Prefecture, provides a "Samurai Film" service which dresses customers up as samurai and ninja, under the direction of company president Kenji Sato, a professional stuntman, and films action movies.

President Sato has been working as a professional stuntman since the age of 13, and has appeared in many famous movies in Japan and overseas, including "The Last Samurai." But with the approach of the 2020 Tokyo Olympics and Paralympics, he had a growing urge to challenge new possibilities, not as a stuntman but as a creator of action scenes.

The company was founded in 1973, and President Sato's father ran it as a construction business, but intensifying competition made it too difficult to stay in operation. Therefore, to repay his father for supporting his work as a stuntman, Sato took over the business in 2015, and diversified into the current service business, to make the most of his own abilities.

Writing original scripts and considering stunt performances, he films action movies in which his customers are the protagonists. Preparing costumes with care over details like hakama skirts and socks, and a number of swords used in theatrical swordfights, he has built an environment close to that for movie production. Sato takes the role of director, guiding the swordfights, and casting pro stuntmen in enemy roles, to raise the sense of being in the action, and the resulting filming is well regarded by the customers.

In filming, he makes an important point of conveying local history. For example, for filming set in Inohana Castle in Chiba City, he wrote a script based on Chiba's history, and the customers can gain a deep knowledge of local culture by performing their roles.

President Sato says, "I am using my experience of action filming to convey Japanese culture. I want to broaden the range of our activities, writing scripts which draw on the special character of the area, and convey its culture, as a way to revitalize it. I am considering collaborations with local authorities and companies in future."



Kenji Sato, President



Filming in progress

Case 3-1-5 Poussette

A micro business which aims to open up customer segments which match the area

Poussette (no employee; sole proprietorship), located in Kyoto City, Kyoto Prefecture, is a micro business which makes and sells coin purses. Representative Daisuke Ogawa is a coin purse artisan who makes each product by hand.

He took a job in a coin purse shop in Kyoto in 2004. He was hired for planning and sales, but he also learned how to make coin purses, and got involved in working a sewing machine to make them. After that, he changed jobs to a major daily utensils company, but he had a growing desire to make useful items that brighten everyday life, so he decided to start his own business. He started making coin purses with original designs, while sticking with his day job.

In 2007, he started selling his coin purses at traditional handicrafts markets organized by Kyoto's temples and shrines. While talking to customers, he picked up on their needs, and expanded his range of design patterns. Judging by his record of market sales, he judged that customers' needs for his project were rising, and in 2009 he quit his job and opened a shop. The store was established on the Ajiki-roji street, where young creators gather, in response to an offer from the owner of a Kyoto row house, who couldn't replace the building or find a way to use it.

The coin purses that Mr. Ogawa makes are available in materials such as French and Northern European fabrics, lace and linen, with various original stitching patterns, and are made to order to the customer's preferences, so they blend into the daily lives of all kinds of customers. He uses a treadle-powered sewing machine made in 1925 at the Scottish factory of the American company Singer, to produce seams and textures that are easy to get used to using. These coin purses are gaining popularity with customers throughout the country.

In 2016, he moved to Ichijoji in the outskirts of Kyoto, and he maintains close links with the community in his sales work. Ichijoji is a quiet residential area, and he aims to develop a shop where he can deal with customers in a relaxed way, while blending into that kind of environment. He is keen to take in student interns from the nearby Kyoto University of Art and Design and elsewhere, and he is working to pass on the fun of starting a business and making products. He has also started collaborations with local micro businesses on things like product package designs and original fabrics.

Mr. Ogawa says, "I started my business from handicraft markets, and this is my eighth year of having a store. Some things about operating alone are tough, but it's a job that only I can do, and there is the satisfaction of making my customers happy. I want to go on honing my skills as a coin purse artisan, and working in ways that serve my customers and local people."



Daisuke Ogawa



Coin purses (top), Interns in the store (bottom)

Section 2 Businesses that support local communities

Case 3-1-6 Infinity Co., Ltd.

A company which provides mobile shopping together with its care business, to support people in the community who find it difficult to go shopping

Infinity Co., Ltd. (employees: 5; capital: ¥600,000), located in Kakamigahara City, Gifu Prefecture, is engaged in operating fee-based residential facilities for the elderly, day services, nursing visits, and home nursing. Since April 2016, it has been running its "Wararaifu" ("laughing life") mobile shop business in the Unuma district of Kakamigahara City.

That district of Kakamigahara has been developed as a "bed town" with numerous condominium projects, but its resident population has been aging in recent years. The area also has many sloping roads, which put a great strain on elderly people when they move around for shopping, etc. In 2015, a supermarket which had been popular with the residents of Unuma for many years closed down, which was expected to leave residents, particularly the elderly, living in a "food desert." President Masayuki Fukao lives with his parents in Unuma. Participating in a town meeting alerted him to the need for a mobile shop business in the district, and to the future potential of such a business, so he decided to work on it.

In starting the mobile shop business, President Fukao was supported by his colleagues in the Youth Department of Kakamigahara Chamber of Commerce and Industry, and the cooperation of a supermarket was particularly important in the area of product sourcing. His procurement payments only need to cover to what he can sell, because unsold products, including fresh items, are all taken by the supermarket, so he is able to do business without any inventory risks. He was able to build such cooperative relationships because of relationships of trust earned through the activities of the Youth Department, and the businesses which support the district have all come together to work on the project.

The mobile shop business operates with one mobile shop truck and two drivers. The shop visits members' houses twice a week and spends around 30 minutes at the doorstep, selling products and listening to what people need. It stocks vegetables and other fresh foods, prepared foods, bread, and other foods, sweets and other treat items, and 300 or more daily sundries. The shop pursues a "live and let live" policy, taking care not to compete with products offered by small liquor stores and other businesses that operate with close community ties. If members call in advance, the shop can stock and deliver desired products on the next visit, and if called upon to deliver products which impede daily life if they run out, such as adult diapers, it will try to deliver on the same day, regardless of the scheduled visit date.

Both drivers are qualified caregivers, so they can visit three times a week if home visits under public nursing care insurance are combined with the mobile shop business, which is not covered by that insurance. The drivers can check on members' health status when they visit, and have a care manager take over if necessary. The key characteristic of Wararaifu is that it addresses the needs of people with poor shopping access together with nursing care for the elderly.

The business has a good reputation for its caring service, and is earning growing trust from local customers and care managers. Its user base is expanding gradually by word of mouth, reaching 50 members in less than two years after the business started. President Fukao says "We are getting requests from other districts of Kakamigahara to visit for mobile sales. I want to expand our staff in future, and address a wider range of local issues."



President Masayuki Fukao
with the mobile supermarket



A mobile shop visit

Case 3-1-7 Kiyama Mall Shopping Street

A shopping street that invited a children's daycare center to set up in a vacant shop, to stimulate inter-generational exchange

Kiyama Mall shopping street in Kiyama Town, Saga Prefecture, was developed in 1982 in front of JR Kiyama Station. When it first opened, this mall-style shopping street had over 20 stores lined up, and it bustled with crowds of people as it attracted attention for being an advanced shopping street. In recent years, however, the vacant shops have become obvious, as the population of Kiyama Town has declined, and numbers of people on the street have gradually fallen.

This situation prompted the shopping street association to adopt the policy of changing direction, to reinvent itself as a place for local residents to meet and interact. As part of that policy, it invited a daycare center to open in a vacant shop. Kiyama Town's municipal department of children and the then deputy mayor took central roles in matching the "Chibiharu Daycare Center", which was considering relocation, with the shopping street, and it moved into the street in April 2016. The advantages for the daycare center were (1) as an all-day pedestrianized street it is a safe environment, (2) overhanging roofs allow children to play outside even if there is some rain, (3) there is a shrine nearby with playground equipment on its grounds, and (4) the location close to JR Kiyama Station is very convenient.

The center director was concerned that moving the center to the shopping street might cause a nuisance to people around, due to children's voices etc., but many comments from the street's shop-owners and visitors that "children's voices brighten the mood" and the center was welcomed happily by everyone. In the shopping street, the daycare children are central in generating new interaction and activity. One example is the children's participation in the summer Kinokuni Festival, pulling a procession float as a member of the shopping street.

The daycare center, the shopping street association, and the individual stores are working together and racking their brains to find ideas for revitalizing the town. The daycare center has prepared a map of the shopping street, to encourage parents visiting it to also call in on the street's shops. The shopping street association has distributed cards to all the parents that they can use to get discounts and gifts. All the stores are trying various ideas to draw in the parents as new customers. As a result, increasing numbers of parents are doing their shopping on the street when they drop off or pick up their children, and people in the child-raising generation, who had been drifting away from the shopping street, are generating new interactions and relationships in the shops.

The shopping street also has a day service center for the elderly, a job center, a preparatory school, a community center, and other facilities, so with the addition of the daycare center, it has functions in place to meet all kinds of community needs, not just for selling things. Director Shigeru Matsuo of the Kimoto Mall Association says, "The daycare center moving into our shopping street has generated new vitality, centered on the children. We want to organize events for inter-generational exchanges, and make the shopping street a core to form a community around."



Daycare center children playing on the shopping street



Exterior of the daycare center

Case 3-1-8 G-net (Incorporated non-profit organization)

An NPO that links local SMEs with young people and works for local revitalization

The incorporated non-profit organization G-net (employees: 12) is an NPO in Gifu City, Gifu Prefecture. Its operations to revitalize the local community center on two projects, a long-term, practical internship program and a “right hand worker” hiring support project for SMEs.

Its long-term practical internship program (“serious internship”), which started in 2004, allows students to study as apprentices under appealing local managers for long periods of at least six months, to gain experience of real work. It provides the students with opportunities for challenge and personal growth, of course, but it also provides benefits for the management side, such as revealing issues with their personnel development. Over 700 students have participated so far, and many of those who have experienced internships have turned down job offers from large companies to choose jobs with SMEs.

Since 2013, the NPO has been developing its “Right Hand” hiring support program, which specializes in personnel who could become a “new right hand” for company presidents. The program matches students with local SMEs. One characteristic of the program is that it goes beyond making an introduction, to provide integrated support ranging from formulating personnel strategy for SMEs to matching, and personnel development that looks to new hires’ careers after entering a company. Another is that it supports hiring activities which go as far as indicating career paths that follow after hiring. This kind of effort has placed 50 students in jobs with local SMEs so far, and the numbers are growing year after year.

The combination of the above two programs succeeds in providing more comprehensive support for SMEs in their personnel strategies. NPO representative Minamida says “We get companies which are not in a position to hire personnel, and help them to develop their businesses and improve their personnel development abilities through internships. Meanwhile, our “Right Hand” program provides hiring support when companies need personnel who are immediately work-ready, so we can provide support that matches the environments companies find themselves in.”

Since 2017, the NPO has also started a program to help adult workers to get second jobs and side jobs with SMEs. Representative Minamida says, “If a company has an environment ready for accepting students for internships, they are also able to take people in for second jobs and side jobs in less time. We want to boost diverse work-styles in the community by supporting the development of an organization for SMEs to use more diverse personnel.”



G-net staff



Students visiting a company

Section 3 Support frameworks that involve entire communities

Case 3-1-9 Izumi Chamber of Commerce and Industry

A chamber of commerce and industry which supports the use of subsidies and stimulates the community

Izumi Chamber of Commerce and Industry (members: 931, as of March 2018) provides detailed and close-following support for micro businesses, centered on its three management counselors and three management assistance, to stimulate the community.

Izumi City is located in the Northwest of Kagoshima Prefecture, and has a population of 54,000. In addition to population decline, large manufacturers closed a succession of factories in the city in 2009, dealing a heavy blow to the regional economy. The vitality of the city's shopping streets had been ebbing in recent years, as business operators aged. Responding to that situation, the city's chamber of commerce and industry provides close-following support, centered on management plan formulation, with the aim of sustainable growth for micro businesses.

The management counselors and assistants operate in pairs, touring businesses around the city, even if they are not chamber of commerce and industry members, to provide consultation. In providing suitable support to match each issue, it introduces a wide range of systems such as Ministry of Health, Labor and Welfare subsidies, in addition to Ministry of Economy, Trade and Industry subsidies such as the micro business sustainability subsidy. When a business makes a subsidy application, the chamber of commerce and industry works with the business to consider its strengths, and helps it with tasks such as business plan preparation. With this approach, it can take action with a view to the future of each business.

For three years in a row, it has partnered with an SME consultant (Mr. Koichi Kedoguchi) to organize case study presentations by companies taking the sustainability subsidy etc. These sessions provide a forum where business people can announce their own ideas, plans, and actions, which builds their confidence and leads to further action for future growth. Having business people tell their own stories also motivates other local business people to make new use of subsidies.

As a result of these efforts, Izumi Chamber of Commerce and Industry had the second largest number of approvals of all chambers of commerce and industry in the prefecture from applications for the sustainability study in FY2016, second only to the one at the location of the prefectural government offices. New initiatives using subsidies have started in all districts of the city, stimulating the community.

Another characteristic of this chamber of commerce and industry is that half of its management counselors and assistants are female, so they are able to provide responses to diverse consultations, from female managers or about services for women, adapted to the characteristics of the person asking, and their business. Their close support from the preparation stage before company formation has even led to new startups.

Chief counselor Takuro Tagami says, "Management plan formulation is the foundation of sustainable growth for micro businesses. Preparing documents for subsidies is an effective first step in drawing up management plans. We want to go on stimulating the local community by working closely with micro businesses and carrying on seamless support for management improvements."



The staff of Izumi Chamber of Commerce and Industry

Following are three case studies of Izumi Chamber of Commerce and Industry's support.

Case 3-1-10 Arrange

A micro business that promotes the development of workplace environments

Arrange (employees: 2; sole proprietorship), located in Izumi City, Kagoshima Prefecture, is a micro business which operates a sports gym.

One of the employees was a woman who had to take time off from work to nurse a parent, but the business had no system for nursing leave. The situation led business representative Takeshi Tsutsumishita to consult Izumi Chamber of Commerce and Industry about establishing a system for nursing leave, to develop an environment that lets employees work while taking leave.

Chief counselor Mr. Tagami recommended using a nursing support subsidy⁴⁾ from the Ministry of Health, Labor and Welfare, which was available in 2016, for setting up a nursing leave system. The subsidy was paid to businesses taking action to enable combination of work with nursing, in a system to encourage further efforts to support the combination. With the support of a certified social insurance labor consultant, Representative Tsutsumishita drew up rules of employment, established "Regulations on leave for childraising and nursing", and applied for the subsidy.

Tsutsumishita feels that promoting the development of a workplace environment which makes it easier to take leave for nursing and other purposes has resulted in female employees taking nursing leave, and made more flexible work-styles possible. He wants to go on developing a workplace that is easier for employees to work in, and to link that to further business development.



The outside of the gym



Takeshi Tsutsumishita

4) The subsidy system has now been abolished, but business owners who are working to improve their workplace environments to support combinations of work and nursing, and are actually providing workers with nursing leave or using working hour restriction systems to allow nursing, can use the "Subsidy for combination support etc. (Support course to prevent withdrawal from the workforce for nursing)."

Case 3-1-11 Mugiho Bread and Sweets Co., Ltd.

A micro business which installed billboards and raised sales with the support of a chamber of commerce and industry

Mugiho Bread and Sweets Co., Ltd. (employees: 3; capital ¥3 million), located in Izumi City, Kagoshima Prefecture, is a bread baker and retailer that makes bread with special care for using natural yeast. In recent years, its sales were declining as convenience stores proliferated nearby. The bakery had a good location on a busy road, but its sign was so small that it was hard to tell that the business was a bakery, and many people just passed by.

The wife of President Junji Fuchigami was concerned about the future of the business, and when she consulted Izumi Chamber of Commerce and Industry, Chief counselor Mr. Tagami suggested using a micro business sustainability subsidy to replace the bakery's sign.

Installing a large sign with LED lighting (cost: ¥240,000, subsidy: ¥160,000, effective cost to business: ¥80,000) raised recognition among potential customers passing in the street in front of the bakery. That brought more people into the shop, mainly from early evening onwards, when sales had been low. Sales rose by ¥3 million a year compared to before the sign was installed.

The fact that a minor action delivered results made the president much more motivated in his management work, so he was able to formulate his own business plans. He is now opening up Internet sales channels and raising working efficiency with measures such as using the AirREGI app. Now keen to try new things, he has used the sustainability subsidy twice, and a manufacturing subsidy twice, to increase earnings by developing new products and introducing confectionery manufacturing equipment.

President Fuchigami says, "Thanks to the counselor's advice, I can now take action for the future. With our previous business performance, I had given up on having our son carry on the company, but now we are considering business continuation."



The sign before replacement



The replacement sign



Case 3-1-12 Igawa Tatami

A micro business which used a subsidy to pay for flyer advertising that raised sales and boosted management awareness

Igawa Tatami (employees: 1; sole proprietorship), located in Izumi City, Kagoshima Prefecture, is a manufacturer and seller of tatami matting.

It was a tatami store with the traditional skills to deliver tatami to shrines and temples, but the tatami industry as a whole is fading, and the business's sales were declining. The wife of representative Toru Igawa consulted Izumi Chamber of Commerce and Industry about ways to improve sales. The chamber of commerce and industry management advisor suggested broadening its sales channels, which had previously only supplied tatami to businesses, to market to the general public as well. With the management advisor's support, Igawa Tatami decided to use the micro business sustainability subsidy to publish its first ever advertising flyers in its 59th year in business, to develop individual customers.

As a product to appeal to individual customers, Igawa Tatami developed special tatami to spread over hard flooring, and prepared and distributed flyers to advertise the product. One round of flyers brought in four orders, leading to around ¥500,000 in sales. This effort made them notice the importance of spreading information, so they started using social media and a website, and have been continuously expanding sales.

With the increased sales, Mr. Igawa has been working on various management improvements even after the end of the subsidy, such as taking the initiative to participate in a seminar in Fukuoka about creating flyers specifically for the tatami industry. Mr. Igawa was an artisan at heart and took little interest in management, but the sustainability subsidy inspired him to get ambitious about business growth. The change in the representative's attitude has influenced their son, who is now training as a tatami maker in another prefecture, to carry on the business.

Mr. Igawa says, "The sustainability subsidy was a good inspiration to make me take another look at the business. I feel like 'what was I doing until now?' With the support of the chamber of commerce and industry, I'm looking to the future, and trying all kinds of things to grow the business, partly for our son, who is my successor."



The first flyer in its 59th year in business



Igawa Tatami's website

Case 3-1-13 Seika Town Society of Commerce and Industry

A society of commerce and industry that provides micro businesses with close-following support adapted to local characteristics

Seika Town Society of Commerce and Industry (members: 368, as of March 2016) practices detailed and close-following support for micro businesses, based on local characteristics.

Seika Town is a town of 37,000 people at the southwest edge of Kyoto. The district has long been home to large numbers of very small businesses, and their business circumstances have been deteriorating with factors such as large stores moving into the area. Management advisor Kaori Iwai reached out to youth group members, aiming to stimulate micro businesses and revitalize the area, and she has been organizing regular management study sessions, where participants can exchange views, since 2009. Starting from basic content like “what is the difference between a corporation and a sole proprietorship?” and “what are shares?”, the sessions have gradually deepened their content to meet a wide range of participant needs. Participants are drawn in by Ms. Iwai’s bright and friendly manner, which has raised local business people’s motivation to learn.

Since 2014, Ms. Iwai has sought to make training more effective by involving university lecturers, SME consultants, and the coordinators of Yorozu Support Centers, and she now organizes 17 seminars a year for learning expert knowledge on management philosophy, marketing, finances, and more. Having nurtured awareness of studying management, the seminars, which cost ¥30,000 - 90,000 per year, attract 10 to 20 participants annually. Attendance rates are high for seminars following the management progress support plan, which started from FY2016, and the business plans prepared through the seminars lead, with the assistance of management support staff, to applications for the micro business sustainability subsidy and others, helping to raise business earnings.

The society of commerce and industry runs a morning activity program, with monthly sessions starting at 7am, as a form of close-following support that makes the most of local characteristics. A medium enterprise in the town which had moved to Kansai Science City⁵⁾, and long-established local micro businesses, each made presentations etc. of their business content, leading to lively debate, raising presentation skills, and filling out the details of business plans.

Ms. Iwai says, “Micro businesses in which the managers studied, thought, and raised earnings then go on continuously formulating business plans and achieving growth. Follow-up support from management support staff is important to encourage spontaneous growth. I want to go on working with micro businesses to stimulate the region.”



A seminar

5) Kansai Science City was built as a national project following the implementation of the 1987 Kansai Science City Construction Promotion Law. It is situated in the hills that spread between the three cities of Kyoto, Osaka, and Nara prefectures.

Following are two case studies of Seika Town Society of Commerce and Industry's support.

Case 3-1-14 Onkashitukasa Futaba

A sole proprietorship which used “knowledge management” to grasp its own strengths, then raised its added value while avoiding price competition

Seika no Futaba (employees: 3; sole proprietorship), located in Seika Town, Kyoto Prefecture, is a Japanese confectionery shop founded in 2007. It combines the traditional Japanese confectionery of Kyoto with a new sensibility, to provide creative confectionery.

Its sales were growing steadily since the start, but stagnated after around five years. Looking to change the situation, representative Kohei Koshida attended manager classes at Seika Town Society of Commerce and Industry, learning the basic approaches of a manager, marketing, and other matters. After that, he followed the recommendation of a society of commerce and industry management advisor and aimed to get “Knowledge Management” certification⁶⁾ from Kyoto Prefecture. In the process of preparing the application documents, he worked with a management advisor to take another look at the business's strengths and characteristics.

He noticed that the sales promotion methods he had been using so far, which were regular discount sales and flyers in newspapers to advertise seasonal products, dropped the business into price competition, so he abandoned those methods. He decided to focus on stating the real price of the product, and building relationships of trust with customers. Noticing that the previous flyers did not adequately convey the appeal of the products, Mr. Koshida started publishing a newsletter featuring product characteristics and his thoughts. The newsletter currently goes out to over 1,100 people, and many customers come to the store with a copy of the newsletter in hand, saying things like “this article was really good” and “I got the newsletter, thanks.” This approach is deepening the relationship of trust with customers.

As a result, while stopping discounts resulted in a dip in sales, that was followed by a gradual recovery, and operating profit this year is at 130% of the preceding year. Mr. Koshida says, “Reviewing our business content with a management advisor triggered growth in our business. In future, we will carry on enthusiastically taking support from the society of commerce and industry, as we continue to take measures that our customers will support.”



Connoisseur's Japanese confectionery



Kohei Koshida (right)

6) A system by which Kyoto prefectural government certifies SMEs which actively use the intellectual assets which are their strengths in their management. It is intended to foster stable management, growth, and progress in SMEs.

Case 3-1-15 Morichukensetsu Landscape Supply Co., Ltd.

A micro business which made effective use of both digital and analog advertising tools to advertise itself and increase sales

Morichukensetsu Landscape Supply Co., Ltd. (employees: 6; capital: ¥10 million), located in Seika Town, Kyoto Prefecture, is a construction company that is rooted in the local community and has been operating for 38 years. Its specialties are made-to-order exterior construction and landscaping works for private homes. It builds projects such as Japanese-style formal gardens surrounded by walls or bamboo fences, with designs matched to the building exterior.

When company president Shinichiro Morimoto and director Akira Morimoto attended the managers' classes that are one of the close-following support programs provided by Seika Town Society of Commerce and Industry, they noticed that they had not skilfully advertised the content of their business to customers. Akira Morimoto consulted a management advisor and, with the advisor's support, used a sustainability subsidy of ¥400,000 for PR, updating the company's website (¥470,000) and distributing flyers (¥135,000). The expense paid by the company was ¥205,000.

Updating the website enabled the company to give customers a personal knowledge of the company's work. The new website presents abundant photos of construction examples, as well as guideline figures for construction times and costs. This content made it easier for visitors to the site to get a clear image of the construction work. There is also a link from the website to Facebook, where visitors can see everyday construction scenes. Giving people an idea of how the building site looks during construction reassures those who are considering ordering construction.

Flyers were posted selectively to houses for which the surrounding area had been built up at least 20 years earlier, houses with no maintenance of garden plants, and houses with no car garage installed.

This effort increased the number of inquiries received by 350% compared to the preceding year, and raised sales by ¥2.5 million. Akira Morimoto says, "Telling people about our company leads directly to higher customer satisfaction. The management class from the society of commerce and industry made me notice things. We will carry on getting the support of the society of commerce and industry, as we continue to improve our management abilities."



The members of the company



The company's website

Case 3-1-16 Akita Prefecture Business Succession Support Center

A support agency which partners with other support agencies to encourage business continuation

Akita Prefecture Business Succession Support Center started its support for business continuation after it was entrusted with such operations by the national government in April 2014. In FY2016 it handled 304 consultation projects, the third largest number in the country, behind Tokyo and Osaka. Since the center opened, it has handled over 1,000 consultation projects.

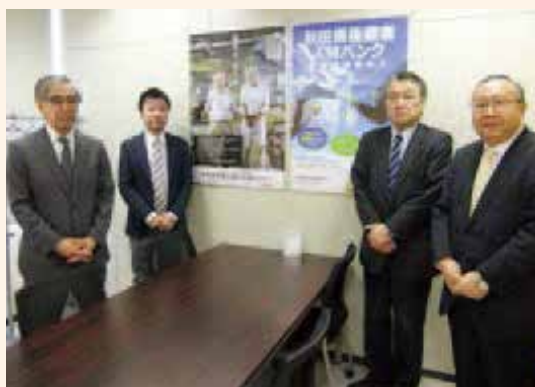
In Akita Prefecture, the population is shrinking and aging, a high proportion of managers are aged 60 or older, and many companies have no management successors, so business continuation is a big problem for the prefecture. Based on that situation, it handles a wide range of business continuation consultations, providing information and advice, and giving referrals to other support agencies. Specifically, for its operations in Akita Prefecture, the Center has posted five business continuation counselors to districts within the prefecture, and it collaborates with the Akita Chamber of Commerce and Industry and Akita Prefectural Federation of Societies of Commerce and Industry to identify SMEs and micro businesses that need consultation support.

In this way, the support agencies work in close collaboration and the business continuation counselors work to identify the support needs of SMEs and others. This system is highly regarded in all parts of the prefecture as an "Akita Model", and it is attracting attention as a stream of observers visit from Business Succession Support Centers in other prefectures.

The Center provides managers with free and accessible consultation about business continuation and M&A for SMEs, but it also emphasizes detailed follow-up, by Akita Bank and other support agencies, of each company's situation after the M&A is completed. It also makes considerable efforts to disseminate its information through regional newspapers and TV stations.

With the results of these efforts, and the business continuation needs that came up in the course of consultations, there have also been cases of M&A between fellow micro businesses, and of matching between would-be company founders and businesses lacking successors, using the Successor Personnel Bank. This approach is expected to be used much more in future, as a framework for supporting micro businesses which lack successors.

General manager Masato Kawata says, "business continuation is a management challenge that any company will inevitably have to face, but smooth business continuation takes as much as five to ten years. It is important for the government, commercial groups, financial institutions, professional experts, and others related to business support to work together, to raise awareness and encourage preparation from an early stage, and handle a wide range of consultations. We listen to managers' problems, examine the issues, and think of solutions, but if there is no successor, passing the business to a third party for continuation is an option, rather than thinking of giving up and closing the company. That is why we want managers to consult us as early as possible."



The staff of Akita Prefecture Business Succession Support Center

Following is the case study of Akita Prefecture Business Succession Support Center's support.

Case 3-1-17 Bread & Coffee Mizuki

A business which opened by using the Business Succession Support Center to carry on a cafe which lacked a successor

Bread & Coffee Mizuki (employees: 2; sole proprietorship), located in Akita City, Akita Prefecture, is a cafe that opened when its representative, Mr. Toshitaka Kanno, received the business transfer of "Coffee Mizuki" from its previous owner, Mr. Hiroyuki Amano, in December 2015.

Mr. Kanno trained as an artisanal baker in Tokyo after graduating. Getting married prompted Mr. Kanno to return to his home town of Kitakami City in Iwate Prefecture and work in a food manufacturing company, but he was thinking of opening a business as a baker sooner or later.

Meanwhile, Mr. Amano had been operating Coffee Mizuki for 27 years as a popular cafe with community roots, but his age left him looking for a successor who would carry on the business of his cherished cafe. He posted a request on an online realty information site looking to sell his store realty and find someone who would take over the cafe business.

Mr. Kanno saw this request in the process of gathering various information towards opening a business, and he got the idea of opening a "bakery cafe" business that would combine his skills as a baker with a cafe business. The fact that Mr. Kanno's wife came from Akita Prefecture also propelled him towards opening a business in the area.

Mr. Kanno didn't know what procedures would be needed for taking over the business, so he telephoned Akita Chamber of Commerce and Industry for a consultation. The chamber of commerce and industry referred him to Akita Prefecture Business Succession Support Center, a specialist support agency, which provided him with assistance in negotiating with the business assignor (Mr. Amano) and all the procedures involved in taking over the business (signing a letter of intent, writing a business plan, agreeing a realty sale contract, getting a restaurant permit, etc.) Mr. Amano liked Mr. Kanno for his passion to start a business, and decided to sell the store realty together with all fixtures etc., on the conditions that the name "Mizuki" should remain.

After receiving the transfer of the business, Mr. Kanno also got guidance from Mr. Amano about how to carry on the popular cafe, starting with how to brew coffee with care, and how to make the cafe's famous curry. Sticking with the flavors of the popular cafe while adding new sales of bread freshly baked by Mr. Kanno was a popular move, making the cafe even more appealing to its regular local clientele.

Mr. Kanno says, "I decided from the start to take over the transferred business, but I was worried because I didn't know how to go about it. The friendly support I got from Akita Prefecture Business Succession Support Center let me advance to the opening the business with no delays. Opening a business by having it transferred to has the advantage of bringing abundant management resources, compared to starting a business from scratch. I want to make local people happy by taking on new challenges while valuing the flavors and the customers that have been there before."



The start of bread sales



Mr. and Mrs. Kanno

Case 3-1-18 Fukuoka Prefecture Yorozu Support Center

A Yorozu Support Center that uses a TV phone system to provide support from expert counselors, even to distant businesses

Yorozu Support Centers are management consultation facilities established by the national government in every prefecture. The one in Fukuoka Prefecture is located in Hakata Ward of Fukuoka City.

One of the center's characteristics is that in addition to counselors in professions such as SME consultant and tax accountant, there are a total of 32 counselors with diverse specializations, such as restaurant manager, nail salon manager, and TV production company director.

Fukuoka Prefecture is not particularly larger in area than other prefectures, but some areas of the prefecture take two hours each way to reach Hakata by train, partly because it is poorly served with rail connections. In that context, chief coordinator Sano felt that visiting the center for consultations was a burden on businesses, so he decided to introduce distance consultations, using TV phone services such as Skype, from November 2017.

Access points have been set up in chambers of commerce and industry and financial institutions etc. in various areas, mainly in places remote from Hakata. By March 2018, TV phone consultations were available from 24 sites in the prefecture.

There are no particular obstacles to providing TV phone consultations, and the contact point installations were cheap, at just over ¥20,000 each for a tablet and a microphone, etc.

The introduction of TV phone consultations has enabled businesses to access consultations from their local areas, rather than spending three hours each way and ¥4,000 in travel expenses to get to Hakata. There are also more consultations coming in from businesses which had been deterred by distance from using the service before, and businesses can now easily get support from the numerous counselors, with diverse specialties, who belong to the center.

Mr. Sano says, "With TV phone calls, we can see each other's expressions, so the quality of communication is dramatically better than with telephone consultations."

The center intends to install TV phone consultation access points in all municipalities that are distant from Hakata.



A TV phone consultation

Case 3-1-19 Numazu Shinkin Bank

Using the framework of the Successor Personnel Bank to support business continuation

Numazu Shinkin Bank, which has its main branch in Numazu City, Shizuoka Prefecture, is focusing its work on regional stimulus. As one element in that effort, it uses the Successor Personnel Bank, a program run by the Business Succession Support Center since 2014, to support foundation of new businesses through business continuation.

In January 2017, the business continuation officer of the bank's Management Support Section heard from Ms. A, a would-be business founder, that "I'm scheduled to retire from my current job in March 2017 and I want to start a new business." The officer advised her that starting a business solely by her own efforts was not the only way, and that she should consider using the Successor Personnel Bank to take over a business that lacked a successor. Other than getting an introduction to the relevant person at Shizuoka Prefecture Business Succession Support Center, she was registered to the Successor Personnel Bank as a successor candidate. Ms. A's preferred business type was travel agency, but she also saw the potential for using her experience of working in a retail business, and registered so she could potentially get matched with a wide range of business types.

Through the Center, Ms. A had a meeting with manager B, who was running an apparel store in Mishima City, Shizuoka Prefecture and had no successor. Manager B's apparel store was a franchised business, so Ms. A also had an interview with the franchiser, and passed through a trial period as an employee before receiving the transfer of the store as manager B's successor, and agreeing a franchise contract.

The meeting to agree the contract was also attended by the officer from the Bank, who helped to check the conditions and contract content. At the end of April 2017, a contract signing ceremony between the franchiser and Ms. A, as a successful contract project by the Successor Personnel Bank, was held at Mishima Chamber of Commerce and Industry. After the contract was signed, the store started operating from May 2017.

This arrangement allowed the business successor, Ms. A, to cut down on the preparation time and cost for founding a business, and succeeded in a stable business startup with the existing customer base intact. Meanwhile, Manager B, who was considering closing the business due to the lack of a successor, was able to continue the store business. The store was located on a prime site on the main street of Mishima City, so this successful result avoided a vacant store on that street and contributed to stimulating the local economy and revitalizing the shopping street.



"Kororon", the mascot character for Numazu Shinkin Bank, which was founded to focus its efforts on local revitalization

Chapter 2

Micro businesses that represent new styles of working

In Part I, we looked at the diversity of micro businesses. Along this line, this chapter will introduce case studies of the diverse working styles of micro businesses divided into three themes: dual occupations and side businesses, working styles for achieving self-realization, and working styles that agree with life events.

Fig. 3-2-1 Overview of Part III, Chapter 2

Chapter 2 Micro businesses that represent new styles of working

The activities of micro businesses take diverse forms. There are clearly many alternative ways of working.

Section 1 Dual occupations and side businesses

—Many micro businesses have emerged from dual occupations or side businesses. They are new and important alternative working styles and a source of economic revitalization that leads to new demand and employment—

- Case 3-2-1 Masashi Yoshikawa of Mayoisen
- Case 3-2-2 Kota Isomura of IGU Consulting
- Case 3-2-3 Noriyuki Sato
- Case 3-2-4 Ryoichi Nakamura of Kyosei Kiban Inc.

Section 2 Working styles for achieving self-realization

—Realization of rewarding work based on specialized skills and desirable styles of working—

- Case 3-2-5 Takeshi Kai
- Case 3-2-6 Momoko Saito of Kakan Design

Section 3 Working styles that agree with life events

—There are diverse working styles that embrace such life events as compulsory retirement, having a child, raising a child, etc.—

- Case 3-2-7 Yukiko Yoshieda of Sophit Web Consulting Co., Ltd.
- Case 3-2-8 Katsuyoshi Kawai of ASK (Arrow Supply Chain Coordinating)
- Case 3-2-9 Polaris Inc.

Section 1 Dual occupations and side businesses

Case 3-2-1 Masashi Yoshikawa of Mayoisen

Synergy-producing work style achieved by conducting side work along with core business

An employee of CrowdWorks Inc., Masashi Yoshikawa is in charge of doing contract work involving video and photo content production. He is in charge of defining requirements and then introducing work to the company's roughly 1.74 million registered users (workers). At the same time, as a representative of multimedia content production circle Mayoisen, he does side work in content production.

He previously worked for an animation production company and was involved in directing¹⁾ TV animations and other content. Partly because of a personal interest, he started up Mayoisen to make his own animation productions together with fellow creators he had met in his career. Creating animations requires numerous skills, and many creators wanted to improve their abilities and gain experience by pouring energy into making works that would give them new skills in the process. Recognizing that a part of a creator's job involves waiting for approval before works are delivered to the client, Mr. Yoshikawa decided to make a business out of providing work to these creators during this "downtime" to improve their skills and deepen their experience.

Leveraging his own personal connections, through Mayoisen he began taking on the kind of production work his creators wanted to do and allowed them to make effective use of their "downtime" by giving them this work. This allows creators to not only tackle desirable work that will improve their skills but also increase the income made in their free time.

After moving to CrowdWorks Inc. in 2015 and pressing pause on Mayoisen business for a time, in 2016 CrowdWorks implemented "Hatakaku," an HR program that allows its employees to conduct side business. This prompted him to resume Mayoisen work on mainly Saturdays and holidays.

With a roster of hundreds of registered creators, Mr. Yoshikawa is now engaged in managing the entire range of production work, from work requirement definition to product delivery. And the creator's perspective he acquired doing side work resonates in dealing with customers in his main business. His side business activities are positively impacting his main business.

Mr. Yoshikawa says, "That I continue to do what I do is because of a strong drive to make a difference in the animation industry. In the future, I'd like to evolve Mayoisen into a platform that allows its members to voluntarily teach each other while producing content."



Masashi Yoshikawa



A Mayoisen piece (top) and office (bottom)

1) The work involves managing the entire production process. This begins with getting an overall view of the customer's order and defining requirements, and includes editing and product delivery after assigning creators who perform work such as sketching, coloring, providing voice work, and game programming, and then managing their schedules.

Case 3-2-2 Kota Isomura of IGU Consulting

Launched as a side business, IGU Consulting contributes to his main job by letting him expand his career

Kota Isomura runs IGU Consulting (a sole proprietorship) as a side business while also working for a large manufacturer. In January 2017, Isomura launched the business to provide business support to a dressmaking school operated by his family. He has also been researching parallel careers²⁾ at a graduate school since April 2017. He now does three things at once: conducts research, works at a company, and runs a side business.

Isomura launched his side business out of a desire to expand his career by doing several things at once. As one way to “help bring about a society where every working person looks forward to the work they do now,” which is his own life vision, he is currently adapting his business to focus on providing career counseling for individuals. The business centers on alleviating career-related feelings of uncertainty felt by business people in mainly their late 20s and early 30s, and helps them take the next step forward. Specifically, it helps customers to reflect on their own careers and put into words the vision they have for their future career.

Isomura’s current order of priorities is (1) his main job, (2) research at the graduate school, and (3) running his side business. He says that by assigning priority and balancing how he uses his time, he has never run into any significant problems doing so many things at once. By keeping the running costs of his side business to only ¥90 a month for email fees, he is able to flexibly manage the time spent on the business.

The advantages of doing a side business are being able to engage in a wide range of activities and, in the process, foster a diversity in skills and ways of thinking. Using the skills he acquires through his side business for his main job, he reforms how work is done at the company and plans and executes workshops on career visions for middle managers, among other activities. Having a secondary career allows him to bring his best to the company he works for.

Mr. Isomura says, “Having a side business to my name is precisely why I am able to do so many different things professionally. Not limiting my work to one sphere of activity improves my value and gives me more freedom. I will continue to pursue parallel careers.”



Kota Isomura

2) In his 1999 book *Management Challenges for the 21st Century*, Peter Drucker discusses the concept of “parallel careers” in the context of how people have come to live longer than companies and should therefore not rely solely on organizations and instead begin separate second careers to bring us into a new world.

Case 3-2-3 Noriyuki Sato

Motivated by experiences at his job to begin running a business that stimulates the local economy

While working as a Leader of the PR and CSV Development Department and Regional Sales Department at ROHTO Pharmaceutical Co., Ltd., Noriyuki Sato is going to launch a new company as a side business in the forest industry in Urahoro Town, Hokkaido.

Mr. Sato had previously worked in stimulating the local economy as an employee of ROHTO Pharmaceutical. As a means of helping with reconstruction following the Great East Japan Earthquake, he endeavored to support the fishery industry in Tohoku's coastal region. For six months boarded fishing boats every day and built trust with fishermen. While he did not begin with any particularly strong interest in stimulating the local economy, his interest grew the more he interacted with the community.

His efforts to stimulate the local economy in Urahoro, Hokkaido began from a discussion with an employee at Yahoo Japan Corporation, which had been another organization helping with reconstruction in Tohoku. Another tailwind was the fact that Urahoro was a region for which there was robust government support for local economy revitalization. Mr. Sato took part in the Urahoro Work Camp, which sought to advertise the charm of the region and create new business. ROHTO Pharmaceutical employees, Yahoo Japan employees, and local businesses were divided into five groups that then put their heads together to solve their own local issues. When the proposed solution from Sato's group was deemed to have business viability, he decided to launch his business in June 2018. With approval from his employer, ROHTO Pharmaceutical, to run his side business, he has been tending to this business mostly on his days off.

The new company will handle the A to Z of forest industry business, from upstream to downstream. One problem facing the industry was its inability to sell domestically-produced Japanese larch and Sakhalin fir trees for more than roughly ¥5,000 per tree, despite the trees being 50 years old. Even though forest industry workers excel at producing high quality timber, many lack expertise in selling. By looking at situations from companies' perspectives and performing brand building for local timber, Sato's company will seek to improve the added value provided by the region's forest industry. Among other things, he is now considering how to coordinate with architects, develop more uses for timber, and establish a point of contact for direct timber sales.

While he has a strong interest in stimulating the local economy, he says that he does not plan to focus solely on such efforts. He believes there is value in simply having two jobs done at completely different places and involving completely different work. He is able to take the experience and personal connections gained from deciding and executing under resource constraints in his secondary job and put them to use in his main job.

Mr. Sato says, "My side business is allowing me to gain experience I could not get from just working at a company. In particular, making decisions with limited resources is experience that can only be gained in the startup phase of a business. For the sake of my side business, as well, I am careful not to let this secondary work disrupt my main job. I also plan to leverage the experience I gain through my side business to make greater achievements for ROHTO Pharmaceutical."

Case 3-2-4 Ryoichi Nakamura of Kyosei Kiban Inc.

An executive at a micro business handling M&A brokering also works as a manager at a listed company attempting to get into the M&A brokering business

Ryoichi Nakamura is expanding the business of Kyosei Kiban Inc. (employees: none; capital: ¥5 million), a small merger and acquisition brokering company, as its executive, while at the same time serving as Investment Planning Department Manager at Sawada Holdings Co. Ltd., a company listed on the TSE's JASDAQ market.

After he graduated, Mr. Nakamura worked for a lease company, a bank, and other organizations where he acquired expertise in finance. These years also afforded him opportunities to experience the work involved in M&A business, and he became deeply interested in business restructuring through M&A. Mr. Nakamura realized that, due to the especially small number of brokers handling small-scale M&A, there were many micro businesses that needed support in this regard. After getting more specialized experience at a consulting firm handling M&A business for SMEs, in 2008 he launched Kyosei Kiban Inc. with a mind to support M&A conducted by micro businesses.

Since the company was founded, he has visited between 200 and 300 small businesses a year and proposed M&A plans. Kyosei Kiban builds trust with the sellers or buyers and proposes M&A based on its customers' needs. The company has so far brokered 17 M&A.

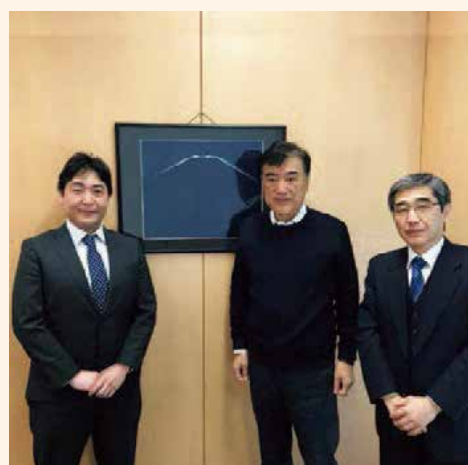
Business was good 10 years after the company's founding, and Mr. Nakamura received an offer from Sawada Holdings, which was considering getting into the M&A brokering business, to take him on as a manager for the business. Thinking that he would be able to greatly improve his finance skills, achieve synergy between Kyosei Kiban's M&A business, be able to respond to a variety of customers' needs, Mr. Nakamura accepted the company's offer to make him Investment Planning Department Manager as a side job.

Now, outside of going to meetings and otherwise working on whatever he is needed for at Sawada Holdings about two days a week, Mr. Nakamura is able to work as he sees fit. Kyosei Kiban functions as an advisory and reception desk for M&A projects, with all practical operations conducted by Sawada Holdings. By leveraging Sawada Holdings's broad customer network and goodwill with listed companies, he is now able to provide a broader range of potential matches for his Kyosei Kiban customers.

Mr. Nakamura says, "At micro businesses in Japan, there are many executives having difficulty keeping business going, despite being organizations that everyone needs and wants, and having room for growth. This is because of things like population aging and a lack of suitable successors. My goal is to continue supporting as many of these executives as possible by effectively utilizing Sawada Holdings's corporate resources to make more timely proposals that provide greater added value."



Ryoichi Nakamura attending a meeting



Nakamura (left), Sawada Holdings Chairman Hideo Sawada (center), and Sawada Holdings President Etsuto Uehara (right)

Section 2 Working styles for achieving self-realization

Case 3-2-5 Takeshi Kai

A freelancer doing brand building to stimulate the local economy

Takeshi Kai works as a freelance creative director in Tokyo's advertising industry. Since going back to live in his hometown, Katano City, Osaka, he has worked for companies while also branching out into things like brand building for local projects.

Prior to freelancing, he worked for a large advertising agency in Tokyo. He built up a considerable track record, working on many advertisements for large confection and beverage manufacturers and winning numerous awards.

In 1998, inspired by a coworker's change of career in an effort to self-actualize, he set off on his own as a freelancer. At the time, the word freelance and the working style it implied were not yet mainstream. In the advertising and mass media industries, it was commonplace for each project to have different members, allowing people to elect to use their own skills and become independent.

To live with his elderly parents, he moved his office to his hometown of Katano in 2011. Even after moving back to his hometown, he continued to work as a freelancer and for Kansai-based companies doing brand building and other work.

It was then that he was asked at the local meeting by then Katano mayor to propose a means of revitalizing the local economy, an effort that Katano had never attempted. After considering ideas from highly active community colleges in Tokyo and other areas, he proposed a community college for Katano named Katano Orihime University. The project was launched in fiscal 2013 with public and private support. Mr. Kai worked as executive producer. While the project was discontinued as a city project after the election of a new mayor in 2014, he continued the project with cooperation from local businesses and like-minded individuals.

Mr. Kai says that his work on the Katano Orihime University Project taught him new things about working with the community and showed him the appeal of regional revitalization efforts. Freelancing allows him to use his time flexibly and interact with the community in a number of ways. He entrusted Katano Orihime University project production to a successor in April 2018, and has since been involved in city promotion support activities in response to a new offer from outside the city. He now plans to also take part in brand building and other work for local enterprises.

Mr. Kai says, "Along with expanding my sphere of work as a freelancer through Katano Orihime University activities, I've built up a network of people I would never have met working as a creative director. I hope to leverage the skills and network developed through Katano Orihime University activities to bring vitality to enterprises and local community."



Takeshi Kai



Giving a talk at an elementary school

Case 3-2-6 Momoko Saito of Kakan Design

A freelancer pursuing a career while leveraging strengths gained from starting up two companies and working for a corporation

Momoko Saito started up a design company together with a classmate after graduating from a technical college. She later worked as a company employee and now does freelance design.

Her motivation for launching the first company dates back to when she was a technical college student in her hometown of Kyoto. Her design college put an emphasis on academic-industrial cooperation and focused more on practical learning than classroom learning. As part of their studies, students had the opportunity to plan and make walk-in sales, etc. to companies and after receiving orders design and print products, experienced all the process till delivery.

This experience gave her a sense of the impact of and potential for design in corporate activities. Together with a like-minded classmate, she launched a design office named Mebic Ogimachi (Osaka, Osaka Prefecture) that provides support to creators. She went through a number of hardships in the early days of the business. Having no business track record made it difficult to get orders, despite advertising herself to companies. She had also started the business without any understanding of finance, accounting, or other aspects of business management.

Driven by a passion to attempt any challenge, she did a wide range of work. One day, however, a senior colleague told her that "being able to do anything is the same as being able to do nothing." Reflecting on how she had become absorbed in her work but wanted to further improve her skills and the quality of her designs, she closed down the office at the age of 25 and made the decision to get more education as a designer.

To gain experience, she worked for a firm undertaking company magazine and poster design for a large communications company in Osaka. After working for a design office in Tokyo, she found employment at another Tokyo firm that handled interior design for retail stores. She fell into ill health from overwork the first time she went freelance, prompting her to take a greater interest in health and beauty. While doing work in these industries, she developed greater confidence in doing design work for the women's market. After later returning to her hometown of Kyoto, in 2015 she launched her second independent contractor business, Kakan Design.

Now, Kakan Design mainly creates graphics, package designs, and plant illustrations for manufacturers of cosmetics, knickknacks, foods, and other enterprises targeting the women's market. She considers the creation of illustrations a means to improve her design skills and displays her works – mostly illustrations of plants – at exhibitions and other events.

Ms. Saito says with enthusiasm, "Compared to my first enterprise, my expertise in health, beauty, and other women's markets has seen my second enterprise find more clients that need this expertise. It has also been more rewarding and satisfying. Improving my expressiveness, continually honing my expertise, and doggedly pursuing goals I set when going solo are things that I believe will contribute to my clients' satisfaction."



Momoko Saito



Saito's works, and her works on display in-store

Section 3 Working styles that agree with life events

Case 3-2-7 Yukiko Yoshieda of Sophit Web Consulting Co., Ltd.

A business owner that, motivated by life events such as her husband's job transfer, childbirth, and child rearing, launched a consultancy enterprise supporting female entrepreneurs and others

Yukiko Yoshieda established Sophit Web Consulting (employees: none; capital: ¥5 million) in Yokohama, Kanagawa Prefecture. The business provides business consulting services to female entrepreneurs, entrepreneurial hopefuls, and micro businesses, among others and web content creation services.

After graduating from college, she went to work for a large electronics manufacturer where she gained IT experience through work involving mostly the design and development of educational software for elementary school children in Tokyo. She later got married, a circumstance that saw her reassigned to a sales office in Kansai where her husband worked. After having her first child at 29 and returning to work, it became more and more difficult for her to balance childcare and work while building her career.

The birth of her second child prompted her to change jobs to an IT company that allowed its employees to work from home three days a week. It was here that she built up IT experience. When she later had third child and her husband was reassigned to Shizuoka, she was able to continue working completely from home as a company employee. However, she said that working completely from home meant she had few opportunities to be appreciated directly by customers and coworkers, and had some difficulties for working. It was around this time that SOHO Shizuoka, a facility offering support services to entrepreneurs and industry, opened in Shizuoka. While attending events such as female entrepreneur seminars and engaging in public relations activities, webpage design, and other work, she gradually became interested in starting up an enterprise using IT.

When she was 37, her husband received word that he would be transferred to Yokohama. She then quit the IT company she had worked at for so long and took a job at an entrepreneur consulting firm, then went to work for an affiliate school after that. While deepening her expertise in entrepreneur support and knowledge of getting customers online, she developed a strong desire to support female entrepreneurs. This prompted her to start her own sole proprietorship at the age of 40, which she later incorporated.

Her busy schedule now finds her attending entrepreneur seminars held by several public start-up support organizations, conducting individual consultations, and fielding requests for specialist dispatches. For the many female entrepreneurs and micro business owners have trouble finding customers, Ms. Yoshieda considers how to create products and business models that will succeed based on the business's strengths and the tide of the times. She then provides a full spectrum of support, up to building websites that serve as tools for getting customers. She handles the web design work herself, hiring no employees but making use of outside contractors.

Ms. Yoshieda says, "Starting your own business provides numerous opportunities for women who are going through child care, elderly care, and other such life events and who want to continue working. My next goal is to systematize my knowledge and support women's entrepreneurial efforts with an entrepreneurship school, entrepreneur support courses, and other original content. There are also many entrepreneurs with good products and services that make some people happy but that are not being effectively advertised, and I want to help them get the word out. Giving back to the world through such activities is my mission."



Yukiko Yoshieda



Teaching at a women's entrepreneurship school

Case 3-2-8

Katsuyoshi Kawai of ASK (Aero Supply Chain Coordinating)

Supporting air travel supply chains for SMEs as a second career following retirement

Upon retiring from a 40 year career, Katsuyoshi Kawai launched a second career when he founded his sole proprietorship, ASK, in Inazawa City, Aichi Prefecture. He provides consulting services to SMMs looking to start or expand business in aviation.

Through a long career in aircraft manufacturing for a large heavy machinery manufacturer, Mr. Kawai acquired a broad range of knowledge concerning things such as production engineering, management, exports, and contracts. For a time, he also worked in the U.S. and Brazil building supply chains and personal connections.

When he was transferred to an affiliated company in 2008, he was put in charge of HR development in the company's aviation segment. This saw him travel around Japan to aviation clusters that had begun to appear, and he gave talks and provided coaching. This experience helped him realize how the knowledge and personal connections he had built up over 40 years could benefit SMEs seeking to get into aviation manufacturing business.

Since his founding of ASK in January 2015 on the occasion of his retirement, he has been working as a freelance aviation consultant, which includes working as a Chubu Aerospace Industrial Technology Center Coordinator and a specialist for the SME Agency's Mirasapo. In response to requests from groups and enterprises around Japan, Mr. Kawai gives talks on mainly supply chain development in the aviation industry. In addition to these talks, he also visits SMEs nationwide to give advice on how to improve these enterprises' aviation-related businesses.

Furthermore, to advance the aviation industry itself, he sends out an email newsletter to company and administration personnel translated into Japanese that provides the latest information on aviation trends around the world. As of the end of 2017, he had sent out 610 newsletters and enhanced the industry knowledge of more than 2,200 newsletter recipients.

Mr. Kawai says, "Working freelance as a second career has allowed me to do things for the entire industry, which is not something I could have done working at a large enterprise. SMEs need the expertise of those who have worked at large enterprises, and I will continue bettering myself so that I can continue to be of even some small assistance to SMEs."



Katsuyoshi Kawai



Aviation Industry News email newsletter

Case 3-2-9 Polaris Inc.

A micro business helping to achieve working styles for women leading various lifestyles

Polaris Inc. (employees 3 (directors); capital: ¥1.3 million), located in Setagaya City, Tokyo, is a micro business that helps achieve various working styles for women according to going through lifestyle changes such as child care and elderly care.

Polaris Inc. founder and director Nozomi Ichikawa decided to help local working mothers raising children using her own child rearing experience and through activities of an NPO that provides child care support which she established before Polaris was founded. In 2011 she launched Coworking Space Cococi as a place for child-rearing mothers to communicate with one another, then founded Polaris Inc. in February, 2012.

Polaris provides contract services that enable a variety of working styles to women unable to find adequate time to work due to child care or other obligations. With about 300 registered contractors, the company does administrative work for local businesses and provides services that can be done from home, including data entry and translation. The company also utilizes social media to enable contractors to help each other with their work should someone's child suddenly come down with a fever, for example. Through social media and Cococi, women raising children can discuss mainly work-related issues with one another. This also provides opportunities for them to consider future career possibilities.

The company is also changing how its registered contractors approach work according to their current life stage. Polaris conducts entrepreneur courses for women whose children are now old enough and looking to start a business by leveraging their area of expertise. After taking these courses, some women have coordinated on certain work through Cococi and even started up companies as a team. By providing a place for child-raising women to work, Polaris serves as a platform for nurturing people into becoming entrepreneurs.

Ms. Ichikawa says, "In recent years, how businesses are begun has changed along with how we live our lives. As working styles diversify, Polaris will continue providing support to mainly child-raising generations to allow them to choose the optimal working style based on their individual life situations. Through our activities, we hope to be a force for changing how society works for the long-term.



Nozomi Ichikawa



Mixing at a retreat event

Small enterprise policies implemented in fiscal 2017



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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 2017 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 business by more proactively taking advantage of their conventional face-to-face relationships with customers -

Small enterprises are facing reduced demand from structural factors in the Japanese economy and society including population decline and lifestyle changes. Moreover because of limitations on funds, personnel, product development capacity and other management resources, small enterprises have weak price competitiveness and sales abilities, and are easily influenced by structural changes.

On the other hand, because of their strengths in transactions based on face-to-face relationships of trust, small enterprises have the potential to develop new demand inside Japan and overseas by grasping needs to which large enterprises cannot respond, and developing and providing various products and services that are not caught up in price competition. Additionally, with the spread of IT, the potential for activities beyond existing business regions is expanding even for enterprises that are small scale. To maximize such potential response of small enterprises to structural changes, promote systematic management anticipating demand which grasps enterprise strengths, creates and cultivates demands, makes greater use of IT, and develops and provides new products and services.

Section 1 Enhancement of productivity improvement and technological capacity

1. Strategic Core Technology Advancement Program and support program for collaborative efforts [Fiscal 2017 budget: ¥13 billion]

Support was provided for R&D initiatives that SMEs and micro businesses having an approved R&D plan under the SME Technological Advancement Act implement in cooperation with universities, public research organizations, and other such R&D institutions.

Support was also provided to SMEs and micro businesses in their effort to develop a new service model based on industry-academia-government collaboration, in line with a cross-field collaboration plan for cultivation of a new business field that has been approved under the Act on Strengthening the Management of SMEs, etc. (Ongoing)

2. Support program for enhancement of management capacities in the manufacturing, trade and services industries [Fiscal 2017 supplementary budget: ¥100 billion]

To build a robust economy, support was provided to cover part of the capital investments made by SMEs and micro businesses for the development of innovative services that could contribute to productivity increases, the development of trial products, and the improvement of productivity processes. (Ongoing)

3. The National Institute of Advanced Industrial Science and Technology (AIST)'s bridgebuilding initiatives for medium enterprises and SMEs

AIST supported the R&D initiatives of medium enterprises and SMEs by establishing a nationwide framework of cooperation such as through the appointment of an AIST innovation coordinator in public research organizations that possess knowledge of the needs of regional medium enterprises and SMEs, and by strengthening capacities to “bridge” innovative technology seeds of regional enterprises with commercialization initiatives. (Ongoing)

4. Comprehensive support for enhancement of core manufacturing technologies among SMEs

Comprehensive support was provided through the Strategic Core Technology Advancement Program and special loans and guarantees to SMEs and micro businesses with approved specific R&D plans that had been formulated in accordance with the advancement guidelines under the SME Technological Advancement Law. Furthermore, advancement policies were reviewed to promote SME initiatives to convert their strengths to added value through the use of IoT, AI and other such new technologies. (Ongoing)

5. R&D promotion tax system (for strengthening the technological bases of SMEs) [Taxation scheme]

Under the fiscal 2017 tax reform, the scheme that provided a tax credit to SMEs, etc. in accordance with the total cost of testing and research expenses was revised to a scheme that provides a tax credit (12% -

max.17%) in accordance with the amount of increase in testing and research expenses (6% - 14% for large enterprises), and a measure was also taken to increase the upper limit of the tax credit 10% in cases where the amount of increase in testing research expenses exceeds 5%. Meanwhile, “service development” that corresponds to the Fourth Industrial Revolution was added to the business areas whose testing and research expenses are eligible for a tax credit. Furthermore, the scheme that provides a tax credit in accordance with the total cost of special testing and research expenses (cost of testing and research performed jointly or entrusted to a university, national research institution, private company, etc.) and the tax scheme that deducts an amount calculated by multiplying a fixed rate to the excess amount in cases where the amount of testing and research expenditure exceeds 10% of average sales were continued to be offered. (Ongoing)

6. Support under the Small Business Innovation Research (SBIR) Program

The provision of central government-allocated R&D spending for SMEs and micro businesses was expanded and the commercialization of the results of technological development activities was 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. (Ongoing)

7. Cross-field collaboration for new business development

Pursuant to the Law Concerning Measures for the Promotion of Creative Business Activities by Small and Medium Enterprises, authorization and subsidies were provided for business plans that aim to develop and market new products and services by effectively combining the management resources (technology, markets, etc.) of SMEs in different sectors, in addition to providing wide-ranging support through special loans and guarantees. (Ongoing)

8. Program to promote business creation through medical-engineering collaborations [Fiscal 2017 budget: ¥3.45 billion]

To promote the network for supporting the development of medical equipment and to provide seamless support from the initial stages of development to commercialization, accompanying-style consultation was provided to approximately 100 collaboration initiatives (cumulative total of approx. 500 initiatives since commencement of the program). Support was also provided for the commercialization of 39 items of medical equipment through a development and commercialization program, to promote the development of medical equipment through collaborations between manufacturing SMEs and medical institutions. (Ongoing)

9. Enterprise vitality enhancement funding (for manufacturing industries) [Fiscal investment and loan program]

Japan Finance Corporation (JFC) provided loans manufacturing SMEs having an approved R&D plan under the SME Technological Advancement Act. In fiscal 2017 (as of the end of December 2017), loans worth ¥75 million were provided to 2 undertakings. (Ongoing)

10. Act for Strengthening the Management of SMEs, etc.

Measures were taken to provide taxation and financial support to SMEs that have formulated an approved management capability enhancement plan based on the Act for Strengthening the Management of SMEs, etc., such as through the scheme for reducing the fixed assets tax (reduction by one-half over a period of three years) and the loan system of the Japan Finance Corporation (a 0.9% cut from the base interest rate for equipment funds). Additionally, under the FY2017 tax reform, the scope of the scheme for reducing fixed assets tax, for specified regions and industries was expanded to include equipment, fixtures and building accessories. As of the end of December 2017, the scheme has been applied to 44,602 SMEs. (Ongoing)

11. Taxation scheme for strengthening the management of SMEs [Taxation scheme]

A measure was taken to provide SMEs that have an approved plan under the Act for Strengthening the Management of SMEs, etc. an immediate depreciation deduction or a 10% tax credit (7% for enterprises with a capital of more than ¥30 million) for their acquisition of facilities needed to strengthen their management capabilities. (Ongoing)

Section 2 Promotion of IT

1. Investment and loan program for computerizing governmental financial institutions (IT utilization promotion fund) [Fiscal investment and loan program]

The JFC provided loans to SMEs to promote the utilization of IT that would contribute to increasing their productivity. Particularly in light of slow investments in security, a measure was taken to reduce the interest rate on loans to enterprises that implement information security measures accompanying IT investments, beginning in fiscal 2017. (In fiscal 2017, loans worth ¥5.13 billion were provided to 391 SMEs (as of the end of December 2017).) (Ongoing)

2. Support program for introducing IT to increase standardization and productivity in the regions [Fiscal 2017 supplementary budget: ¥50 billion]

To increase SME productivity, support was provided for the introduction of IT that contribute to increasing efficiency in back-office operations and enhancing added-values toward acquiring new customers (increasing sales) (amount of subsidy: ¥150,000 – ¥500,000; subsidy rate: 1/2). Additionally, to correct the asymmetric information between IT businesses and SMEs/micro businesses, competition among IT businesses was promoted by disclosing IT tools that also ensure safety and the achievements of businesses that provide those tools. Through the visualization of effective tools and the establishment of schemes for the collection and lateral application of know-how, SMEs and micro businesses were encouraged to accelerate IT investments toward increasing Japan's productivity as a whole. (Ongoing)

3. Support program for management of SME and micro business settlement information [Fiscal 2017 supplementary budget: ¥0.4 billion]

Discussions were begun regarding a framework for demonstrating the efficiency of using IT in settlement operations, from the receiving of orders to making payments, and for disseminating the use of IT to nationwide SMEs. (New)

Section 3 Support for market and demand cultivation

1. Program for promotion of micro business support [Fiscal 2017 budget: ¥4.94 billion]

Support for micro businesses was promoted through the “accompaniment” style of support provided by societies and chambers of commerce and industry in line with management development support plans that are certified based on the Revised Small Business Support Act, and support was provided for the formulation of business plans and market development in consideration of demand by micro businesses (no. of undertakings selected: 908).

To encourage business expansion by regional micro businesses aiming to target nationwide markets, societies 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: 67; production businesses: 40 (first year) and 28 (second year)). (Ongoing)

2. Package programs for support of micro businesses

[Fiscal 2017 supplementary budget: ¥12 billion]

Support was provided to micro businesses for the cost of creating a management plan and cultivating markets in concert with societies and chambers of commerce and industry (micro business sustainability subsidy). Micro businesses were supported in their initiatives to create a management plan through the use of locally-based societies and chambers of commerce and industry that possess a nationwide network, and subsidies were provided to cover the costs of cultivating markets based on the management plan (micro business sustainability subsidy). Support was also provided to help micro businesses cultivate wide-area markets beyond their existing trade area by organizing specialty product fairs and business meetings and promoting sales via antenna shops and online sales. Furthermore, to strengthen the management capabilities of micro businesses, support was provided to an initiative to dispatch supervisors from nationwide organizations to provide guidance and education toward raising the supporting abilities of management advisors. (Ongoing)

3. Support for cultivation of markets through exhibitions, business meeting events, and other events

SMRJ provided support for the development and expansion of markets for products and services developed by SMEs and micro businesses through agricultural-commercial-industrial collaborations or by using local resources, by organizing exhibitions, business fairs, and other such events. (Ongoing)

4. Market Development Coordination Program

Market development experts with experience of working at trading companies, manufacturers, etc. (“market development coordinators”) assigned to SMRJ helped SMEs with newly developed products, technologies, and services gain a foothold in new markets and acquire the capacity for market cultivation through the implementation of test marketing activities in the wider Tokyo and Kinki regions. (Ongoing)

5. Support program for market cultivation

The SMRJ supported the market cultivation initiatives of SMEs and venture enterprises by promoting business match-ups between enterprises participating in SMRJ-sponsored trade fairs or concurrent events and buyers, and providing advice. (Ongoing)

6. Support for creation of new businesses

Close, integrated support was provided to SMEs and other entities engaging in new business by stationing experts in marketing and other areas of business in SMRJ's 10 branches and offices across Japan to help formulate business plans based on the Act for Strengthening the Management of SMEs, etc., the Regional Resource Utilization Promotion Act, and the Agricultural-Commercial-Industrial Collaboration Promotion Act. (Ongoing)

7. J-GoodTech

The SMRJ provided support to SMEs seeking to cultivate markets in and outside of Japan, by connecting them to major domestic manufacturers and overseas enterprises via a website that posts information about Japanese SMEs boasting top-niche and only-one technologies and products. (Ongoing)

Section 4 Support for overseas expansion**1. Global alliance support with medium enterprises and SMEs in Japan**

To support investment tie-ups between medium enterprises and SMEs in Japan and foreign enterprises, a framework was established in which JETRO acts as an intermediary in conveying the requests of foreign enterprises to relevant institutions such as the SMRJ, matching medium enterprises and SMEs in Japan with foreign enterprises, and promoting the utilization of public and private funds. (Ongoing)

2. Program for supporting overseas expansion by SMEs and micro businesses

[Fiscal 2017 budget: ¥2.39 billion]

To support overseas expansion by SMEs and micro businesses, the SMRJ and JETRO collaborated in providing strategic support through measures that respond to their needs at various stages of overseas expansion. They included support for the cultivation of overseas companies through the provision of information on overseas market trends and regulations, implementation of feasibility studies, and establishment of an export framework, as well as support for participation in trade fairs in Japan and overseas, support for the cultivation of overseas markets by inviting overseas buyers to Japan, dissemination of the certificate of origin system based on economic partnership agreements, local support once companies advanced overseas and support for the formulation of business restructuring plans. (Ongoing)

3. JAPAN Brand Development Assistance Program [Fiscal 2017 budget: Included in ¥1.35 billion]

To facilitate overseas expansion by SMEs, support

was provided under this program such as for the formulation of strategies built on collaboration among multiple SMEs and the strengths of those SMEs (raw materials, technologies, etc.), product development based on those strategies and participation in overseas trade fairs. (Ongoing)

4. Funding for overseas expansion and business restructuring operations

[Fiscal investment and loan program]

Loans were provided by the JFC to assist with the funding of SMEs that for business reasons need to expand overseas or restructure their overseas business to adapt to structural economic changes. (Ongoing)

5. Support for overseas subsidiaries to obtain capital, etc.

Where overseas subsidiaries of SMEs whose management plan was approved under the Act for Strengthening the Management of SMEs, etc. have loans from local financial institutions, the JFC provided guarantees (issued standby credits) for those loans and also provided support for the procurement of funds by those overseas subsidiaries. (Ongoing)

6. Global Niche Market Top Support Lending Facility [Fiscal investment and loan program]

To support strategic overseas expansion by medium enterprises and SMEs who are aiming to make a global impact by excelling in a specific field (global niche leader enterprises) and such candidate companies and SMEs, the Shoko Chukin Bank provided long-term, lump-sum repayment and successful interest payment-type loans under the Global Niche Market Top Support Lending Facility. Loans worth a total of ¥580 million were provided to 7 enterprises in fiscal 2017 (as of the end of December 2017). (Ongoing)

7. Program for cultivation of emerging markets based on technical cooperation [Fiscal 2017 budget: Included in ¥4.17 billion]

The following three initiatives were implemented to support Japanese companies acquire emerging markets. (Ongoing)

- (1) Support was provided to managers and engineers in developing countries who engage in management, manufacturing, operations, etc., by offering training programs in Japan and guidance by dispatched experts. In fiscal 2017, a training program was held for 995 managers and engineers, and 55 experts were dispatched (as of the end of January 2017).
- (2) To resolve the lack of "global human resources" who will play central roles in overseas expansion initiatives, which is an issue among medium enterprises and SMEs, young Japanese workers were given opportunities for overseas internships, and foreign workers were given opportunities for internships in Japanese companies.

In fiscal 2017, 62 young Japanese workers were sent overseas, and 120 foreign workers were received by Japanese companies.

- (3) Support was provided to Japanese companies engaging in the development of products and services that resolve social issues in developing countries in collaboration with universities, research institutes, NGOs or other companies in developing countries. Subsidies were provided to 7 projects in fiscal 2017.

8. Utilization of the private-sector collaborative volunteer program and matchups with returned JICA volunteers

[Fiscal 2017 budget: ¥160 million]

The Japan International Cooperation Agency (JICA) worked toward developing personnel capable of active involvement in the global community by utilizing the private-sector collaborative volunteer program to dispatch employees of private-sector enterprises to developing countries as Japan Overseas Cooperation Volunteers (JOCV) and JOCV Senior Overseas Volunteers in response to the needs of each enterprise. Additionally, to support the employment of returned JICA volunteers, match-ups were promoted between personnel with expert knowledge of a certain developing country and enterprises seeking such personnel. (Ongoing)

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 acquire and bear the cost of acquiring credit information on business partners that is required for rating SMEs that wish to use trade insurance. Up to three credit checks had been provided for free since 2008, but the number was increased to eight in fiscal 2015. (Ongoing)

10. Activities to expand and publicize use of trade insurance by SMEs (seminars, consultation events, etc.)

To promote the use of trade insurance by SMEs, the NEXI website for SMEs was renewed. Instructors from NEXI were sent to lecture in seminars hosted by JETRO and other such organizations and study meetings of affiliated regional banks to raise awareness and encourage wider use of trade insurance. These information sessions aimed to promote greater understanding and dissemination of trade insurance mainly by introducing the exports payment insurance for SMEs and the agriculture, forestry and fisheries industry using videos and manga pamphlets to facilitate better understanding. (Ongoing)

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. The numbers of cooperating institutions have increased yearly, and in fiscal 2016, a Credit Union Network was established with the participation of credit unions. In fiscal 2017, the addition of a total of 3 new banks and credit unions led to the creation of a network of 117 nationwide financial institutions (as of February 2018). (Ongoing)

12. Support for security export control

To ensure effective security trade control based on the Foreign Exchange and Foreign Trade Act, information sessions for companies were held in approx.100 locations throughout Japan. Additionally, support was provided for the development of voluntary administration structures for security trade control at SMEs that engage in export and the provision of technology, through schemes such as the one-stop general support program for SMEs and micro businesses and the dispatch of specialists in collaboration with the SMRJ and JETRO. (Ongoing)

13. Promotion of BOP business

To promote “base of the pyramid” (BOP) business and volume zone business, JETRO provided support to individual enterprises as appropriate to their business phase, by using local coordinators. Additionally, buyers from South Africa, Kenya, Côte d’Ivoire, Bangladesh and Uzbekistan were invited to Japan to hold consultation/business meetings, and subsequently, missions were dispatched to Myanmar, and local test marketing was implemented in India. In Africa, an acceptability survey was carried out in Nigeria. (Ongoing)

14. Program for basic studies, feasibility studies, dissemination and demonstration (ODA matchup program for SME products and technologies)

[Fiscal 2017 budget: Included in ¥150.5 billion]

This program aims to apply the outstanding products and technologies of Japanese SMEs to the growth of developing countries via ODA, and thereby achieve a balance between the growth of developing countries and economic revitalization in Japan. (Ongoing)

15. Support for overseas expansion by SMEs (provision of equipment that use SME products)

[Fiscal 2017 budget: Included in ¥163.1 billion]

Products from Japanese SMEs are donated to developing countries based on request from their governments and development needs, not only to support the development of developing countries, but also to increase recognition of such products. (Ongoing)

16. New Export Nation Consortium [Fiscal 2017 supplementary budget: ¥4.01 billion]

Support organizations such as chambers and societies of commerce and industry, local governments, financial institutions and JETRO were brought together and 473 experts in various fields were assembled (as of March 9, 2018) to provide comprehensive support to medium enterprises and SMEs aiming to expand overseas, including support for the formulation of business plans to support for market cultivation and local business meetings. (Ongoing)

Chapter 2 Promoting business renovation

Section 1 Support for new business startups

1. Subsidy for business startups and succession [Fiscal 2017 budget: Included in ¥1.1 billion]

A subsidy was provided to entrepreneurs for the cost of starting a business that provides new products or services and creates new demand in the regions. A subsidy was also provided to SMEs attempting to innovate or transform a business on the occasion of inheriting a business, by funding part of the cost needed for capital investment, market expansion or for the closing of an existing business. The startup subsidy required such businesses to create employment for at least one worker during the program implementing period. (Ongoing)

2. Support for businesses that support business startups [Fiscal 2017 budget: Included in ¥1.1 billion]

Support was provided to startup support businesses that engage in business to support startups of designated businesses under the Industrial Competitiveness Enhancement Act, where they provide startup support services based on an approved business startup support plan (also in response to startup needs stemming from dual occupations and side businesses) or undertake initiatives to enhance the quality of their startup support services. (Ongoing)

3. New Startup Loan Program [Fiscal investment and loan program]

Under this program, unsecured, unguaranteed loans were provided by the JFC to persons embarking on new ventures and persons who have just started up in business. (Ongoing)

4. Funding for supporting 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 relaunching their businesses. (Ongoing)

5. Guarantees for founders

To boost lending to startup entrepreneurs by private financial institutions, a guarantee program was implemented, which specifically encourages credit guarantee corporations to provide guarantees to individuals who are starting up in business or who

started up in business less than five years ago. (Ongoing)

6. Fund Investment Program (Startup Support Fund, SME Growth Support Fund)

The creation of investment funds operated by private sector investment companies to stimulate private funds 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 now consists of 100 cumulative funds with a total cumulative investment of ¥182.4 billion invested in 2,532 enterprises (as of the end of March 2017). The SME Growth Support Fund now consists of 94 cumulative funds with a total cumulative investment of ¥611.8 billion invested in 1,174 enterprises (as of the end of March 2017). (Ongoing)

7. Program for strengthening cooperation in the global venture ecosystem [Fiscal 2017 budget: ¥350 million]

Intended for entrepreneurs and potential in-house entrepreneurs who are in charge of cultivating new businesses in large enterprises, this program aimed to develop human resources who could create new businesses from a high perspective, such as with an eye to advancing into global markets or resolving social issues, and create networks with local parties, by sending them to Silicon Valley and other such locations that lead the world as advanced innovation regions. In addition, through the Venture Business Creation Council, composed mainly of entrepreneurs, venture support personnel and large enterprises, the program promoted business matchings and provided forums for creating broad networks, awarded the Prime Minister's Award to venture enterprises that have made a significant contribution to creating innovation, and established a foundation for the creation of new businesses. (Ongoing)

8. Program for discovery of potential entrepreneurs [Fiscal 2017 budget: Included in ¥1.1 billion]

Under this program, business startup schools that offer a certain level of curriculum specified by the government were granted official recognition, and support was provided for the acquisition of basic entrepreneur knowledge. Additionally, a nationwide business plan contest was held from the perspective of discovering potential entrepreneurs and increasing the number of entrepreneurs throughout the regions in

Japan in the future. (Ongoing)

9. Angel tax system [Taxation scheme]

This system assists in the financing of newly founded venture enterprises by individual investors (“angels”) by allowing individual investors who invest in an SME that satisfies certain requirements to receive a preferential treatment on income tax when the individual investor makes such an investment and when shares in that enterprise are transferred. (Ongoing)

10. Taxation measures to promote venture investment in enterprises [Taxation scheme]

This initiative allows companies that invest in a venture enterprise through a venture fund certified by the Minister for Economy, Trade and Industry under the Industrial Competitiveness Enhancement Act (restricted to cases in which more than 50% of the amount invested is invested in venture enterprises located in the regions) to accumulate provisional funding for losses of up to 50% of the amount invested and write off that fund as expenses. From the establishment of the system in fiscal 2013 through to the end of January 2018, nine investment plans based on the venture fund have been approved. (Ongoing)

11. Management Innovation Support Program

Support was provided for new business activities undertaken by SMEs 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 Act on Strengthening the Management of SMEs, etc. (Ongoing)

12. Construction of startup support system in the regions

To promote business startups in the regions, entrepreneurs receiving startup support based on a startup support business plan that has been created in cooperation between a municipality and private startup support business under the Industrial Competitiveness Enhancement Act and approved by the central government were supported in the form of expanded credit guarantees and taxation measures (reduction of registration and license tax by one-half). Startup support businesses were also supported in the form of credit guarantees. (Ongoing)

13. SME and micro business management enhancement loan/guarantee program

[Fiscal 2017 budget: ¥1.6 billion, Fiscal investment and loan program]

JFC provided loans for funds needed to strengthen

the management and fund procurement capabilities of SMEs that engage in business innovation or the cultivation of new fields in cooperation with SMEs in other sectors based on the guidance and advice of a certified business innovation support organization. (Ongoing)

14. Local 10,000 Projects (Subsidies for business generating regional economic activity)

[Fiscal 2017 budget: Included in ¥1.87 billion]

To support the startup of region-based enterprises with large employment absorption capacity by making use of regional assets and funding (drawn from regional financial institutions, etc.) through the collaboration of industry, academia, financial institutions and government, subsidies were granted to cover part of the cost of subsidies provided by local public organizations for expenditure required by private sector businesses at the business establishment phase. (Ongoing)

15. Construction of support networks among female entrepreneurs

[Fiscal 2017 budget: Included in ¥190 million]

To support business startups by women, best practices of support were disseminated through a female entrepreneur support contest, events for spreading the knowledge of entrepreneurship to potential entrepreneurs were held, and a support environment that responds to the wide variety of needs of women was developed, through female entrepreneur support networks that have been created in ten nationwide locations as of fiscal 2016, composed mainly of local financial institutions, industrial support organizations, and startup support organizations. (Ongoing)

16. Lifelong startup support subsidy

[Fiscal 2017 budget: ¥350 million]

To create employment opportunities for middle-aged and older people and promote the realization of a society where people can remain active throughout their lives, a subsidy was provided to middle-aged and older entrepreneurs to cover part of the expenses required to start a business, including the costs of recruiting and employing workers and providing education and training. (Ongoing)

17. Subsidy for business startups and succession (succession)

A subsidy was provided to (1) SMEs engaging in business innovation and (2) SMEs attempting to transform a business on the occasion of inheriting a business (including business succession accompanying business regeneration), by funding part of the cost needed for capital investment, market expansion or for the closing of an existing business. (Ongoing)

Section 2 Support for business succession

1. Small Enterprise Mutual Relief System

The Small Enterprise Mutual Relief System is a system in which small enterprise owners and corporate officers pay installments that are put aside and paid out as mutual relief money when they enter the market or retire from business. It is essentially a retirement allowance system for managers of small enterprises. As of the end of December 2017, the system had a membership of 1.371 million, and as many as 81,000 new members from April to December 2017. (Ongoing)

2. Support program for SME revitalization and business succession (Business succession support)

[Fiscal 2017 budget: Included in ¥6.11 billion]

Business Succession Support Centers established within an approved support organization in each prefecture provided information and advice on business succession to SMEs and micro businesses facing the problem of lack of successor, and also provided support for business match-ups through M&A and other such schemes.

Between April and December 2017, the centers responded to 6,340 consultations and successfully resolved 489 cases. (Ongoing)

3. System of deferral and exemption of payment of inheritance tax and gift tax on non-listed shares (business succession taxation scheme)

[Taxation scheme]

The business succession taxation scheme is designed to help successors acquire shares and other assets in non-listed companies 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 on the premise that the successor who is approved by the prefectural government will continue the business and, in certain circumstances (e.g., the death of the successor), exemption from payment of the tax for a grace period. Approvals to qualify for this scheme commenced in fiscal 2009, and as of the end of December 2017, 1,183 approvals had been granted for inheritance tax and 864 approvals had been made for gift tax. (Ongoing)

4. Comprehensive support under the Management Succession Facilitation Act

The Act on Facilitation of Succession of Management of Small and Medium Sized Enterprises incorporates comprehensive support for business successions, involving special treatment under the Civil Code to resolve the constraints on legally secured portions

of successions. By the end of December 2017, 166 confirmations of qualification for this special treatment had been granted by the Minister of Economy, Trade, and Industry. (Ongoing)

5. Support to facilitate business successions

For wide-ranging and in-depth support for SME business successions throughout Japan, various events were held to provide training for SME support providers and raise SME proprietors' awareness through business succession forums. (Ongoing)

6. Support program for business startups and succession (Program for the creation of business succession networks)

[Fiscal 2017 budget: Included in ¥1.1 billion]

By creating business succession networks in the regions through support organizations based in each prefecture in cooperation with local government bodies, business succession support was provided to 19 regional prefectures. (Ongoing)

7. Support program for business startups and succession (Subsidy for business succession)

[Fiscal 2017 budget: Included in ¥1.1 billion]

To revitalize regional economies from the perspective of promoting generational changes and revitalization of SMEs that face such issues as the aging of their managers, a subsidy was provided to SMEs to fund the cost of new initiatives to innovate or transform their business on occasion of inheriting the business (including the inheritance of business accompanying revitalization). (Ongoing)

Section 3 Cash-flow assistance and business generation support

1. Safety net loans (funds in response to changes in the business environment) [Fiscal investment and loan program]

JFC provided financial support to SMEs and micro businesses that have suffered a downturn in business conditions, such as a temporary decline in sales caused by changes in the social or economic environment or other such external factors. In fiscal 2017, approx. 100,000 loans were made with worth a total value of approx. ¥1.5 trillion (as of the end of December 2017). (Ongoing)

2. Managerial Improvement Loans for micro businesses [Fiscal investment and loan program]

In order to provide financial support to micro businesses, the JFC provided unsecured and unguaranteed low-interest loans to micro businesses that receive management guidance from societies and chambers of commerce and industry and prefectural

federations of societies of commerce and industry. (In fiscal 2017, a total of 35,514 loans were provided with a total value of ¥216.87 billion (as of the end of December 2017)). (Ongoing)

3. Micro business management development support loans

[Fiscal investment and loan program]

To support sustainable business development by micro businesses, JFC offered low-interest loans to micro businesses that receive management guidance from societies and chambers of commerce and industry certified under a management development support plan. (In fiscal 2017, a total of 353 loans were provided with a total value of ¥3.68 billion (as of the end of December 2017)). (Ongoing)

4. Promotion of subordinated lending

[Fiscal investment and loan program]

To enhance the financial underpinnings of SMEs and micro businesses endeavoring to expand into new businesses or improve their management and facilitate their smooth procurement of funds from private financial institutions, JFC provided cash-flow support to SMEs and micro businesses in the form of “bullet loans” (capital funds) that could be taken to be equity in financial inspections. In fiscal 2017, approx. 870 subordinated loans were provided, worth a total value of approx. ¥49 billion (as of the end of December 2017). (Ongoing)

5. SME and micro business management enhancement loan/guarantee program

[Fiscal investment and loan program]

JFC provided the necessary loans for strengthening the management and fund procurement capacity of SMEs aiming to achieve management innovation or cultivate new markets in cooperation with SMEs in other sectors based on guidance and advice from approved management innovation support agencies. (Ongoing) (Cited earlier)

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 2017 (up to the end of December 2017), 130,058 refinancing guarantees were approved, worth a total value of approx. ¥2.4517 trillion. Additionally, a refinancing guarantee program that allows changes and improvements in loan conditions was created in 2016 to support SMEs and micro businesses facing difficulty in receiving forward-looking loan support even though their managers have the motivation to improve business, through a relaxation of repayment conditions. In fiscal 2017 (up to the end of December

2017), 310 refinancing guarantees were approved, worth a total value of approx. ¥10.6 billion. (Ongoing)

7. Safety-net Guarantees

Credit guarantee corporations provided guarantees separate from ordinary guarantees to SMEs and micro businesses experiencing a management instability due to a bankruptcy of their business partner, a natural disaster, or the streamlining of operations by their main financial institution (100% guaranteed for up to ¥80 million for unsecured loans, and up to ¥280 million for other loans).

In fiscal 2017, the guarantee was applied in the wake of the heavy rain disaster in northern Kyushu (Safety-net Guarantee No. 4) and the disaster caused by Typhoon No. 21 (Safety-net Guarantee No. 4).

Safety-net Guarantee No. 5 was provided on an ongoing basis to SMEs in designated industries that meet certain criteria, such as a certain rate of decrease or higher in average monthly sales of the most recent three months, compared to the previous year.

In fiscal 2017 (up to the end of December 2017), 10,792 safety-net guarantees were approved, totaling approx. ¥266.5 billion. (Ongoing)

8. Management support by credit guarantee corporations [Fiscal 2017 budget: ¥1.3 billion]

The scope of management support by credit guarantee corporations was expanded in fiscal 2017 to include not only users of credit guarantee corporations, (potential) entrepreneurs planning to utilize a credit guarantee corporation, and SMEs and micro businesses that engage in management improvement, but also SMEs and micro businesses planning a business succession or aiming to increase productivity. Credit guarantee corporations provided management support such as through the dispatch of experts, to such SMEs and micro businesses in cooperation with regional financial institutions, in combination with cash-flow support. In fiscal 2017 (as of the end of December 2017), experts have been dispatched in approximately 16,000 cases. (Ongoing)

9. Program to assist with formulating management reform plans by approved support agencies [Fiscal 2017 supplementary budget: ¥3 billion]

For SMEs and micro businesses that have a financial problem such as regarding the repayment burden of loans and require full-fledged management improvement that includes financial support, approved support agencies (certified public tax accountants, lawyers, financial institutions, etc.) provided assistance in formulating management reform plans, as well as follow-up for those plans. Under the Act on Strengthening the Management of SMEs, etc., the program defrayed part (two-thirds) of the costs incurred by those activities. As of the end of December 2017,

4,983 consultations were received, including 1,511 cases that were taken up by the program. This brought the total number of consultations received between the inception of the program (March 2013) to the end of December 2017 to 45,463, including 14,812 cases in which the formulation of reform plans has been completed. From May 2017, support was provided to SMEs and micro businesses that need to promptly formulate a management improvement plan for cash-flow management and profitability management by defraying part (two-thirds) of the costs of receiving support for the prompt formulation of a management improvement plan by approved support agencies. As of the end of December 2017, 5,126 consultations were received, including 4,598 new cases. (Ongoing)

10. SME Revitalization Support Councils

[Fiscal 2017 budget: Included in ¥6.11 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 whose businesses were profitable but faced financial problems such as excess of debts, with advice on solving their problems through consultation services, and assisted with the drafting of revitalization plans that also included coordination with relevant financial institutions and similar entities. Between April 2017 and the end of December 2017, the councils received 1,315 consultations and formulated 589 revitalization plans, for a total of 39,877 consultations and the formulation of 12,687 revitalization plans from their inception to the end of December 2017. (Ongoing)

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 support financing, along with special provisions for permissible succession. To the end of December 2017, two such cases were approved, for a total of 41 cases since the system was established based on the Act on Special Measures concerning Industrial Revitalization (June 2009). (Ongoing)

12. SME revitalization funds

To deliver management support and the funds needed by SMEs engaging in revitalization initiatives, the SMRJ, regional financial institutions, and credit guarantee corporations in unison promoted the establishment and utilization of regional funds that support the revitalization of SMEs within the region and national funds that provide wide-area support. Up to the end of September 2017, 51 funds have

been established, amounting to approximately ¥168.1 billion in total. By the end of September 2017, the funds have invested approximately ¥89.4 billion in 445 companies. (Ongoing)

13. Promotion of the use of “Guidelines for Personal Guarantees Provided by Business Owners” [Fiscal 2017 budget: ¥100 million]

To promote the further dissemination and utilization of the “Guidelines for Personal Guarantees Provided by Business Owners” published on 5 December 2013, help desks were operated in the regional headquarters of the SMRJ, specialist advisors were dispatched to businesses that wish to use the guidelines, and the guidelines were disseminated to SMEs and micro businesses via direct mail and SNS. (Ongoing)

14. Enhanced management support for financial administration among micro businesses

Based on the financial monitoring policy, financial institutions were encouraged to provide helpful advice and financing to enterprises by ensuring proper assessment of the business performance and growth potential of borrower companies (business assessment) without relying excessively on security and guarantees. (Ongoing)

15. Financial support for SMEs in Okinawa [Fiscal investment and loan program]

Regarding support for SMEs in Okinawa delivered via the Okinawa Development Finance Corporation (ODFC), the operations and initiatives undertaken by JFC were performed as usual, while ODFC's own system of lending was expanded to meet the specific needs of businesses in Okinawa. (Ongoing)

16. Adoption and application of “Basic procedures for SME accounting”

The adoption and application of the “Basic procedures for SME accounting” was promoted so as to encourage SMEs to clarify their business conditions, improve the ability of proprietors to explain their business, and strengthen their ability to obtain financing.

17. Enhanced management support for financial administration among SMEs

Based on the financial monitoring policy, financial institutions were encouraged to provide helpful advice and financing to enterprises by ensuring proper assessment of the business performance and growth potential of borrower companies (business assessment) without relying excessively on security and guarantees.

Section 4 Human resource and employment measures

1. Human resource countermeasures program for SMEs and micro businesses

[Fiscal 2017 budget: Included in ¥1.67 billion]

To help SMEs and micro businesses with few management resources acquire human resources, support was provided for the acquisition of human resources, namely in excavating, introducing and retaining human resources that are sought by local SMEs and micro businesses from within and outside the region. (Ongoing)

2. Support program for development of core human resources in SME service industries

[Fiscal 2017 budget: Included in ¥95 million]

To develop and secure next-generation managers, the program matched up next-generation management personnel in SME services industries with outstanding enterprises and organized hands-on training (intensive training) to provide an opportunity for them to experience the key to business success. Up to fiscal 2016, the program placed a certain amount of burden on both SME service industries and outstanding enterprises, as it required a full two weeks of training, which also included prior learning and a results presentation, but in fiscal 2017, the program offered greater flexibility by providing training over a minimum of three days (excluding prior learning and results presentation). Efforts were also made to present a clear picture what the intensive training entails and the results that can be expected, by introducing scenes and the results of training. (Ongoing)

3. Smart manufacturing support program

[Fiscal 2017 budget: Included in ¥1.67 billion]

The program aimed to promote productivity improvement and new business cultivation by SMEs and micro businesses in manufacturing industries by implementing training that provides versatile leadership skills to human resources having rich experience in the production field and those possessing knowledge of IoT and robots, and by dispatching these trained leaders to SMEs and micro businesses. In fiscal 2017, the program was implemented in 25 nationwide locations. (Ongoing)

4. Support for human resource development in SMEs and micro businesses (Program for development of Kaizen leaders)

[Fiscal 2017 budget: ¥19.5 million]

The program aimed to develop a foundation for enabling human resources in the service industries to acquire the knowledge, language and other service skills that they need to demonstrate advanced

hospitality to customers. Toward this end, a school for service skills acquisition was established and operated, and a curriculum for teaching skills needed in the services industry was created, including the formulation of a standard for hospitality skills.

In fiscal 2017, the subsidy rate was changed from 2/3 (fiscal 2016) to 1/2. (Ongoing)

5. Program for development of human resources to support micro businesses

[Fiscal 2017 budget: Included in ¥1.67 billion]

Training for improving business guidance skills was provided nationwide by business leaders in societies and chambers of commerce and industry. (Ongoing)

6. Program for development of human resources to support SMEs

[Fiscal 2017 budget: ¥120 million]

Town managers who drive community development initiatives were developed by providing classroom training and practical internship training on business startup and management skills and skills that are particularly required for community development, such as vacant store countermeasures and consensus building methods. (Ongoing)

7. Human resource development program at the Institute for Small Business Management and Technology

At the Institute for Small Business Management and Technology located in nine nationwide locations, training was provided that leads directly to the solution of business challenges faced by corporate managers and operations managers of SMEs. Additionally, training programs were increased to improve the attendance of local businesses, and advanced practical programs were introduced on a trial basis. (Ongoing)

8. Support program for development of hometown producers

[Fiscal 2017 budget: Included in ¥1.35 billion]

Support was provided to initiatives that aim to develop attractive products that involve local people and local resources into local brands and initiatives for developing human resources who could become central players in the cultivation of markets with a focus on overseas markets. (Ongoing)

9. Measures to maintain workers' employment

[Fiscal 2017 budget: ¥7.95 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. (Ongoing)

10. Support for improvement of employment management toward the creation of attractive employment [Fiscal 2017 budget: ¥10.8 billion]

To support corporate initiatives to improve their employment management and create attractive employment, the subsidy for supporting workplace retention was provided to SME organizations (business cooperatives, etc.) having improvement plans certified by the relevant prefectural governor pursuant to the Act on the Promotion of Improvement of Employment Management in Small and Medium-Sized Enterprises for Securing Manpower and Creating Quality Jobs, where they have implemented projects to improve their working environment. Additionally, the subsidy was provided to SMEs and micro businesses that introduced and implemented a new employment management system by changing their labor agreements and workplace regulations or lowered the job separation rate of their employees. Similarly, it was applied to businesses that introduced assistive nursing care devices and lowered the job separation rate of their employees, and to business owners of nursing care or childcare services who lowered the job separation rate of their employees by developing a proper wage system. (Ongoing)

11. Project for promoting the improvement of employment management plans to secure human resources in sectors that lack personnel [Fiscal 2017 budget: ¥540 million]

Support was provided for the creation of attractive workplaces, such as by supporting the introduction of employment management systems, in cases where business owners in sectors that lack personnel improve employee benefits and working environment or otherwise take measures to improve employment management and secure human resources. (Ongoing)

(1) Model survey course

In sectors where employment management issues that need to be addressed by business owners are not yet clear, fine-tuned consultation was provided to business owners facing an employment management issue, to help them introduce and operate various models of employment management systems that contribute to resolving their issue. Case examples of model initiatives obtained in this process of consultation were examined and analyzed in terms of their introduction effect and knowhow, and effective employment management improvement policies were explored based on the characteristics of each sector and widely disseminated for awareness-raising.

(2) Practical awareness-raising course

Among sectors that lack sufficient personnel, business owners in the construction sector who face an issue in implementing improvement measures for employment management were offered consultation support by advisors for employment management improvement, with the aim of promoting practical employment management improvement within the entire industry.

12. Regional employment development subsidy (regional employment development course) [Fiscal 2017 budget: ¥3.39 billion]

To create and provide stable regional employment, employers who build or establish an office in regions, etc. where employment opportunities are particularly lacking and who also employ regional job seekers are offered a regional employment development subsidy (regional employment development course) in accordance with the cost of their establishment and the number of workers they employ. (Ongoing)

13. Employment creation project for regional revitalization [Fiscal 2017 budget: ¥5.12 billion]

To promote initiatives aimed at creating favorable and stable employment opportunities, an employment creation project for regional revitalization was launched in support of prefectures that endeavor to create employment for regular employees in conjunction with industrial policies. (New)

14. Tax system to promote employment [Taxation scheme]

Where business owners satisfy certain requirements and create high-quality employment (fulltime, non-fixed term employment) in regions that lack employment opportunities (Employment Development Promotion Regions based on the Act on Promotion of Job Opportunities in Certain Regions) in each fiscal year starting between 1 April 2016 and 31 March 2018, a tax measure was implemented that provides a tax credit of ¥400,000 for each increase in employee. (Ongoing)

15. Promotion of employment shifts with no loss of employment [Fiscal 2017 budget: ¥9.67 billion]

Under the subsidy for supporting employment shifts (re-employment assistance payment), funds were provided to business owners who employ the services of a private-sector employment agency to support the re-employment of employees who unavoidably lose their jobs due to business downsizing, etc. (workers who fall under a re-employment support plan).

Additionally, funds that are provided to growth enterprises that build capacities and increase the wages of workers who fall under a re-employment support plan or workers who have transferred from a different company were expanded, and funds were also provided to growth enterprises that expand their

employment of mid-career recruits upon developing an ability assessment, wage and treatment system for mid-career recruits. (Ongoing)

16. Welfare Worker Recruitment Project

[Fiscal 2017 budget: ¥1.63 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, to be provided mainly at a “Welfare Worker Corner” set up in key “Hello Work” centers throughout the country. (Ongoing)

17. Promotion of the Youth Support Project

[Fiscal 2017 budget: Included in ¥720 million]

SMEs that display a positive attitude toward recruiting and developing young workers and actively publicize information about their company were designated as “youth support companies” and encouraged in their effort to disseminate information. (Ongoing)

18. “Youth Yell” certification system based on the Act on Promotion of Youth Employment

[Fiscal 2017 budget: Included in ¥720 million]

Based on the Act on Promotion of Youth Employment (1970 Act no. 98), the Minister of Health, Labour and Welfare certifies SMEs that display outstanding employment and management of youths as “youth yell” certification enterprises. By encouraging the information dissemination efforts of SMEs, the system supports the smooth employment of human resources sought by certified enterprises. (Ongoing)

19. Subsidy for employment and development of designated job seekers (course for employment and development of long-term unstable workers)

[Fiscal 2017 budget: ¥530 million]

A subsidy for employment and development of designated job seekers (course for employment and development of long-term unstable workers) was provided to business owners who employ workers who have repeatedly changed jobs as freeters after having missed the opportunity to find employment as regular employees (long-term unstable workers) during the “employment ice age,” as regularly employed workers by introduction from an employment agency. (Ongoing)

20. Subsidy for employment and development of designated job seekers (course for employment and retention of non-new graduates within three years after graduation, etc.)

[Fiscal 2017 budget: ¥1.83 billion]

To expand, establish and promote employment application opportunities among non-new graduates

and dropouts as new graduates, a subsidy for employment and development of designated job seekers (course for employment and retention of non-new graduates within three years after graduation, etc.) was provided to business owners who put a call out for new graduate job seekers to which non-new graduates, etc. can apply, employ a non-new graduate, etc. as a new graduate for the first time, and retain them for a certain period of time. (Ongoing)

21. Support for SMEs and micro businesses in raising the minimum wage

[Fiscal 2017 budget: ¥1.2 billion]

The following support measures were provided to increase the productivity of SMEs and micro businesses, toward raising the minimum wage.

- (1) “Comprehensive Minimum Wage Advice and Assistance Centers” were established throughout Japan (47 locations) as a one-stop portal for consultation on management reforms and work condition management, and provided consultation and dispatched experts free of charge.
- (2) Subsidies were provided to national and prefectural industry-specific SME organizations to cover the cost they required to implement initiatives for increasing productivity, such as by conducting market surveys and developing new business models for expanding their market with an eye to increasing wages.
- (3) Subsidies were provided to SMEs and micro businesses in 47 nationwide prefectures, to cover part of the capital investment they made to increase labor productivity and increase the wages of workers who work for less than ¥1,000 an hour in their business establishments by more than a certain amount (subsidy rate of 7/10 (3/4 for micro businesses with a workforce of 30 or less)). (Ongoing)

22. Dissemination and promotion of career consulting services

The utilization of career consulting (offering advice and guidance in response to consultations concerning occupational selection by workers, occupational life planning, or the development and improvement of occupational capacities) was disseminated and promoted in private employment agencies, employment support organizations, personnel management and human resource development departments in companies, and career education in schools. In April 2016, career consultants who engage in career consulting as a specialty were designated as a national qualification, so efforts were made to disseminate the qualification. Additionally, the introduction of a “self-career examination” was promoted among enterprises as a scheme for offering regular career consultation opportunities at certain junctions of their employees, such as age, number of years in employment, promotion to a post, etc., to

support employee awareness of career development.
(Ongoing)

23. Taxation scheme to promote income expansion

A scheme was applied that provides enterprises whose (1) total amount of salaries and other amounts paid have increased from fiscal 2012 at a certain rate or more, (2) total amount of salaries and other amounts paid exceed that of the previous business year, and (3) average salary and other amounts paid exceed that of the previous business year a 10% tax credit on the amount of increase in salary and other amounts paid from fiscal 2012 (up to 10% of corporate tax (20% for SMEs)). Additionally, under the fiscal 2017 tax reform, SMEs became eligible to receive an additional 12% tax credit on the amount of increase in salary and other amounts paid from the fiscal year in cases where average salary and other amounts paid have increased by more than 2% from the previous fiscal year.

24. Program for development of core human resources in manufacturing industries

[Fiscal 2017 budget: ¥27 million]

With the aim of promoting the handing down of technologies and skills, the program provided a subsidy to cover part of the expenses that core human resources in SME and micro business manufacturing industries require to attend training programs for enhancement of their skills and technology. (Ongoing)

Chapter 3 Facilitating business activities contributing to regional economies

Section 1 Utilization of local resources

1. Certification of management development support plans based on the Small Business Support Act

For the nationwide development of a framework for community-based support of micro businesses by nationwide societies and chambers of commerce and industry in cooperation with local governments and financial institutions based on the Small Business Support Act, by the fourth certification a cumulative total of 1,127 management development support plans formulated by societies and chambers of commerce and industry have been certified (1,303 societies and chambers of commerce and industry). (Ongoing)

2. Micro business promotion program [Fiscal 2017 budget: ¥4.94 billion]

Support for micro businesses was promoted through the “accompaniment” style of support provided by societies and chambers of commerce and industry in line with management development support plans that are certified based on the Revised Small Business Support Act, and support was provided for the formulation of business plans and market development in consideration of demand by micro businesses (no. of undertakings selected: 908). To encourage business expansion by regional micro businesses aiming to target nationwide markets, societies 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: 67; production businesses: 40 (first year) and 28 (second year)). (Ongoing)

3. Program for supporting hometown specialty products

[Fiscal 2017 budget: Included in ¥1.35 billion]

Support was provided to SMEs and micro businesses that engage in the development of new products and services and the development of new markets by utilizing regional resources and collaborating with agriculture, forestry and fishery businesses. Support was also provided to businesses that pursue product development by utilizing regional resources and collaborating with agriculture, forestry and fishery businesses in the form of information provision concerning consumer preferences surveyed by general incorporated associations and matching services. (Ongoing)

4. JAPAN Brand Development Assistance Program [Fiscal 2017 budget: Included in ¥1.35 billion]

To facilitate overseas expansion by SMEs, support was provided under this program such as for the formulation of strategies built on collaboration among multiple SMEs and the strengths of those SMEs (raw materials, technologies, etc.), product development based on those strategies and participation in overseas trade fairs. (Ongoing) (Cited earlier)

5. Designation of traditional crafts

Under the Act on the Promotion of Traditional Craft Industries (referred to hereinafter as the Traditional Craft Industries Act), the five traditional craft products listed below were designated following surveys and investigations of craft products for which traditional craft product status has been requested, subject to the views of the Industrial Structure Council.

- “Okuaizu-showa Karamushi Textiles” of Fukushima Prefecture, “Chiba artisan tools” of Chiba Prefecture, “Tokyo Plain Dyeing” of Tokyo, “Etchu-fukuoka Sedge Hats” of Toyama Prefecture and “Sanshu Onigawara Crafts” of Aichi Prefecture were designated on November 30, 2017. (Ongoing)

6. Traditional Craft Product Subsidy Program [Fiscal 2017 budget: ¥1.11 billion]

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.

7. Promotion of local brands

To promote the use of local brands of traditional crafts to attract tourists to the production regions of traditional crafts and to cultivate markets overseas, support was provided for initiatives to invite designers

and other outside talent to production regions of traditional crafts. (Ongoing)

8. Program to promote the spread of traditional crafts

To promote public awareness of traditional crafts, November every year has been designated Traditional Crafts Month, and activities such as the national convention of the Traditional Crafts Month National Assembly are held to spread and increase awareness of traditional crafts. In fiscal 2017, the national convention was held in Tokyo. (Ongoing)

9. Local 10,000 Project (subsidies for business generating regional economic activity [Fiscal 2017 budget: Included in ¥1.87 billion])

To support the startup of region-based enterprises with large employment absorption capacity by making use of regional assets and funding (drawn from regional financial institutions, etc.) through the collaboration of industry, academia, financial institutions and government, subsidies were granted to cover part of the cost of subsidies provided by local public organizations for expenditure required by private sector businesses at the business establishment phase. (Ongoing)

Section 2 Revitalization of shopping districts and city centers

1. Comprehensive support for the revitalization of local shopping districts

Pursuant to the Local Shopping District Revitalization Act, support measures were established for shopping districts with a government-approved revitalization project plan. (Ongoing)

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. (Ongoing)

3. Program to support the operation of Councils for the Revitalization of Central Urban Districts

Support was provided for the provision of advisory services, provision of information via websites and e-mail newsletters, and development of networks through organization of exchange events led by councils for the revitalization of city centers support centers established in the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ) to assist the establishment and operation of such councils for the revitalization of city centers. In fiscal 2017 (as of the end of January 2018), the councils received 103 cases of consultation. (Ongoing)

4. Program to dispatch advisers for city center and shopping district revitalization

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 and shopping districts. In fiscal 2017 (as of the end of January 2018), experts were dispatched to 31 regions. (Ongoing)

5. Consultation and support for commercial revitalization in city centers

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 was supplied and advice, analyses, assistance with identification of issues, and information, etc. were provided to raise the efficacy of individual projects using the SMRJ's specialist know-how. In fiscal 2017 (as of the end of January 2018), seminars were held in 11 regions, and expert advice was provided in 19 regions. (Ongoing)

6. Support for increasing the ability of shopping districts and town centers to attract customers [Fiscal 2016 supplementary budget: ¥1.5 billion]

Support was provided to projects that lead to the development of a medium to long-term growth foundation in shopping districts and city centers, such as projects for developing facilities that capture foreign tourist demand and projects for introducing high-security IC point cards to stimulate consumer spending in shopping districts. 70 projects were adopted by the support program for attracting more customers to shopping districts, and 4 projects were adopted by the support program for attracting more customers to town centers. (Ongoing)

7. Enterprise vitality enhancement funding (for the distribution and service industries) [Fiscal investment and loan program]

Japan Finance Corporation (JFC) provided loans for funds needed to modernize management and rationalize the distribution systems of SME commercial businesses and service businesses, and to address the issue of vacant stores. In fiscal 2017 (as of the end of December 2017), loans worth ¥87.21 billion were provided to 10,286 undertakings. (Ongoing)

8. Program to support commercial revitalization in local communities and town centers [Fiscal 2017 budget: ¥1.78 billion]

Support was provided to initiatives such as for providing childcare and elderly care services in shopping districts, attracting businesses to vacant stores, and developing commercial complex in city centers. In fiscal 2017, 23 survey and analysis projects and 28 support projects were adopted by the

program for promoting commercial independence in local communities; 10 projects were adopted by the support program for model cooperation among individual stores; 12 survey projects and 6 pioneering demonstration projects were adopted by the program for strategic reconstruction of city centers; and 26 projects were adopted by the program for supporting the utilization of specialist personnel. (Ongoing)

9. Taxation measures to revitalize central urban districts [Taxation scheme]

For immovable property acquired under the “Certified specific private sector central urban district economic activity improvement program plan” set up under the revisions to the Act on the Vitalization of City Centers, a measure was implemented that halves the registration and license tax payable when registering the preservation of ownership of that immovable property. (Ongoing)

10. Program for creating spaces for the utilization of local cultural resources

[Fiscal 2017 supplementary budget: Included in ¥5.85 billion]

Support was provided for the initiatives of shopping districts and city centers to promote consumption by foreign tourists by utilizing local cultural resources. (New)

Section 3 Other regional revitalization measures

1. Support to encourage enterprises to locate in regional areas

To revitalize regional economies, companies expected to play a central role in the regions were selected for support as “driving companies for the regional future,” and projects that have a large ripple effect on regional economies were selectively supported by fully applying the budgetary, taxation and deregulation measures of the Regional Future Investment Promotion Act.

2. Taxation scheme to strengthen the regional location of enterprises [Taxation scheme]

In order to revitalize the regions, it is necessary to correct the over-concentration of population and industry in Tokyo and create good quality employment in the regions. Toward this end, enterprises were encouraged to relocate their head office functions (offices, laboratories and training centers) from Tokyo to the regions or to expand their business in the regions, by giving certified enterprises a choice of either a 15% special depreciation deduction on the cost of acquisition of an office building (25% in the case of relocation)

or a 4% tax credit on the cost of acquisition (7% in the case of relocation), and offering enterprises that create employment in the region a special measure under the taxation scheme to promote employment and a local tax grant related to strengthening regional corporate centers. Under the fiscal 2017 tax reform, the measure to raise the tax credit rate for office taxes was extended, the taxation system to promote employment was enhanced, the requirements for business relocations were relaxed, and the measure to cover revenue decreases using the local allocation tax was strengthened. (Ongoing)

3. Program for creation and support of regional core enterprises

[Fiscal 2017 budget: ¥2.5 billion]

To support the initiatives of potential regional core enterprises to foray into new sectors or businesses and promote their growth, support was provided for the creation of nationwide networks with external resources (universities, cooperating enterprises, financial institutions, etc.) using support personnel. Additionally, for further growth of regional core enterprises, support personnel provided hands-on support for formulating business strategies, cultivating markets, and other such business activities. Furthermore, support was provided for the formulation of business strategies and the cultivation of markets with an eye to the global market, through the Global Network Council composed of global coordinators who are experts in businesses that are suitable for the global market. (Ongoing)

4. Promotion of initiatives for the creation of regional core city spheres

[Fiscal 2017 budget: Included in ¥130 million]

Projects to support the creation of regional core city spheres were commissioned under national expenditure, and regional fiscal measures were applied to core cities and municipalities that have formulated a regional core city sphere vision, to support initiatives that contribute to driving economic growth in the sphere as a whole, consolidating and strengthening high-level city functions, and improving lifestyle-related functions and services. As of the end of January 2018, regional core city spheres have been created in 24 regions. (Ongoing)

5. Fund for productivity improvement in the tourism industry, etc.

[Fiscal investment and loan program]

To revitalize the Japanese economy by improving productivity in the tourism industry, etc. and increasing tourism consumption, JFC provided loans to SMEs that provide high-quality services, etc. Loans worth ¥97 million were provided to

six SMEs in fiscal 2017 (as of the end of December 2017). (Ongoing)

6. Loan program for supporting regional core enterprises [Fiscal investment and loan program]

Medium enterprises and SMEs that are core regional presences having a certain influence on their regional economy were supported in their initiatives to achieve innovation such as by advancing into a new sector or making strategic initiatives for management improvement. Under a loan program for supporting regional core enterprises, the Shoko Chukin Bank provided long-term, lump-sum repayment and successful interest payment-type loans to such enterprises. In fiscal 2017, loans were provided to 6 enterprises, worth a total of ¥500 million (as of the end of December 2017). (Ongoing)

7. Loan system for supporting regional collaborations

[Fiscal investment and loan program]

Business cooperative associations and enterprise partnerships that utilize local resources were provided loans to develop a new business, utilize local resources, form a business tie-up or restructure their organization, through a loan system that provides long-term, lump-sum repayment and successful interest payment-type loans via the Shoko Chukin Bank. In fiscal 2017, 3 loans were provided, worth ¥180 million (as of the end of December 2017). (Ongoing)

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

Section 1 Strengthening management support frameworks

1. Micro business promotion program

[Fiscal 2017 budget: ¥4.94 billion]

Support for micro businesses was promoted through the “accompaniment” style of support provided by societies and chambers of commerce and industry in line with management development support plans that are certified based on the Revised Small Business Support Act, and support was provided for the formulation of business plans and market development in consideration of demand by micro businesses (no. of undertakings selected: 908). To encourage business expansion by regional micro businesses aiming to target nationwide markets, societies 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: 67; production businesses: 40 (first year) and 28 (second year)). (Ongoing) (Cited earlier)

2. Programs promoting measures to support cooperative SME organizations

[Fiscal 2017 budget: ¥680 million]

Where partnerships or other associations work 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 includes partial subsidies for the costs of implementing those innovations or reforms, along with training for instructors. Support was also provided for optimizing the activities of associations (supervision organizations) that engage in the training of foreign intern trainees. (Ongoing)

3. Support for capital investment through advancement programs integrated with business support

Where SMEs work jointly to establish business cooperatives in order to shore up their administrative platforms and improve their business environment, the SMRJ and prefectural governments collaborated to provide diagnoses and advice on business plans together with long-term, low-interest (or interest-free) loans to fund the required capital expenditure. (Ongoing)

4. One-stop comprehensive support programs for SMEs and micro businesses

[Fiscal 2017 budget: ¥5.48 billion]

“Yorozu support centers” have been set up in each prefecture as one-stop consultation centers for SMEs and micro businesses facing various management issues, to provide professional detailed advice and to dispatch specialist advisors to deal with particularly advanced and specific management issues. (From the commencement of the program to January 2018, the centers have responded to some 690,000 consultations.) (Ongoing)

5. Local benchmarks

To promote the utilization of local benchmarks, the Local Benchmark Utilization Strategy Conference introduced case studies on the use of local benchmarks that have led to management improvement, productivity increases and smooth business succession in companies that have introduced IT, and discussed measures for the further enhancement of relevant tools. Additionally, the effectiveness of using local benchmarks when holding dialogues between supporting organizations and local economy driving businesses was set forth in the guidelines of the basic plan based on the Regional Future Investment Promotion Act (August 2017), and seminars were held at commerce and industry organizations featuring case studies on the use of local benchmarks by corporate managers. (Ongoing)

Chapter 5 Other policies for promotion of micro businesses

Section 1 Support for SMEs and micro businesses in disaster-affected regions

1. Cash-flow assistance for disaster-affected SMEs (finance policy)

[Fiscal 2017 budget: Included in ¥13.9 billion]

There has been ongoing provision of the Great East Japan Earthquake Recovery Special Loan Program and the 2016 Kumamoto Earthquake Special Loan Program (commenced in June 2016) by the Japan Finance Corporation (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 and Kumamoto Earthquake with their cash-flow issues. Between the start of the program's operation and the end of December 2017, the Great East Japan Earthquake Recovery Special Loan provided a total of approx. 301,000 loans with a total value of approx. ¥6.0916 trillion, and the 2016 Kumamoto Earthquake Special Loan Program provided a total of approx. 17,000 loans with a total value of approx. ¥226 billion. The measure that was created in the wake of the Great East Japan Earthquake 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. (Ongoing)

2. Cash-flow assistance for disaster-affected SMEs (credit guarantee)

To assist SMEs and micro businesses affected by the Great East Japan Earthquake, the "Great East Japan Earthquake emergency reconstruction guarantee" was continued to be implemented in fiscal 2017 in specific disaster affected areas as a new guarantee system separate from existing ordinary guarantees, disaster-related guarantees and safety net guarantees (100% guaranteed for up to ¥80 million for unsecured loans, and up to ¥280 million for other loans). Between the start of this program's operation on 23 May 2011 and the end of December 2017, a total of 135,301 loans were made with a total value of ¥2.7380 trillion. In the wake of the heavy rain disaster that occurred in northern Kyushu in July 2017, Safety-net Guarantee No. 4 was applied to Fukuoka prefecture and parts of Oita prefecture, and disaster-related guarantees were

also applied to parts of Fukuoka prefecture. As of the end of December 2017, the two programs made guarantee commitments on 59 loans with a total value of approx. ¥900 million. (Ongoing)

3. 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 and low-interest Marukei and Eikei loans provided by the JFC to micro businesses affected directly or indirectly by the Great East Japan Earthquake or the 2016 Kumamoto Earthquake were raised continually and interest rates were lowered. A total of 506 Marukei loans worth ¥1.84827 billion and 5 Eikei loans worth ¥15.1 million were provided to businesses affected by the Great East Japan Earthquake (as of the end of December 2017), and a total of 23 Marukei loans worth ¥100 million were provided to businesses affected by the 2016 Kumamoto Earthquake (there was no provision of Eikei loans) (as of the end of December 2017).

4. "Special Finance for Small and Medium Enterprises in the Specified Area" affected by the nuclear disaster

In order to assist SMEs and other businesses that have offices in regions affected by the nuclear power plant accident, long-term, interest-free, unsecured loans were offered to provide business funds (working capital and capital expenditure) required to continue or resume business in Fukushima prefecture. (Ongoing)

5. Business revival assistance from Industrial Recovery Consultation Centers and Industry Reconstruction Corporations

[Fiscal 2017 budget: ¥1.39 billion*]

In fiscal 2011, continued support was provided for the revival of SMEs damaged by the Great East Japan Earthquake through Industrial Recovery Consultation Centers that provide comprehensive consultation and Industry Reconstruction Corporations that engage in buying receivables. These consultation centers and reconstruction corporations were established in fiscal 2011 to strengthen the framework of SME Revitalization Support Councils in prefectures affected by the Great East Japan Earthquake. The Industrial Recovery Consultation Centers in each prefecture handled 6,139 consultations from business owners as of 28 February 2018. Organizations such as financial institutions agreed to provide financial support in 1,153 cases, including 337 cases that were

carried through to completion. (*) Special account for reconstruction from the Great East Japan Earthquake. Of the six disaster-affected prefectures, budgets for SME Revitalization Support Councils and Industrial Recovery Consultation Centers in Aomori, Ibaraki and Chiba prefectures were transferred to the general account in the fiscal 2017 budget. (Ongoing)

6. 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 2,733 consultations and in 736 of those cases has decided to support business owners to revive their businesses through measures such as debt-factoring (as of the end of February 2018). Furthermore, the revised Act on the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake was enacted on 1 February 2018 to allow the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake to extend the decision-making term for providing assistance, and decision-making term was extended until 31 March 2021. (Ongoing)

7. Reduction of interest burden during assessment of the potential for business regeneration

This program supported the early business revival of SMEs, etc. that have suffered damage in the Great East Japan Earthquake or the nuclear power plant accident in Fukushima, by defraying the cost of interest that such businesses incur during the period they receive assistance from an Industrial Recovery Consultation Center to formulate a regeneration plan. (Ongoing)

8. Implementation of the 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. (The Great East Japan Earthquake)

[Fiscal 2017 budget: ¥21 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 of (one half) the cost of disaster recovery projects such as for Societies of Commerce and Industry and other such instruction and consultation facilities for SMEs, and support recovery of facilities held by groups of disaster-affected SMEs and others. (Ongoing)

10. Projects for maintenance of temporary facilities and subsidies for the effective utilization of temporary facilities

[Fiscal 2017 budget: Included in ¥650 million]

So that SMEs affected by the Great East Japan Earthquake can resume business as quickly as possible, the SMRJ provided temporary factories and storefronts and essentially cost-free loans were provided to business owners via local governments. As of the end of January 2018, the construction of facilities has been completed at 590 locations in 53 municipalities in six prefectures. Additionally, from April 2014, subsidies have begun to be provided for costs required for the construction, relocation and removal of temporary facilities, and 75 projects have been subsidized under this program as of the end of January 2018. (Ongoing)

11. Loans for restoration and development of facilities and equipment (The Great East Japan Earthquake)

Loans were provided by the Organization for Small & Medium Enterprises and Regional Innovation, Japan (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 secure employment for business recovery

To address the employment mismatch caused by a serious shortage of workers in disaster-affected areas, support was provided in the area of employment in accord with industrial policies. (Ongoing)

13. Establishment of special help desks

Special help desks were set up at offices of the JFC, the Shoko Chukin Bank, credit guarantee corporations, chambers of commerce and industry, federations of societies of commerce and industry, federations of small business associations, branches of the SMRJ, and Bureaus of Economy, Trade and Industry nationwide to provide business and financial advice to SMEs and other enterprises affected by the Great East Japan Earthquake. (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 was provided that 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

The matter of giving consideration to SMEs and micro businesses in areas affected by the Great East Japan Earthquake and the 2016 Kumamoto Earthquake with regard to orders from the public sector was included in the “Basic Policy on State Contracts with Small and Medium Enterprises” and widely disseminated. (Ongoing)

16. Subsidy for development of employment for designated job seekers (course for employment and development of disaster-affected workers) [Fiscal 2017 budget: ¥30 million]

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. (Ongoing)

17. Guidance and advice on measuring radiation levels [Fiscal 2017 budget: ¥30 million]

A review of the evacuation order in areas designated as evacuation zones after the Great East Japan Earthquake is hereafter expected to be accompanied by the recommencement of business by enterprises that were affected by the disaster and promote the siting of enterprises in the affected areas. Thus, in response to requests from enterprises in Fukushima prefecture, teams of experts were dispatched to provide guidance and advice on radiation measurements of industrial products in offices in the prefecture, as a countermeasure against harmful rumors about Fukushima’s industrial products. (Ongoing)

18. Industry-academia-government collaboration support project for Fukushima Prefecture, etc. [Fiscal 2017 budget: ¥110 million]

Mainly in Fukushima prefecture, where harmful rumors stemming from the Great East Japan Earthquake and nuclear disaster are still in effect, product development and market cultivation efforts were promoted by providing opportunities for collaboration between disaster-affected enterprises and universities, public research institutions or major companies, and assisting in the development of trial products. (Ongoing)

19. Program for employment support in response to the nuclear disaster [Fiscal 2017 budget: ¥1.87 billion]

A program was implemented to provide temporary places of employment to people in Fukushima Prefecture who have been affected by the nuclear disaster, to help them stabilize their living situation. (Ongoing)

20. Measures for securing human resources in disaster-affected regions [Fiscal 2017 budget: ¥980 million]

Initiatives were taken to attract wide-ranging human resources, including young workers and specialists, to disaster-affected regions, and to provide enterprises with know-how for securing, retaining and developing human resources so they may increase their capacity to gain personnel. Efforts were also made to widely disseminate best practices in acquiring human resources. (New)

21. Program for promoting regional reconstruction and practical development under the Fukushima Innovation Coast Scheme [Fiscal 2017 budget: ¥6.97 billion]

Support was provided for the cost of practical development of robot technology and other innovative technologies in the priority areas(*) of the Fukushima Innovation Coast Scheme, which contribute to regional promotion through cooperation with local enterprises. (Ongoing)

*Priority areas include the decommissioning of reactors, robots, energy, environment and recycling, agriculture, forestry and fisheries, and medical equipment, among others.

22. Support program for business recovery, etc. by SMEs and micro businesses [Fiscal 2017 budget: ¥11.2 billion]

To provide concentrated support to SMEs in the 12 municipalities that were affected by the nuclear disaster in Fukushima prefecture and thereby create jobs in the region and promote the early recovery of city functions such as by restoring places for

shopping, a subsidy was provided to cover part of the capital investment needed to resume business. In fiscal 2017, funds were increased, and support was expanded for businesses in “difficult-to-return” zones that cannot recommence operations in their original location. (Ongoing)

23. Support program for new businesses in regions affected by the nuclear disaster

[Fiscal 2017 budget: ¥210 million]

A subsidy was provided for capital investment needed to start a new business in the 12 municipalities affected by the nuclear disaster in Fukushima prefecture or transfer a business from outside the 12 municipalities, and initiatives were taken to develop an environment conducive to promoting startup activities and initiatives in the 12 municipalities, to help the municipalities recover their city functions so that affected enterprises can get back on their feet. (Ongoing)

24. Support for securing travel and transportation means needed to receive lifestyle-related services
[Fiscal 2017 budget: ¥230 million]

Given the advancing development of an environment for welcoming home returning residents, the support for travel and transportation means so that local stores could make joint deliveries and local residents can receive medical services, etc. was strengthened by increasing the budget by ¥90 million in fiscal 2017 compared to the previous year. (Ongoing)

25. Support for securing personnel through a personnel match-up program

[Fiscal 2017 budget: ¥500 million]

To resolve the shortage of human resources in disaster-affected businesses in the 12 municipalities affected by the nuclear disaster in Fukushima prefecture, human resources coordinators made a detailed assessment of the personnel needs of such businesses and widely spread job vacancy information via the Internet and other such media, to match up job seekers from both inside and outside the 12 municipalities with disaster-affected businesses in need of human resources. (Ongoing)

26. B2B match-up program for sixth sector industrialization

[Fiscal 2017 budget: ¥370 million]

A B2B match-up service was provided, to help businesses cultivate new markets and promote the creation of new businesses. In addition to matching businesses with other businesses, an expert also provided guidance regarding the smooth implementation of business after the match-up. (Ongoing)

27. Support program by specialists of the Fukushima Soso Reconstruction Public-Private Partnership Team [Fiscal 2017 budget: ¥8.2 billion (fund)]

A framework was established for providing support in the form of visits and consultations by specialists of a public-private partnership team. Composed of counselors, consultants, SME management consultants, and other such experts, the team provided fine-tuned consultation support on issues related to business recommencement, business succession, job change, lifestyle reconstruction, etc. In fiscal 2017, the team’s scope of activities was expanded to municipalities. (Ongoing)

28. Support program for introducing regional traditions, attractions, etc.

[Fiscal 2017 budget: ¥50 million]

To introduce the local attractions of the 12 municipalities affected by the nuclear disaster and contribute to the reconstruction and promotion of their traditional crafts and specialty products and invigoration of their local economies, support was provided for organizing trade fairs and implementing PR activities aimed at introducing the local attractions and traditional crafts and specialty products of the 12 municipalities throughout Japan and overseas. (Ongoing)

29. Cash-flow assistance for disaster-affected SMEs (finance policy)

There has been ongoing provision of the Great East Japan Earthquake Recovery Special Loan Program and the 2016 Kumamoto Earthquake Special Loan Program (commenced in June 2016) by the Japan Finance Corporation (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 and Kumamoto Earthquake with their cash-flow issues. Between the start of the program’s operation and the end of December 2017, the Great East Japan Earthquake Recovery Special Loan Program provided a total of approx. 301,000 loans with a total value of approx. ¥6.916 trillion, and the 2016 Kumamoto Earthquake Special Loan Program provided a total of approx. 17,000 loans with a total value of approx. ¥226 billion. The measure that was created in the wake of the Great East Japan Earthquake 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.

(Ongoing)

30. Cash-flow assistance for disaster-affected SMEs (credit guarantee)

To assist SMEs and micro businesses affected by the Great East Japan Earthquake, the “Great East Japan Earthquake emergency reconstruction guarantee” was continued to be implemented in fiscal 2017 in specific disaster affected areas as a new guarantee system separate from existing ordinary guarantees, disaster-related guarantees and safety net guarantees (100% guaranteed for up to ¥80 million for unsecured loans, and up to ¥280 million for other loans). Between the start of this program’s operation on 23 May 2011 and the end of December 2017, a total of 135,301 loans were made with a total value of ¥2.738 trillion.

In the wake of the heavy rain disaster that occurred in northern Kyushu in July 2017, Safety-net Guarantee No. 4 was applied to Fukuoka prefecture and parts of Oita prefecture, and disaster-related guarantees were also applied to parts of Fukuoka prefecture. As of the end of December 2017, the two programs made guarantee commitments on 59 loans with a total value of approx. ¥900 million. (Ongoing)

31. Post-disaster recovery project on joint facilities of small and medium business associations, etc. (The 2016 Kumamoto Earthquake)

[Fiscal 2017 supplementary budget: ¥4.69 billion]

To promote the restoration and reconstruction of areas affected by the 2016 Kumamoto Earthquake, support was provided for the recovery of facilities held by groups of disaster-affected SMEs and others through a 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. (Ongoing)

32. Loans for restoration and development of facilities and equipment (The 2016 Kumamoto Earthquake)

Loans were provided by 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 2016 Kumamoto Earthquake. (Ongoing)

33. Subsidy for development of employment for designated job seekers (course for employment and development of disaster-affected workers)
[Fiscal 2017 budget: ¥30 million]

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. (Ongoing)

Section 2 Strengthening financial underpinnings

1. Lowering of corporate tax rates [Taxation scheme]

A measure was taken to lower the rate of corporate tax (19%) incurred on annual income amounts up to ¥8 million to 15%. (Ongoing)

2. SME investment promotion tax system [Taxation scheme]

Under this system, a 30% special depreciation or a 7% tax credit (the tax credit is not offered to corporate entities with a capital of more than ¥30 million) was offered for the price of acquiring machinery or equipment. (Ongoing)

3. Special scheme for inclusion of petty sum depreciable assets in expenses

Under this scheme, the entire cost of acquiring depreciable assets worth less than ¥300,000 in acquisition cost was allowed to be included in expenses, up to a total of ¥3 million a year (with the exception of enterprises with more than 1,000 employees). (Ongoing)

4. Carryover and refund carryback of loss [Taxation scheme]

The carryover of loss is a scheme that allows loss arising in the current business year to be deducted as a loss carried over from the amount of income in the following and subsequent business years (carry-over period: 9 years). The one-year carryback refund allowed losses arising in the current business year to be carried back a year, and a return on corporate tax to be filed. (Ongoing)

5. Taxation system for the revitalization of the commercial, service and agriculture/forestry/fishery industries [Taxation scheme]

The tax measure that allows SMEs in the commercial and service industries that acquire facilities based on advice on business improvement from a chamber of commerce and industry or other such institution to receive a 30% special depreciation deduction from the cost of acquisition or a 7% tax credit was continued (the tax credit is offered only to corporate entities with

a capital of no more than ¥30 million). (Ongoing)

6. Special exemption from inclusion in charges against revenue of entertainment and social expenses, etc. [Taxation scheme]

The selective application of (1) the measure that permits entertainment and social expenses to be included in charges against revenue up to the fixed deduction amount (¥8 million) or (2) the measure that allows 50% of food and drink expenses to be included in charges against revenue was offered. (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. operated 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 3 Measures for proper transaction prices and pass-throughs of consumption tax

1. Improvement of the transaction conditions of SME subcontractors

Based on the "Basic Policies for Future-oriented Trade Practices" (Seko Plan) that was released in September 2016 as a package of measures for improving transaction conditions, 21 organizations in 8 industries including the automobile, electronic equipment and information and communication equipment industries, formulated and announced voluntary actions plans for promoting fair trade and enhancing added values by the end of March 2017. In May 2017, the organizations conducted a follow-up survey based on the guidelines on conducting a follow-up of the voluntary action plans issued by the SME Agency. Meanwhile, in April 2017, some 80 "subcontract G-men" were assigned nationwide and interviewed more than 2,000 subcontractor SMEs over a year. The results of the follow-up survey conducted by industrial organizations and the results of the interviews undertaken by subcontract G-men were compiled and announced in December 2017. Upon a comparison of the results of the two surveys, industries in which improvements appeared to lag were urged to promote further initiatives after January 2018. At the same time, initiatives were also launched to expand the scope of industries with voluntary action plans (machinery manufacturing, distribution, security, and broadcast contents industries). The Liaison Council of Ministries and Agencies Concerned with the

Improvement of the Transaction Conditions of SME Subcontractors, which was established in December 2015, convened twice in fiscal 2017 (total of 13 times). The decisions it made were taken over by the Liaison Council of Ministries and Agencies Concerned with Improving the Vitality of SMEs and Micro Businesses that was established in September 2017 to examine issues for promoting workstyle reforms (correction of long working hours, productivity increase, etc.), and were continued to be addressed by ministries and agencies concerned under the framework of this liaison council. (Ongoing)

2. Stricter enforcement of the Subcontractor Payment Act

[Fiscal 2017 draft budget: Included in ¥1.39 billion]

To ensure fair treatment of subcontractors and protect their incomes, the Fair Trade Commission (FTC) and SME Agency collaborated closely in enforcing the Subcontractor Payment Act. The FTC and SME Agency encouraged rigorous compliance with the Act, by carrying out a written survey of principal contractors, and by collecting information on violations of the Act through an office set up specifically to receive such information and reports. In April 2017, one request for measures was made to the FTC pursuant to Article 6 of the Subcontractor Payment Act. (Ongoing)

3. Strengthening consultation systems and fair subcontracting transactions

[Fiscal 2017 draft budget: Included in ¥1.39 billion]

Consultation services concerning SME transactions were provided by the 48 Subcontracting Help Centers set up throughout Japan, and individual guidance and seminars were held on price negotiating know-how that managers and sales representatives in subcontracting SMEs require in holding price negotiations with the procurement department in the parent company. To prevent the occurrence of violations of the Subcontractor Payment Act, 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 around the country and symposiums and other events were held to promote broader adherence to the Subcontractor Payment Act. Furthermore, information sessions were held nationwide to disseminate the guidelines for establishing a favorable relationship between parent companies and subcontracting businesses (guidelines for promoting proper subcontracting transactions in 18 industries under the jurisdiction of the Ministry of Economy, Trade and Industry, the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Internal Affairs and Communications and the Ministry

of Agriculture, Forestry and Fisheries). (Ongoing)

4. Self-reliance support for SME and micro subcontractors

[Fiscal 2017 draft budget: Included in ¥1.39 billion]

Under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises (Act on the Promotion of Subcontracting), business plans designed to solve issues in collaborations between subcontracting SMEs and micro businesses that are highly transaction-dependent on principal 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 closed or downsized (or are slated to close), support in the form of subsidies was provided to subcontracting SMEs and micro businesses seeking to advance into new fields. (Ongoing)

5. Support for market expansion through subcontracting business mediation and business fairs

[Fiscal 2017 draft budget: Included in ¥1.39 billion]

Using Business Matching Stations (BMS), SMEs looking to solicit new clients were provided with information on orders for contract manufacturing issued and received between enterprises for business such as outsourced manufacturing in the SME's preferred industry and where the SME can provide the required equipment or technology. Broad-area information sessions were also held at 8 venues to support new market development. (Ongoing)

6. Request to parent companies for consideration toward subcontractors

[Fiscal 2017 draft budget: Included in ¥1.39 billion]

In November 2017, the Minister of Economy, Trade and Industry and Fair Trade Commission jointly issued a request for proper subcontracting transactions to approximately 210,000 parent companies and 660 industrial organizations. Additionally, the Minister of Economy, Trade and Industry also issued a request (jointly with the relevant ministers in the case of industries under the jurisdiction of other ministries and agencies) for compliance with the promotion standards (revised Dec. 14, 2016) as defined in the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises, to 892 industrial organizations. (Ongoing)

7. Programs to enhance monitoring and inspection regimes for consumption tax imputation

[Fiscal 2017 budget: ¥2.85 billion]

To ensure that consumption tax is passed through appropriately, "cost pass-through inspectors" were assigned throughout Japan. At the same time, to collect information such as on refusals to pass

through the consumption tax, a large-scale written survey was carried out in conjunction with the Fair Trade Commission (FTC) in the effort to monitor and regulate acts of refusal to pass through the consumption tax. (Ongoing)

Section 4 Measures for reduced consumption tax rate system

1. Support for the introduction of cash registers and system renovations among SMEs in the retail trade industry

Support was provided to help businesses prepare for the introduction and operation of the reduced consumption tax rate system. More specifically, (1) support for introducing cash registers that are compatible with multiple tax rates was provided to SMEs in the retail trade industry, and (2) support for renovating electronic ordering systems that are not compatible with multiple tax rates was provided to SMEs in the retail trade and wholesale trade industries. (Ongoing)

2. Consultation desks for inquiries regarding the reduced consumption tax rate system

[Fiscal 2017 budget: ¥1.94 billion]

Toward the smooth implementation of the reduced consumption tax rate system, detailed support was provided in cooperation with SME organizations, etc. Seminars and forums were held, consultation desks were established, specialists were dispatched to provide itinerary guidance, and such support measures were disseminated via pamphlets and other such media. Support was also provided through the operation of cost pass-through consultation desks. (Ongoing)

Section 5 Measures for business stabilization

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, low-interest 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 December 2017, 454,000 companies were enrolled in the system, with 42,000 new subscribers in the period from April 2017 to end of December 2017 and new loans totaling ¥3.1 billion.

2. Special Business Stability Consultation Centers **[Fiscal 2017 budget: Included in ¥4.94 billion]**

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. To facilitate management consultations related to business stability in a wide range of business sectors at these centers, support was provided to initiatives such as guidance programs run 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 BCPs by SMEs [Fiscal 2017 supplementary budget: ¥700 million, Fiscal investment and loan program]

Experts were dispatched to assist SMEs and micro businesses in the formulation of BCPs (business continuity plans) for strengthening their disaster response and in implementing initiatives for ensuring proper action in ordinary times and business continuation in times of emergency (review of supply chains and operational frameworks, formulation of fund procurement plans, identification of priority products, etc.). Additionally, low-interest loans were provided by JFC for the establishment of disaster prevention facilities in accordance with BCPs formulated by SMEs and micro businesses themselves. (Ongoing)

4. Relief for damage caused by dumped imports [Fiscal 2017 budget: ¥65 million]

Trade remedy measures include anti-dumping (AD) programs to provide relief to domestic industries impacted by dumped imports to Japan from foreign enterprises, including measures to ensure equitable market competition such as by imposing extra customs duties based on a petition by a Japanese industry and an investigation by the government. The AD investigation into Chinese manufactured polyethylene telephthalate that was begun in September 2016 was completed in December 2017, and the AD program was implemented. Additionally, the AD investigation into South Korean and Chinese manufactured carbon steel butt welding joints that was begun in March 2016 was compiled into an interim report and presented in December 2017, and a provisional AD program was implemented. Furthermore, information sessions were held for enterprises and studies were conducted to ensure that investigations are consistent with WTO conventions. (Ongoing)

Section 6 Measures concerning public demand

1. Formulation and dissemination of the “FY 2017 Policy on State Contracts with Small and Medium Enterprises”

On July 25, 2017, Cabinet approval was given on the Basic Policy on State Contracts with Small and Medium Enterprises, which sets 55.1% as the target contract ratio of among SMEs and micro businesses and calls for roughly doubling the ratio of state contracts with new SMEs over the three years from fiscal 2015 to 2017, compared fiscal 2014 (estimated at around 1%). Measures for increasing opportunities for SMEs to receive orders were also incorporated in the Basic Policy, including measures for regulating the handling of intellectual property rights, for giving due consideration to the financial status of SMEs and micro businesses, and for reviewing contract amounts accompanying a revision of the minimum wage.

The following initiatives were implemented to fully disseminate the Basic Policy.

- (1) The Minister for Economy, Trade and Industry explained the purport of the Basic Policy in writing to the heads of each agency and ministry, prefectural governors, all municipal mayors, and mayors of the Tokyo special wards (1,805 organizations), and also requested that they make efforts to increase opportunities for SMEs and micro businesses to receive orders.
- (2) From August to September, 50 information sessions (Councils to Promote Local Access to Public Sector Demand) were held throughout Japan to actively raise awareness of the Basic Policy in regional areas.
- (3) A conference (Councils to Promote Procurement from new SMEs) was organized to discuss policies for information sharing and cooperation regarding initiatives for promoting procurement from new SMEs in regional areas.
- (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. (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 2017 draft budget: Included in ¥1.39 billion]

A Public Demand Information Portal Site has been operated that provides SMEs and micro businesses with one-stop access to order information posted on national government and other local public websites in order to improve access by SMEs and micro businesses to information on public sector orders. (Ongoing)

Section 7 Promotion of human rights awareness

1. Human rights awareness

[Fiscal 2017 budget: ¥190 million]

In order to widely propagate respect for human rights

and cultivate awareness of human rights among SMEs and micro businesses, seminars and other awareness-raising activities were organized. Traveling consultation services and training programs were also offered to revitalize micro businesses in regions or industries where there are particularly large numbers of micro businesses that require concentrated support. (Ongoing)

Section 8 Promotion of surveys and public information activities

1. Publicizing of policy

To publicize SME policy, guidebooks and leaflets summarizing the main points were produced and distributed to local governments, SME support agencies and financial institutions, etc. Further publicity was generated by issuing information via portal site for SME support (Mirasapo) and organizing “One-day SME Agency” events.

(1) Publication of booklets

Guidebooks and leaflets for utilizing SME policies have been produced, including the “Guide to the Use of SME Policy,” which contains an introduction of more than 200 policies. These have been distributed to a wide range of interested parties, including SMEs, local government bodies, SME support agencies (commerce and industry associations, chambers of commerce and industry, etc.), financial institutions, and certified public tax accountants, lawyers, certified public accountants, and SME management consultants who provide support to SMEs.

(2) Organization of “One-day SME Agency” events

Co-hosted by the SME Agency and host prefectures, these events were held both to explain the latest measures to local SMEs and 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 Hokkaido and Tokushima prefecture in fiscal 2017.

(3) Publicity using the Internet

1) Website based publicity

The SME Agency website hosted up-to-date information on SME measures, information on public offerings, and publicity materials such as flyers and booklets. In fiscal 2017, the website received around 35 million page views for the year.

2) E-mail newsletters

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 91,000 registered readers (as of the end of December 2017).

(4) “Mirasapo” (portal website for supporting the future of SMEs and micro businesses)

Through the Mirasapo site, the latest support information, information on how to apply for subsidies, case examples of the utilization of support schemes, etc. were delivered to nationwide SMEs in a timely and easy-to-understand manner. (Membership: 141,000 enterprises; Mirasapo e-mail newsletter subscribers: 105,000 enterprises; as of the end of December 2018).

2. Production of the White Paper on Small and Medium Enterprises in Japan and the White Paper on Small Enterprises

In order to ascertain the current situation of SMEs and the challenges that they face, an annual report (2017 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 ascertain the current situation of small enterprises and the challenges they face, an annual report (2017 White Paper on Small Enterprises) was produced in accordance with the provisions of Article 12 of the Small Enterprises Promotion Act.

3. 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. (Ongoing)

4. 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. (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 2017 budget: ¥1.91 billion]
Support was provided for initiatives in which agriculture, forestry and fishery businesses create a network to develop new products, cultivate markets and operate facilities for processing and marketing agriculture, forestry and fishery products. Support was also provided for sixth sector industrialization initiatives that are implemented by the entire region in line with sixth sector industrialization strategies of the municipality. (Ongoing)
- (2) Active utilization of the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan
Support was provided through measures such as investment for business activities aimed at sixth sector industrialization by agriculture, forestry and fishery businesses in cooperation with distribution and processing businesses through the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan (A-FIVE). (Ongoing)
- (3) Comprehensive program for utilization of the geographical indication protection system [Fiscal 2017 budget: ¥170 million]
Initiatives were implemented to establish support centers for registration and application of geographical indications (GI), provide a subsidy for carrying out examinations required for application, raise awareness of the GI protection system by holding symposiums and trade fairs on GI, disseminate information on GI products in Japan and abroad, and strengthen measures against infringements of Japan's intellectual properties overseas. (Ongoing)
- (4) Comprehensive program to promote renewable energy to revitalize rural areas [Fiscal 2017 budget: ¥100 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. In fiscal 2017, the program supported only ongoing initiatives that have been implemented by fiscal 2016. (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 2017 budget: ¥63.9 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. (Ongoing)
- (2) Subsidy for Establishment of a Next-generation Forestry Foundation (for the development of lumber processing and distribution facilities) [Fiscal 2017 budget: ¥7.01 billion]
To create a supply chain for stable and efficient supply in terms of cost, volume and quality, support was provided for the development of lumber processing and distribution facilities needed for the creation of a supply chain. (Ongoing)
- (3) 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 2017 budget: Included in the ¥23.0 billion Subsidy for Creating Strong Agriculture and ¥2.57 billion comprehensive measures for revitalization of production regions]
(Objectives of the measure)
 - To promote a stronger management culture in the SME dairy industry, such as by restructuring and rationalizing dairy plants and enhancing sanitary control, toward contributing to business stabilization among dairy farmers.
 (Overview of the measure)
 - To reduce the production and selling costs of SMEs in the dairy industry and promote the advancement of sanitary standards, support measures were taken to strengthen the functions of dairy plant facilities.
 - To promote steady initiatives toward increasing the efficiency of collecting and transporting milk and restructuring the dairy industry, support measures were also taken for assessing and examining regional issues. (Ongoing)
- (4) Funds for promoting advanced quality control in the food industry
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). (Ongoing)

(5) Comprehensive export support project

[Fiscal 2017 budget: ¥1.6 billion]

(Objectives of the measure)

- To implement initiatives for the promotion of exports in line with the “Strategies for Strengthening the Export Competitiveness of the Agriculture, Forestry and Fishery Industries” (compiled in May 2016 by the Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries) through private-public cooperation toward achieving the target of ¥1 trillion in exports by 2019.

(Overview of the measure)

- Through subsidies to JETRO, comprehensive business support was provided for upstream to downstream operations of export businesses.
- Opportunities for direct negotiations between Japanese businesses and overseas buyers were provided by establishing a Japan Pavilion in overseas trade fairs that are held in countries and regions where export is strongly expected to increase in the future.
- Major buyers from overseas were invited to business conventions in Japan to deepen their understanding of the characteristics of Japanese product categories and their safety through onsite inspections of wholesale markets and production regions, to promote effective business talks.
- Marketing bases (in-store shops) for marketing and promoting Japanese products were established in countries and regions where export from Japan is strongly expected to increase in the future, to sell products of Japanese businesses on a test basis and provide feedback of local responses. (Ongoing)

(6) Measures for export businesses

(Objectives of the measure)

- To implement initiatives for the promotion of exports in line with the “Strategies for Strengthening the Export Competitiveness of the Agriculture, Forestry and Fishery Industries” (compiled in May 2016 by the Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries) through private-public cooperation toward achieving the target of ¥1 trillion in exports by 2019.

(Overview of the measure)

- Export organizations for each export category including marine products, rice and rice products, flowers, animal products, tea, forestry products (wood), fruits and processed foods (snack foods) held examination committees in Japan, conducted overseas market surveys, and implemented initiatives for resolving issues regarding the export environment, with the objective of establishing the Japan brand.

- Organizations that coordinate major export production regions and related business in Japan that handle processed foods (excluding snack foods), and organizations that coordinate multiple product categories in regional blocks implemented discussion meetings in Japan, overseas market surveys and initiatives for cultivating markets overseas, with the objective of achieving stable supply throughout the year or on a long-term basis.

- To respond to quarantine requirements that are sought by relevant countries and regions, the acquisition and renewal of international certifications, and realize transportation costs in accordance with the export conditions of each item, initiatives were implemented for the development and demonstration of an optimal export model. (Ongoing)

(Changes from fiscal 2016)

- In response to the establishment of a new export organization for processed foods (snack foods), support will be provided to a total of 8 organizations for their initiatives to develop the Japan brand.

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 2017 budget: ¥3.07 billion]

To develop the agriculture, forestry, fishery and food industries into growth industries, R&D in those sectors, from the basic to applied stages, were seamlessly promoted through industry-academia collaboration. (Ongoing)

(2) Various forms of lending by JFC

Loans were provided for (1) the improvement of the management of designated agricultural processing businesses, (2) the promotion of new applications of designated agricultural, forestry and livestock products or the adoption of new raw material species for processing, (3) the establishment of stable transaction relationships between food manufacturers and agriculture, forestry and fishery businesses and the development of agricultural, forestry and fishery facilities, (4) the improvement of dairy facilities, (5) the strengthening of the corporate structure of seafood manufacturers, and (6) the restructuring of businesses related to agricultural production. (Ongoing)

Section 2 Measures for SMEs in the transport industry

1. Support for the warehousing industry

To meet the need for increasingly sophisticated and diversified physical distribution services and the shortage of truck drivers as a response to changes in the socioeconomic environment, the development of warehouses that serve both transport and storage functions was promoted based on the revised Law for Integration and Improvement of Physical Distribution,

in the effort to save labor and increase efficiency of physical distribution services. Additionally, to promote low-carbon warehouses, support was provided for the introduction of energy-saving facilities. (Ongoing)

2. Measures for coastal shipping and domestic passenger ships (joint vessel construction system) [Fiscal investment and loan program]

Under the joint vessel construction system of the Japan Railway Construction, Transport and Technology Agency (JRJT), support was provided for the construction of ships having high political significance, such as ships that contribute to the greenification of coastal shipping or to maintaining and revitalizing remote island routes. (Ongoing)

3. Measures for small and medium shipbuilders and related manufacturers [Fiscal 2017 budget: (1) Included in ¥40 million; (2) ¥16 billion (fiscal 2013 budget); (3) ¥680 million; (4) ¥90 million]

- (1) In addition to taking steps to develop a safety net for business stabilization, [1] courses aimed at modernizing management techniques were held, and a health and safety manager training course was also held to help prevent industrial accidents. (Ongoing)
- (2) Most of the shipyards and shipbuilders on the Pacific coast of Tohoku suffered devastating damage in the Great East Japan Earthquake. The Ministry of Land, Infrastructure and Transport, in cooperation with the SME Agency and other relevant ministries and agencies, have supported the utilization of various support programs to promote the prompt recovery and reconstruction of local shipbuilding industries that support the fishery industry that is a core industry in the region. For shipbuilding businesses that face difficulties in resuming operations at the same level as before the earthquake due to ground subsidence, the Subsidy for Projects that Support the Reconstruction of Shipbuilding Businesses, etc. was established in fiscal 2013 to support the development of shipbuilding facilities toward the full-scale reconstruction of the shipbuilding industry through business cooperation and integration. A total of 19 businesses in 8 projects were selected to receive a subsidy (¥11.42 billion in total) by the end of fiscal 2014. Seven of those subsidized businesses were completed by the end of fiscal 2017. [2] Subsidy for reconstruction assistance projects in the shipbuilding industry (Ongoing)
- (3) Subsidies were provided for the cost of 7 research and development projects that involve the participation of SMEs and pursue the development of marine resource development technologies that contribute to the strategic growth of Japan's maritime industries and the research and development of technologies for productivity improvement in the construction and operation of ships in Japan's maritime industry. [3] Subsidy for R&D for technologies related to the

maritime industry (Ongoing)

- (4) Sector-specific guidelines were formulated for the shipbuilding and marine equipment industries based on the Act on Strengthening the Management of SMEs, etc. that was enforced in July 2016, and 51 management improvement plans formulated by SMEs and micro businesses in line with the guidelines were approved (as of the end of December 2017), so that they can receive tax benefits and other support measures. [Taxation] (Ongoing)
- (5) To strengthen the network between local SME shipbuilding enterprises and educational institutions, the "Guidance for implementing internships through cooperation between shipbuilding businesses and local communities" was compiled, announced and disseminated in fiscal 2017. Additionally, to secure outstanding workers in the shipbuilding industry, shipbuilding education was strengthened by creating new teaching materials on shipbuilding for high school students and implementing training programs for developing shipbuilding instructors. Furthermore, the program for accepting foreign shipbuilding workers was revised last November to allow those who have commenced working in Japan's shipbuilding industry before the end of fiscal 2020 to extend their employment to the end of fiscal 2022 at the longest. [4] Acquisition and development of human resources in the shipbuilding industry (Ongoing)

Section 3 Measures for small and medium building contractors and realtors

1. Support program for productivity improvement in the construction industry [Fiscal 2017 budget: ¥60 million]

Under this program, efforts were made to address the various issues in the construction industry, such as responses to the growing pace of technical innovations, faced by regional SME and second-tier construction companies, which play an extremely important role in protecting the lives and properties of the people as regional guardians. Experts in the construction industry, including human resource development specialists, SME consultants, engineers, and occupational safety consultants, supported SME and second-tier construction enterprises that are strongly aware of the need to address the various issues in the construction industry by providing advice and other consultation support. Among the initiatives for addressing these issues, "priority support (step-up support)" was provided to those that would serve as model examples.

Furthermore, the best practices in "priority support (step-up support)" were effectively shared across the industry through seminars held in various regions. (New)

2. 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 Local Construction Management Enhancement Loan Program was implemented, which allows small and medium-sized construction enterprises and second-tier construction companies to receive a loan from loan businesses in proportion to the construction work using the contract value credit from construction works as collateral. The program aims to secure loan funds and reduce procurement interest rates by attaching a loan guarantee to sublease funds that loan businesses borrow from financial institutions when providing a loan. (Ongoing)

(2) Implementation of the Subcontracting Receivables Protection Support Program

To further promote the protection of receivables by building subcontractors, the Subcontracting Receivables Protection Support Program was implemented whereby a factoring company guarantees the contract price receivable by an SME or second-tier subcontractor from the main building contractor. The program compensated for a certain amount of losses by factoring companies and provided subsidies to cover the guarantee fee borne by the subcontractor. (Ongoing)

3. Support for overseas business expansion in the construction industry

[Fiscal 2017 budget: ¥70 million]

The Japan Association of Small and Medium-sized enterprises for Overseas Construction (JASMOEC) was established with the aim of promoting overseas expansions by second-tier and SME construction companies that possess unique technologies. It mainly provided relevant support by holding seminars in Japan, dispatching missions to the three countries of Thailand, Myanmar and Indonesia, facilitating participation in a trade fair in Vietnam, and organizing joint job fairs. (Ongoing)

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 so as to supplement credit and facilitate financing of small and medium realtors. (Ongoing)

5. Regional housing greenification program

[Fiscal 2017 budget: ¥11.4 billion]

To strengthen the regional production framework for wooden housing and reduce environmental burden, support was provided for the development of energy

efficient and durable wooden housing and buildings through groups comprising businesspersons in related fields involved at all stages from provision of materials through to design and implementation. (Ongoing)

6. Community-based program for developing a framework for wooden housing construction techniques [Fiscal 2017 budget: ¥470 million]

To maintain and develop a framework for wooden housing construction techniques in the regions and create a stock of excellent housing, support was provided for training activities implemented by groups of private businesses to develop skilled carpenters. (New)

Section 4 Measures for the environmental sanitation business

1. Measures for the environmental sanitation business [Fiscal 2017 budget: ¥1.04 billion]

Subsidies were provided to environmental sanitation associations, the national environmental sanitation guidance center, and prefectural environmental sanitation guidance centers, to promote the creation of safe and comfortable lifestyle environments from the perspective of sanitation. Support was provided specifically for rehabilitating the management of environmental sanitation businesses such as the hairdressing, dry cleaning and restaurant businesses, maintaining and improving sanitation standards, and protecting user and consumer interests. In fiscal 2017, priority was placed on projects for multilingualizing the website of environmental sanitation associations and strengthening the framework for receiving foreign visitors to Japan (projects for strengthening inbound measures by environmental sanitation businesses), in response to the rapid increase in foreign visitors to Japan, which has also become a pressing issue to environmental sanitation businesses. Seminars on improving profitability to raise the level of wage payments were also held under the fiscal 2017 supplementary budget. (Ongoing)

2. Loans for ES businesses

[Fiscal 2017 budget: ¥3.06 billion]

The JFC provided low-interest loans (environmental sanitation loans) with the aim of improving and otherwise promoting public health, by providing financial assistance to environmental sanitation businesses. In fiscal 2017, loan conditions related to loans for business founders were expanded, and under the fiscal 2017 supplementary budget, financial support was provided for acquiring unsecured and unguaranteed low-interest loans from JFC (ES loans), to support the stabilization of the management foundation during the startup period by introducing

high-productivity facilities. (Ongoing)

Section 5 Environmental and energy measures

1. Consignment expenses for implementing the J-Credit scheme in Japan

[Fiscal 2017 budget: ¥380 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 allowing large enterprises to use those credits to achieve the goals of the plan for realizing a low-carbon society or to offset their CO₂ emissions. Under this program, a secretariat for administering the scheme was operated, and SMEs implementing greenhouse gas emissions reduction activities by using the J-Credit Scheme were supported in registering projects. The program also promoted carbon offsets and the cultivation of demand for credits created under the J-Credit Scheme. Furthermore, by boosting low-energy 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. (Ongoing)

2. Environment and Energy Measure Fund (for anti-pollution measures)

[Fiscal investment and loan program]

To promote anti-pollution measures by SMEs, JFC provided loans to businesses that install pollution prevention equipment. In fiscal 2017, PCB waste disposal businesses were included in the scope of the loan, and the period of the scheme was extended to 31 March 2018. (Ongoing)

[Loans provided] (April – December 2017)

	No. of projects	Amount
Atmospheric pollution	2	¥270 million
Water pollution	6	¥441 million
Industrial waste and recycling	26	¥2,225.9 million
PCB waste disposal	2	¥1.5 million

3. Anti-pollution tax system [Taxation scheme]

The anti-pollution tax system supports the antipollution initiatives of businesses, including SMEs, by offering measures such as a special exemption from the tax base for anti-pollution equipment (wastewater or liquid waste treatment facilities) and a special depreciation measure for the acquisition of antipollution equipment. The system was continued to be implemented in fiscal 2017. (Ongoing)

4. Subsidy for supporting the promotion of energy conservation investments (Energy Use Rationalization Business Support Subsidy)

[Fiscal 2017 budget: Included in ¥67.26 billion]

To promote energy conservation investments and improve energy consumption efficiency in plants and offices, support was provided for the replacement of existing facilities with energy-efficient facilities. In fiscal 2017, support was also be provided for initiatives that contribute to improving energy consumption rate and for the renewal of individual energy-efficient facilities, and particular focus was placed on supporting initiatives for reducing energy use by groups of multiple businesses. (Ongoing)

5. Interest subsidy for investment in energy-saving facilities [Fiscal 2017 budget: ¥1.85 billion]

An interest subsidy on loans was provided to businesses that receive financing from private financial institutions to improve energy consumption efficiency by introducing energy-saving facilities to a new office or installing/adding energy-saving facilities to an existing office, to reduce the cost of funds procurement. (Ongoing)

6. Subsidy for SME energy conservation diagnosis programs [Fiscal 2017 budget: ¥1 billion]

A diagnosis program was implemented to diagnose the energy and power saving potential of SMEs, and case examples and energy-saving technologies obtained from the program were disseminated via various media. Additionally, regional consultation platforms were established in 44 prefectures to provide detailed consultation on energy conservation and thereby promote energy-saving initiatives. (Ongoing)

7. Program for promoting a productivity revolution among SMEs through the introduction and operational improvement of energy-saving facilities [Fiscal 2017 budget: ¥7.8 billion]

The program provided support for energy-saving initiatives that contribute to improving productivity by introducing facilities that are equipped with functions for measuring and controlling energy use and deliver high energy-saving performance. It also analyzed not only the effects of replacing facilities but also the effects of pursuing energy-saving potential by utilizing the energy-saving diagnosis of experts to improve facility operations. (New)

8. Taxation scheme to promote environment-related investment [Taxation scheme]

The taxation scheme that offers individuals and corporate entities that file a blue tax return a 30% special depreciation or a 7% tax credit (SMEs only) during the first year for the cost of acquiring facilities that contribute to promoting energy conservation and recycling, was implemented to promote thorough energy savings and the introduction of maximum energy savings toward realizing an optimal energy mix. (Ongoing)

9. Program to create a fund to promote regional low-carbon investment

[Fiscal 2017 budget: ¥4.8 billion]

In order to call in private funding to low-carbon projects such as renewable energy projects that are likely to be profitable but lack sufficient private funding due to risks stemming from long lead times or long investment recovery periods, funding was provided from the low-carbon investment promotion fund. (Ongoing)

10. Eco-Lease promotion program

[Fiscal 2017 budget: ¥1.9 billion]

The widespread adoption of low-carbon devices was supported by subsidizing part of the total lease payment and promoting the utilization of a no-deposit “lease” scheme among SMEs that have difficulty coping with the very high initial investment costs (deposits) of installing low-carbon devices. (Ongoing)

11. Eco-Action 21

Eco-Action 21 Guidelines 2017 was released to raise awareness of Eco-Action 21 as an effective environmental management system for second-tier businesses and SMEs and to contribute to enhancing corporate value, and the industry-specific guidelines for the construction industry and others were reviewed for revision. Symposiums were also held in six locations throughout Japan to promote recognition of Eco-Action 21. Furthermore, the support program for the introduction of an environmental management system dedicated to CO2 reduction was continued to be implemented, and efforts were made to promote the introduction of Eco-Action 21 to the value chain of large enterprises. (Ongoing)

Section 6 Measures on intellectual property

1. Surveys of technical trends of patent application

[Fiscal 2017 budget: Included in ¥850 million]

Trends in patent applications were surveyed, to assist in the formulation of R&D strategies and IP strategies in Japan’s industries. In fiscal 2017, 12 themes were surveyed, related to technical fields that are garnering social attention, such as autonomous driving systems, and technical fields where large demand is expected in the future, such as rehabilitation devices. The results of the surveys were made publicly available via such sources as the Japan Patent Office’s website. (Ongoing)

2. Subsidy for international patent applications

[Fiscal 2017 budget: ¥630 million]

In order to encourage SMEs to file strategic applications for international patents, subsidies were provided to partially defray the costs incurred (such as

application fees to overseas patent offices, expenditure on hiring Japanese agents and local agents overseas, and translation costs) by SMEs aspiring to expand their business overseas. In addition to prefectural SME support centers, support was also provided by JETRO. (Ongoing)

3. Promotion of the wider use of IP systems [Fiscal 2017 budget: (1) Included in INPIT subsidy (2) ¥40 million]

Information sessions were held for individuals, tailored according to their different levels of knowledge and expertise on the intellectual property system. These included (1) sessions outlining the IP system and explaining basic knowledge for beginners and (2) 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 2017, 59 information sessions for beginners were held in 47 prefectures, and 59 information sessions for working-level personnel were held in major cities throughout Japan. (Ongoing)

4. Program supporting measures by SMEs to counter overseas infringement

[Fiscal 2017 budget: ¥100 million]

To promote the timely and appropriate exercise of industrial property rights overseas by SMEs, the costs required for an investigation of imitation products through to procedures for issuing warning statements and government seizure against the manufacturer of imitation products were subsidized through JETRO. This measure was applied to 16 cases. The cost of consulting with a lawyer consultation and the cost of a lawsuit were also subsidized in cases where an SME is sued by a local enterprise overseas for an infringement of intellectual property rights. This measure was applied to 1 case. Additionally, a measure was implemented to subsidize the cost of filing an opposition or filing a request for a trial for invalidation in cases of an usurped application of the brand trademark of an SME or a regional organization by a local overseas enterprise, or the cost required for filing a request for a trial for rescission such as of an usurped trademark. This measure was applied to 27 cases. (Ongoing)

5. Patent strategy portal site [Fiscal 2017 budget: Included in ¥10 million]

The patent strategy portal site on the Patent Office’s website provided online access to “data for self-analysis”, which includes individual data on the number of patent applications, the number of examination requests, and the patent 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 continued to be subsidized through the reduction by half of examination request fees and patent charges (for 10 years from the first year). Two measures were implemented for small and medium venture enterprises and micro businesses. One measure reduces examination request fees, patent charges (for 10 years from the first year), and administrative charges for overseas patents (administrative charges for investigations, forwarding and preliminary examinations) by one third, and the other measure 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

In cases where the applicant or appellant is an SME or micro business, a system for accelerated examination and accelerated appeal examination was adopted whereby examinations and appeal examinations could be fast tracked by filing an “explanation of situation for accelerated examination” or “explanation of situation for accelerated appeal examination.” The system was also applied to the examination of designs and trademarks that satisfy the requirements for accelerated examination or accelerated appeal examination. In fiscal 2017, as many as 19,230 businesses applied for accelerated examination, and 241 businesses applied for accelerated appeal examination (as of the end of January 2018). (Ongoing)

8. Provision of a one-stop IP service for SMEs (General IP Help Desks)

“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 and second-tier enterprises 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 searching for SMEs that are not yet capable of utilizing IP effectively. In fiscal 2017, the support framework was strengthened such as by strengthening cooperation with local governments, chambers and societies of commerce and industry, Yorozu support centers and other regional support organizations, to promote the effectiveness of the service to regional SMEs based on the Action Plan for Revitalization of Intellectual Properties in the Regions (Sept. 26, 2016), which was formulated by the Patent Office upon discussions by the Subcommittee on Intellectual Property of the Industrial Structure

Council. (Ongoing)

9. Development of a one-stop support framework for trade secrets (“Trade secret/IP strategy consultation center—Trade secret hot line—”)

The “Trade secret/IP strategy consultation center—Trade secret hot line—” that was established in the National Center for Industrial Property Information and Training (INPIT) on February 2, 2015 cooperated with the IP comprehensive support center in responding to consultations mainly from SMEs through IP experts. The consultations dealt with specific IP strategies, such as the open/close strategy that involves the rights of patents and confidentiality of trade secrets, as well as methods of managing confidential trade secrets and leaks and outflows of trade secrets. Particularly with respect to cases of leakage and outflows of trade secrets, information security measures and cyberattacks, the consultation center maintained its framework of responding to consultations in cooperation with the National Police Agency and Information Technology Promotion Agency, Japan (IPA), in accordance with the content of the consultation. Seminars on trade secrets and intellectual properties were also organized, and activities were implemented for dissemination and awareness-raising regarding trade secrets through the development of e-learning contents. (Ongoing)

10. Emerging Country IP Information Databank

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 2017, continued efforts were made to further expand the content (No. of content items as of the end of January 2018: 2,015). (Ongoing)

11. Dispatch of Global IP Producers

The National Center for Industrial Property Information and Training (INPIT) has dispatched experts in IP management (“Global IP Producers”) to assist SMEs and other enterprises with promising technologies that are likely to drive overseas expansion. These Global IP Producers support overseas business expansion by SMEs through the use of intellectual property, by assisting in 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 2017, six Global IP Producers provided support to 224 businesses (as of the end of December 2017). (Ongoing)

12. On-site and TV interviews

To provide support regarding patents and designs to small and medium venture enterprises throughout Japan, onsite interview examinations were held by inspectors and examiners sent to interview venues throughout Japan, and to provide support regarding patents, designs and trademarks, TV interview examinations were held via the Internet using the applicants' own PCs. Additionally, an onsite interview examination office and TV interview examination office were established in the Kinki Headquarters of the National Center for Industrial Property Information and Training (INPIT) that opened in Osaka prefecture in July 2017, and the major dates for onsite interviews were scheduled. Furthermore, a region-based patent promotion program was implemented, in which an onsite interview examination and seminar on patent rights are held at the same time, intended for corporate cluster regions, such as research parks and universities, where local SMEs, venture enterprises, and research facilities are concentrated. (Ongoing)

13. Promotion of intellectual property financing [Fiscal 2017 budget: ¥130 million]

A comprehensive initiative that promotes financing by financial institutions based on intellectual properties was implemented, such as by providing IP business assessment documents that contain easy-to-understand information about businesses that utilize SME patents and other intellectual properties to financial institutions that find it difficult to assess the patents and intellectual properties of SMEs. Support was provided for the creation of 200 IP business assessment documents. Additionally, the accompaniment style of support was provided to 12 financial institutions requiring systematic IP initiatives, and seminars and symposiums were held for employees of financial institutions. (Ongoing)

14. Program for promotion of businesses that utilize Japanese intellectual properties [Fiscal 2017 budget: ¥270 million]

The following initiatives were implemented via JETRO, to support the promotion of overseas business expansion through the use of intellectual properties of medium enterprises, SMEs and regional organizations that have acquired a regional collective trademark. (Ongoing)

- (1) Candidate partners of license businesses with Japanese enterprises possessing outstanding intellectual properties were listed up through a survey, and the information was utilized in business meetings mentioned in (2) and (3) below.
- (2) Support was provided for the creation of business models and the formulation of brand strategies that lead to license businesses overseas, and events and business opportunities were provided via seminars

and training programs in Japan held by specialists and multiple occasions for individual interviews overseas.

- (3) Support was provided, such as by arranging opportunities for business meetings with business partner candidates, through participation in trade fairs and business meetings in Japan and overseas.
- (4) Advice was provided through intellectual property specialists, with a view to preventing the outflow of technologies.
- (5) The attractiveness of Japanese medium enterprises and SMEs having prospective intellectual properties and regional organizations that have acquired a collective trademark were widely communicated overseas in multiple languages, with careful consideration to prevent the outflow of technologies.

15. Program for strengthening capacities to support the intellectual properties of regional SMEs [Fiscal 2017 budget: ¥200 million]

To promote the protection and utilization of the intellectual properties of SMEs through detailed support in consideration of the various issues and regional characteristics of SMEs, Bureaus of Economy, Trade and Industry sought pioneering and advanced initiatives for supporting intellectual properties from highly motivated regional support organizations, and support was provided to 24 initiatives. (Ongoing)

16. Subsidy for trade insurance against IP lawsuits overseas [Fiscal 2017 budget: ¥60 million]

To allow SMEs to take measures against IP lawsuits overseas, support was provided to an overseas IP lawsuit insurance system operated by a membership of nationwide SMEs, to provide funds to cover for the cost of IP lawsuits overseas. Subsidies were granted to a nationwide organization of SMEs, to subsidize 1/2 the premium of overseas IP lawsuit insurances. By reducing the burden of paying the insurance premium, the program encouraged subscription by SMEs. (Ongoing)

17. Dispatch of business producers for regional revitalization [Fiscal 2017 budget: Included in ¥120 million]

With the objective of expanding business functions in the regions, three "business producers" were dispatched to three institutions to support the development of an environment that is conducive to creating businesses, by helping to identify hidden needs that could lead to business, procure business capital by matching the needs with seeds through the creation and utilization of a regional network that includes financial institutions, and cultivate a market. (Ongoing)

18. Provision of patent information

In March 2015, a service for patent information

provision called Japan Platform for Patent Information (J-PlatPat) was launched, which allows searches through official bulletins for patents in Japan and overseas, utility model patents, designs, and trademarks, and inquiries regarding the progress of patent examinations, registrations and appeals. In fiscal 2017, a system was developed for adding a patent and utility model search function to allow searches of English documents in foreign patent journals (U.S., EU, international applications) and searches by combinations of categories and key words. Furthermore, to enable foreign patent documents and particularly the increasing numbers of Chinese and South Korean patent documents to be searched in Japanese, the Chinese and Korean Document Translation and Search System was launched in January 2015, and the Foreign Patent Information Service (FOPISER) was launched in August 2015 for referencing patent information in the ASEAN and foreign countries that are prominent destinations of overseas expansion by Japanese enterprises. The services are available free of charge via the Internet. (Ongoing)

Section 7 Promotion of standardization

1. Promotion of the strategic utilization of standardization by medium enterprises and SMEs

From among the proposals made by medium enterprises and SMEs by utilizing the Standardization System for New Market Creation that is based on the Future Investment Strategy 2017 and IP Promotion Plan 2017, standards have been formulated for 11 proposals as of the end of fiscal 2017. Furthermore, local government bodies, industrial promotion organizations, regional finance institutions, and university and public research institutions (partner institutions) cooperated with the Japanese Standards Association (JSA) in increasing the number of partner institutions of the Standardization Support Partnership System, which provides information and advice on the strategic utilization of standardization in the regions, to 147 institutions as of the end of fiscal 2017. Also under the system, seminars were held on the strategic utilization of standardization for medium enterprises and SMEs (132 seminars were held as of the end of fiscal 2017). Furthermore, under JETRO's support program for acquisition of certification for overseas exports, information pamphlets on EU, Indonesia, Vietnam and Thailand were published, 6 seminars were held (5 in Japan, 1 overseas (Thailand)) as of the end of fiscal 2017, and 47 individual consultations were held (34 companies). (Ongoing)

Small enterprise policies planned for fiscal 2018



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<p>Note: The quantities, amounts of money and other figures in this document are approximate and may be changed in the future.</p>
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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 2018 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 business by more proactively taking advantage of their conventional face-to-face relationships with customers -

Small enterprises are facing reduced demand from structural factors in the Japanese economy and society including population decline and lifestyle changes. Moreover because of limitations on funds, personnel, product development capacity and other management resources, small enterprises have weak price competitiveness and sales abilities, and are easily influenced by structural changes.

On the other hand, because of their strengths in transactions based on face-to-face relationships of trust, small enterprises have the potential to develop new demand inside Japan and overseas by grasping needs to which large enterprises cannot respond, and developing and providing various products and services that are not caught up in price competition. Additionally, with the spread of IT, the potential for activities beyond existing business regions is expanding even for enterprises that are small scale. To maximize such potential response of small enterprises to structural changes, promote systematic management anticipating demand which grasps enterprise strengths, creates and cultivates demands, makes greater use of IT, and develops and provides new products and services.

Section 1 Enhancement of productivity improvement and technological capacity

1. Strategic Core Technology Advancement Program and support program for collaborative efforts [Fiscal 2018 budget: ¥13 billion]

Support will be provided for R&D initiatives that SMEs and micro businesses having an approved R&D plan under the SME Technological Advancement Act or Regional Future Investment Promotion Act implement in cooperation with universities, public research organizations, and other such R&D institutions.

Support will also be provided to SMEs and micro businesses in their effort to develop a new service model based on industry-academia-government collaboration, in line with a cross-field collaboration plan for cultivation of a new business field that has been approved under the Act on Strengthening the Management of SMEs, etc. (Ongoing)

2. The National Institute of Advanced Industrial Science and Technology (AIST)'s bridge-building initiatives for medium enterprises and SMEs

AIST will support the R&D initiatives of medium enterprises and SMEs by establishing a nationwide framework of cooperation such as through the appointment of an AIST innovation coordinator in public research organizations that possess knowledge of the needs of regional medium enterprises and SMEs, and by strengthening capacities to “bridge” innovative technology seeds of regional enterprises

with commercialization initiatives. (Ongoing)

3. Comprehensive support for enhancement of core manufacturing technologies among SMEs

Comprehensive support will be provided through the Strategic Core Technology Advancement Program and special loans and guarantees to SMEs and micro businesses with approved specific R&D plans that have been formulated in accordance with the advancement guidelines under the SME Technological Advancement Law. (Ongoing)

4. R&D promotion tax system (for strengthening the technological bases of SMEs) [Taxation scheme]

The tax credit that has been offered in accordance with the total cost of testing and research expenses undertaken by SMEs will be revised into a scheme that offers a tax credit at a rate (12% to 17%; 6% to 14% for large enterprises) that corresponds to the rate of increase of such expenses, and a measure will be introduced that provides an additional 10% tax credit to the upper limit in cases where testing and research expenses increase by more than 5%.

Furthermore, the costs of services development as part of the fourth industry revolution will be included among the testing and research expenses eligible for the tax credit. In addition to the above, the scheme that offers a tax credit on the total cost of special testing and research expenses (testing and research performed jointly or entrusted to a university, a national institution or enterprise), and the tax scheme that deducts an amount calculated by multiplying a fixed rate to the excess amount in cases where the

amount of testing and research expenditure exceeds 10% of average sales, will continue to be offered. (Ongoing)

5. Support under the Small Business Innovation Research (SBIR) Program

The provision of central government-allocated R&D spending for SMEs and micro businesses will 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 technology development outcomes, SMEs and micro businesses will be 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 will be offered by the Japan Finance Corporation (JFC). At the same time, the multistage selection process for the allocation of special subsidies will be introduced and expanded. (Ongoing)

6. Cross-field collaboration for new business development

Pursuant to the Law Concerning Measures for the Promotion of Creative Business Activities by Small and Medium Enterprises, authorization and subsidies will be provided for business plans that aim to develop and market new products and services by effectively combining the management resources (technology, markets, etc.) of SMEs in different sectors, in addition to providing wide-ranging support through special loans and guarantees. (Ongoing)

7. Program to promote business creation through medical-engineering collaborations

[Fiscal 2018 budget: ¥3.04 billion]

To promote the network for supporting the development of medical equipment and to provide seamless support from the initial stages of development to commercialization, accompanying-style consultation will be provided.

In fiscal 2018, support will also be provided for the commercialization of approximately 35 items of medical equipment through a development and demonstration program, to promote the development of medical equipment through collaborations between manufacturing SMEs and medical institutions. (Ongoing)

8. Enterprise vitality enhancement funding (in relation to the Manufacturing Act)

[Fiscal investment and loan program]

Japan Finance Corporation (JFC) will provide loans for funds needed to modernize management and rationalize the distribution systems of SME commercial businesses and service businesses, promote the advancement of basic manufacturing technologies of SMEs, and develop SME subcontractors. (Ongoing)

9. Act for Strengthening the Management of SMEs, etc.

The Bill for Partial Amendment to the Act for Strengthening the Management of SMEs, etc. and the Act on Strengthening Industrial Competitiveness has been submitted to the 196th ordinary session of the Diet. It sets forth the following measures: (1) support such as taxation measures and succession of licenses and permits to SMEs that aim to enhance their management by inheriting the business of another company through M&A or other such means, in response to the increase in the succession of business by non-family members and individual outside the company; (2) the introduction of a system for renewal of the certification of management innovation support organizations and regular verification of their work performance, to strengthen management support frameworks; and (3) development of a support framework for promoting the introduction of IT among SMEs. Additionally, continued measures will be taken to provide taxation and financial support to SMEs that have formulated an approved management capability enhancement plan based on the Act for Strengthening the Management of SMEs, etc., such as through the scheme for reducing the fixed assets tax and the loan system of the Japan Finance Corporation. (New)

10. Taxation scheme for strengthening the management of SMEs [Taxation scheme]

The scheme that provides SMEs that have an approved plan under the Act for Strengthening the Management of SMEs, etc. an immediate depreciation deduction or a 10% tax credit (7% for enterprises with a capital of more than ¥30 million) for their acquisition of facilities needed to strengthen their management capabilities will continue to be offered. (Ongoing)

11. Establishment of property tax reduction and exemption measures for productivity revolution

Where the advanced facility introduction plan of SMEs, etc. complies with the introduction promotion basic plan of municipalities based on the Act on Special Measures for Productivity Improvement and has been certified as a plan that will increase labor productivity by more than 3% per year on average, a measure will be established that calculates the tax base of property tax imposed on designated machines and devices that are included in the plan and that are expected to be used directly for production and sales

activities as the amount obtained by multiplying a rate of more than 0% to less than 50% prescribed by municipal ordinance to the costs incurred by those machines and devices in the first three years. In conjunction with this measure, the “manufacturing, commerce and service subsidies” and other budget measures will be expanded and given priority support. (New)

Section 2 Promotion of IT

1. Investment and loan program for computerizing governmental financial institutions (IT utilization promotion fund) [Fiscal investment and loan program]

JFC loans will be provided to SMEs to promote the utilization of IT that would contribute to increasing their productivity, and a measure will be taken to reduce the interest rate on loans to enterprises that implement information security measures accompanying IT investments. (Ongoing)

Section 3 Support for market and demand cultivation

1. Micro business promotion program [Fiscal 2018 budget: ¥4.94 billion]

Support for micro businesses will be promoted through the “accompaniment” style of support provided by societies and chambers of commerce and industry in line with management development support plans that are certified based on the Small Business Support Act, and support will be provided for the formulation of business plans and market development in consideration of demand by micro businesses. To encourage business expansion by regional micro businesses aiming to target nationwide markets, societies and chambers of commerce and industry will cooperate with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets. (Ongoing)

2. Support for cultivation of markets through exhibitions, business meeting events, and other events

SMRJ will provide support for the development and expansion of markets for products and services developed by SMEs and micro businesses through agricultural-commercial-industrial collaborations or by using local resources, by organizing exhibitions, business fairs, and other such events. (Ongoing)

3. Market Development Coordination Program

Market development experts with experience in working at trading companies, manufacturers, etc. (“market development coordinators”) assigned

to SMRJ will help SMEs with newly developed products, technologies, and services gain a foothold in new markets and acquire the capacity for market cultivation through the implementation of test marketing activities in the wider Tokyo and Kinki regions. (Ongoing)

4. Support program for market cultivation

The SMRJ will support the market cultivation initiatives of SMEs and venture enterprises by promoting business match-ups between enterprises participating in SMRJ-sponsored trade fairs or concurrent events and buyers, and providing advice. (Ongoing)

5. Support for creation of new businesses

Close, integrated support will be provided to SMEs and other entities engaging in new business by stationing experts in marketing and other areas of business in SMRJ’s 10 branches and offices across Japan to help formulate business plans based on the Act for Strengthening the Management of SMEs, etc., the Regional Resource Utilization Promotion Act, and the Agricultural-Commercial-Industrial Collaboration Promotion Act. (Ongoing)

6. J-GoodTech

The SMRJ will provide support to SMEs seeking to cultivate markets in and outside of Japan, by connecting them to major domestic manufacturers and overseas enterprises via a website that posts information about Japanese SMEs boasting outstanding technologies and products. (Ongoing)

Section 4 Support for overseas expansion

1. Global alliance support with medium enterprises and SMEs in Japan

To support investment tie-ups between medium enterprises and SMEs in Japan and foreign enterprises, relevant institutions such as JETRO and SMRJ will continue to promote business match-ups between foreign enterprises that are interested in investing in Japan and medium enterprises and SMEs in Japan. (Ongoing)

2. Program for supporting overseas expansion by SMEs and micro businesses

[Fiscal 2018 budget: ¥2.04 billion]

To support overseas expansion by SMEs and micro businesses, the SMRJ and JETRO will collaborate in providing strategic support through measures that respond to their needs at various stages of overseas expansion. They include support for the cultivation of overseas companies through the provision of information on overseas market trends

and regulations, implementation of feasibility studies, and establishment of an export framework, as well as support for participation in trade fairs in Japan and overseas, support for the cultivation of overseas markets by inviting overseas buyers to Japan, support for dissemination of the certificate of origin system based on economic partnership agreements, and local support once companies advance overseas. (Ongoing)

3. JAPAN Brand Development Assistance Program [Fiscal 2018 budget: Included in ¥1.05 billion]

To facilitate overseas expansion by SMEs, support will be provided under this program such as for the formulation of strategies built on collaboration among multiple SMEs and the strengths of those SMEs (raw materials, technologies, etc.), product development based on those strategies and participation in overseas trade fairs. (Ongoing)

4. Funding for overseas expansion and business restructuring operations [Fiscal investment and loan program]

Loans will be provided by JFC to assist with the funding of SMEs that for business reasons need to expand overseas or restructure their overseas business to adapt to structural economic changes. (Ongoing)

5. Support for overseas subsidiaries to obtain capital, etc.

Where overseas subsidiaries of SMEs whose management plan is approved under the Act for Strengthening the Management of SMEs, etc. have loans from local financial institutions, JFC will provide guarantees (issued standby credits) for those loans and will also provide support for the procurement of funds by those overseas subsidiaries. (Ongoing)

6. Program for cultivation of emerging markets based on technical cooperation [Fiscal 2018 budget: Included in ¥4.56 billion]

The following three initiatives will be implemented to support Japanese companies in acquiring emerging markets.

- (1) Support will be provided to managers and engineers in developing countries who engage in management, manufacturing, operations, etc., by offering training programs in Japan and guidance by dispatched experts.
- (2) To develop skilled foreign human resources in Japan and strengthen the framework of Japanese companies, foreign workers will be given opportunities for internships in Japanese companies.
- (3) Support will be provided to Japanese companies engaging in the development of products and services that resolve social issues in developing countries in collaboration with universities, research institutes, NGOs or other companies in developing countries.

(Ongoing)

7. Utilization of the private-sector collaborative volunteer program and matchups with returned JICA volunteers

The Japan International Cooperation Agency (JICA) will work toward developing personnel capable of active involvement in the global community by utilizing the private-sector collaborative volunteer program to dispatch employees of private-sector enterprises to developing countries as Japan Overseas Cooperation Volunteers (JOCV) and JOCV Senior Overseas Volunteers in response to the needs of each enterprise. Additionally, to support the employment of returned JICA volunteers, match-ups will be promoted between personnel with expert knowledge of a certain developing country and enterprises seeking such personnel. (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) continue arrangements to acquire and bear the cost of acquiring credit information on business partners that is required for rating SMEs that wish to use trade insurance. (Ongoing)

9. Activities to expand and publicize use of trade insurance by SMEs (seminars, consultation events, etc.)

To promote the use of trade insurance by SMEs, the website for SMEs will be renewed. Instructors from NEXI will be sent to lecture in seminars hosted by JETRO and other such organizations and study meetings of affiliated regional banks to raise awareness and encourage wider use of trade insurance. These information sessions will aim to promote greater understanding and dissemination of trade insurance mainly by introducing the exports payment insurance for SMEs and the agriculture, forestry and fisheries industry using videos and manga pamphlets to facilitate better understanding. (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 numbers of cooperating institutions have increased yearly, and in fiscal 2016, a Credit Union Network was established with the participation of credit unions. As of February 2018, a network of 117 nationwide financial institutions has been established, but ongoing efforts will be made for further expansion of the network. (Ongoing)

11. Support for security export control

Support will be provided for the development of voluntary administration structures for security trade control at SMEs that engage in export and the provision of technology, by holding information sessions for ensuring effective security trade control based on the Foreign Exchange and Foreign Trade Act, and dispatching specialists in collaboration with SMRJ and JETRO. (Ongoing)

business plans to market cultivation and local business meetings, through experts who offer close assistance to enterprises and the utilization of various support schemes. (Ongoing)

12. Promotion of BOP business

“Base of the pyramid” (BOP) business and volume zone business will be promoted to support the business expansion of Japanese companies in growth markets in developing countries. Specifically, JETRO will provide individual support to enterprises as appropriate to their business phase, by using local coordinators. Additionally, Japanese enterprises that are considering BOP business will be encouraged to advance into BOP and volume zone businesses, by organizing consultation/business meetings in Japan, providing marketing support through the implementation of relevant surveys, and also providing local matchup support. Furthermore, demonstration projects will continue to be implemented in support of enterprises that aim to establish a business base in Africa. (Ongoing)

13. Program for basic studies, feasibility studies, dissemination and demonstration (ODA matchup program for SME products and technologies)

[Fiscal 2018 budget: Included in ¥150.5 billion]

This program aims to apply the outstanding products and technologies of Japanese SMEs to the growth of developing countries via ODA, and thereby achieve a balance between the growth of developing countries and economic revitalization in Japan. (Ongoing)

14. Support for overseas expansion by SMEs (provision of equipment that use SME products)

[Fiscal 2018 budget: Included in ¥160.5 billion]

Products from Japanese SMEs are donated to developing countries based on requests from their governments and development needs, not only to support the development of developing countries, but also to increase recognition of such products. (Ongoing)

15. New Export Nation Consortium

[Fiscal 2018 budget: Included in ¥23.93 billion]

To support the overseas expansion of medium enterprises and SMEs, the New Export Nation Consortium was established in February 2016 widely composed of support organizations such as JETRO, SMRJ, NEDO, and financial institutions. It provides comprehensive support, from the formulation of

Chapter 2 Promoting business renovation

Section 1 Support for new business startups

1. Subsidy for regional creative startups

[Fiscal 2018 budget: Included in ¥630 million]

A subsidy will be provided to entrepreneurs for the cost of starting a business that provides new products or services and creates new demand in the regions. From fiscal 2017, it will focus on supporting businesses that employ one or more employees during the business implementation period, has plans to utilize outside funds from private financial institutions, and can expect continuous third-party support to stabilize their business. (New)

2. Subsidy for startup support businesses [Fiscal 2018 budget: Included in ¥630 million]

Support will be provided to startup support businesses that engage in business to support startups of designated businesses under the Industrial Competitiveness Enhancement Act, where they provide startup support services based on an approved business startup support plan (also in response to startup needs stemming from dual occupations and side businesses) or undertake initiatives to enhance the quality of their startup support services. (New)

3. 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)

4. Loan Program for Supporting Female, Young, and Senior Entrepreneurs

[Fiscal investment and loan program]

The JFC will apply preferential interest rates to loans offered to women, young people under the age of 35 and older people aged 55 or older, who have started a business within the past seven years or so, to support the creation of new businesses by diverse entrepreneurs. (Ongoing)

5. Funding for supporting 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 will offer loans to candidates who face difficult circumstances in relaunching their businesses. (Ongoing)

6. Guarantees for founders

To boost lending to startup entrepreneurs by private financial institutions, a guarantee program will be implemented, which specifically encourages credit guarantee corporations to provide guarantees to individuals who are starting up in business or who started up in business less than five years ago. Based on a review of the credit insurance system, the limit of business startup guarantees will be increased from ¥12.5 million to ¥20 million from April 2018. (Ongoing)

7. Fund Investment Program (Startup Support Fund, SME Growth Support Fund)

The creation of investment funds operated by private sector investment companies to stimulate private funds will be promoted through investment by SMRJ (up to one half of the total value of the fund concerned) with the aim of expanding the range of opportunities for investment in ventures (SMEs) at the startup or early growth stage and in SMEs pursuing growth through the development of new business. (Ongoing)

8. Program for strengthening cooperation in the global venture ecosystem

[Fiscal 2018 budget: ¥310 million]

Startup communities in Japan will be revitalized by promoting business collaborations and network creations through the activities of the Venture Business Creation Council, composed mainly of entrepreneurs who are the bearers of new business creation, venture enterprises, large enterprises, and venture support personnel (VCs, etc.).

Additionally, the creation of networks with Silicon Valley will be promoted under the Project for Bridging Silicon Valley and Japan, by sending entrepreneurs and personnel from medium enterprises and SMEs to Silicon Valley and holding US-Japan exchange events. (Ongoing)

9. Program for discovery of potential entrepreneurs [Fiscal 2018 budget: Included in ¥630 million]

Under this program, certification will be granted to business startup schools that offer a certain level of curriculum specified by the government, and support will be provided for the acquisition of basic entrepreneur knowledge. Additionally, a nationwide business plan contest will be held from the perspective of discovering potential entrepreneurs and increasing the number of entrepreneurs throughout the regions in Japan in the future. (New)

10. Angel tax system [Taxation scheme]

To promote the financing of newly founded venture

enterprises by individual investors (“angels”), measures will continue to be taken to increase recognition of this taxation scheme and develop an environment that is conducive to promoting business startups. (Ongoing)

11. Taxation measures to promote venture investment in enterprises [Taxation scheme]

This initiative allows companies that invest in a venture enterprise through a venture fund certified by the Minister for Economy, Trade and Industry under the Industrial Competitiveness Enhancement Act (restricted to cases in which more than 50% of the amount invested is invested in a venture enterprises located in the regions) to accumulate provisional funding for losses of up to 50% of the amount invested and write off that fund as expenses (under the fiscal 2018 tax reform, the term of application will be extended by one year on the premise that the Industrial Competitiveness Enhancement Act will be amended). Measures for widespread dissemination will continue to be taken, so that the system is utilized effectively, and many attractive venture enterprises emerge in Japan. (Ongoing)

12. Management Innovation Support Program

Support will be provided for new business activities undertaken by SMEs 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 Act on Strengthening the Management of SMEs, etc. (Ongoing)

13. Construction of startup support system in the regions

To promote business startups in the regions, entrepreneurs receiving startup support based on a startup support business plan that has been created in cooperation between a municipality and private startup support business under the Industrial Competitiveness Enhancement Act and approved by the central government were supported in the form of expanded credit guarantees and taxation measures (reduction of registration and license tax by one-half). Startup support businesses were also supported in the form of credit guarantees. (Ongoing)

14. SME and micro business management enhancement loan/guarantee program

[Fiscal investment and loan program]

JFC will provide loans for funds needed to strengthen the management and fund procurement capabilities of SMEs that engage in business innovation or the cultivation of new fields in cooperation with SMEs in other sectors based on the guidance and advice of

a certified business innovation support organization. (Ongoing)

15. Construction of support networks among female entrepreneurs

[Fiscal 2018 budget: Included in ¥210 million]

To support business startups by women, female entrepreneur support networks that have been created in ten nationwide locations as of fiscal 2016, composed mainly of local financial institutions, industrial support organizations, and startup support organizations, will identify and assess startup needs, present role models of female entrepreneurs and refer businesses to financial institutions. Concentrated support will be provided particularly to female entrepreneurs in the pre-startup phase, and network connections will be strengthened to produce best practices in female entrepreneur support. (Ongoing)

16. Local 10,000 Projects (Subsidies for business generating regional economic activity)

[Fiscal 2018 budget: Included in ¥1.45 billion]

To support the startup of region-based enterprises with large employment absorption capacity by making use of regional assets and funding (drawn from regional financial institutions, etc.) through the collaboration of industry, academia, financial institutions and government, subsidies will be granted to cover part of the cost of subsidies provided by local public organizations for expenditure required by private sector businesses at the business establishment phase. From fiscal 2018, the scope of support will be strengthened, such as by including businesses that receive financing from a fund for regional revitalization or other such subsidy under the scope of the project on a trial basis and expanding special tax allocation measures. (Ongoing)

17. Lifelong startup support subsidy

[Fiscal 2018 budget: ¥80 million]

To create employment opportunities for middle-aged and older people and promote the realization of a society where people can remain active throughout their lives, a subsidy will be provided to middle-aged and older entrepreneurs to cover part of the expenses required to start a business, including the costs of recruiting and employing workers and providing education and training. Furthermore, an additional subsidy will be provided to businesses that increase productivity after a certain amount of time after startup. (Ongoing)

18. Subsidy for regional creative startups

[Fiscal 2018 budget: Included in ¥630 million]

A subsidy will be provided to cover the startup costs of business founders who provide new products and services that create new demand in the region. From

fiscal 2017, it will focus on supporting businesses that employ one or more employees during the business implementation period, has plans to utilize outside funds from private financial institutions, and can expect continuous third-party support to stabilize their business. (New)

Section 2 Support for business succession

1. Small Enterprise Mutual Relief System

The Small Enterprise Mutual Relief System is a system for giving micro business owners a retirement benefit. Ongoing efforts will be made to promote enrollment in the system and ensure steady supply of mutual aid money. (Ongoing)

2. Support program for SME revitalization and business succession (Business succession support)

[Fiscal 2018 budget: Included in ¥6.88 billion]

Business Succession Support Centers established within an approved support organization in each prefecture will provide information and advice on business succession to SMEs and micro businesses facing the problem of lack of successor, and will also provide support for business match-ups through M&A and other such schemes. In fiscal 2018, cooperation will be strengthened not only with Business Succession Networks (see below) and SME support organizations but also with Business Succession Support Centers, businesses will be encouraged to realize early and systematic business succession, and the framework for business matchup support such as through small-scale M&A schemes will also be strengthened. (Ongoing)

3. System of deferral and exemption of payment of inheritance tax and gift tax on non-listed shares (business succession taxation scheme) [Taxation scheme]

The business succession taxation scheme that defers the payment of gift tax and inheritance tax at the time of business succession will be fundamentally expanded for businesses that submit a business succession plan (provisional name) within the next five years and actually transfer the business within the next ten years. More specifically, (1) the number of relevant shares and deferral rate will be expanded, (2) the eligibility for the scheme will be expanded, (3) employment requirements will be made more flexible, and (4) a new tax reduction and exemption system will be established. (Ongoing)

- (1) The upper limit for the number of relevant shares will be eliminated, and the scope of the scheme will include all shares. The tax payment deferral rate will be raised to 100% to prevent tax burdens at the time of business succession.

- (2) The scope of the scheme will also include business successions by representative successors (max. 3 people) from among multiple shareholders that include non-family members, to support diverse styles of business succession in response to the actual state of management in SMEs.

- (3) The deferral will remain valid even if the employment requirement of maintaining an average of 80% or more of employment over a period of five years is not achieved (if deterioration of management is the reason, the guidance and advice of an approved support agency is required).

- (4) The difference between the amount of taxes calculated based on the selling price or the stock price at the time of closure and the amount of taxes calculated based on the stock price at the time of business succession will be exempt from taxes, to mitigate future concerns regarding changes in the business environment.

*In addition to the above, the scope of application of the system for settlement at time of inheritance will be expanded, and other necessary measures will be provided.

4. Comprehensive support under the Management Succession Facilitation Act

The Act on Facilitation of Succession of Management of Small and Medium Sized Enterprises incorporates comprehensive support for business successions, involving special treatment under the Civil Code to resolve the constraints on legally secured portions of successions. Confirmations of qualification for this special treatment will be granted by the Minister of Economy, Trade, and Industry. (Ongoing)

Additionally, to respond to needs for stock acquisition funds, etc. by third parties (parties planning to succeed a business) when succeeding a business such as through M&A, the scope of application for financial support will be expanded to include SMEs, etc. that are making the acquisition but have yet to appoint a representative. (Ongoing)

5. Support to facilitate business successions

For wide-ranging and in-depth support for SME business successions throughout Japan, various events will be held to provide training for SME support providers and raise SME managers' awareness through business succession forums. (Ongoing)

6. Program for concentrated support for business succession and generational change (program for advanced business succession support) [Fiscal 2018 budget: Included in ¥5 billion]

Regional business succession support networks will be established by support agencies located in each prefecture, to promote community-based business succession support in cooperation with local governments. Support agencies that play a

central role in supporting business succession in each region will make advanced approaches to communities and industries that particularly need support in a concentrated and effective manner based on an analysis of advanced data such as on the risks of business suspension and closures in each region and industry that is supplied from the central government. To ensure effective analysis and utilization of the data, core support agencies will be supported in their efforts to hold training programs and workshops that would provide their managers with the necessary skills and abilities, and coordinators with specialized perspectives and attributes will be assigned. (New)

7. Program for concentrated support for business succession and generational change (business succession subsidy)

Support will be provided to SMEs engaging in business innovation or transformation in the form of a subsidy to cover the necessary expenses for capital investment, market expansion, and abolishment of the existing business. Additionally, a new scheme will be established to support the expenses incurred for initiatives that aim to maintain and further invigorate the supply chain or regional economy by promoting business reorganization and integration toward the continuation of valuable business that are rooted in the supply chain or region. (Ongoing)

Section 3 Cash-flow assistance and business generation support

1. Safety net loans (funds in response to changes in the business environment)

[Fiscal investment and loan program]

JFC will provide financial support to SMEs and micro businesses that suffer a downturn in business conditions, such as a temporary decline in sales caused by changes in the social or economic environment or other such external factors. (Ongoing)

2. Managerial Improvement Loans (Marukei Loans) for micro businesses

[Fiscal investment and loan program]

In order to provide financial support to micro businesses, the JFC will provide unsecured and unguaranteed low-interest loans to micro businesses that receive management guidance from societies and chambers of commerce and industry and prefectural federations of societies of commerce and industry. (Ongoing)

3. Micro business management development support loans

[Fiscal investment and loan program]

To support sustainable business development by micro businesses, JFC will offer low-interest loans to micro

businesses that receive management guidance from societies and chambers of commerce and industry certified under a management development support plan. (Ongoing)

4. Promotion of subordinated lending [Fiscal investment and loan program]

To enhance the financial underpinnings of SMEs and micro businesses endeavoring to expand into new businesses or improve their management and facilitate their smooth procurement of funds from private financial institutions, JFC will provide cash-flow support to SMEs and micro businesses in the form of “bullet loans” (capital funds) that could be taken to be equity in financial inspections. (Ongoing)

5. SME and micro business management enhancement loan/guarantee program [Fiscal investment and loan program]

JFC will provide the necessary loans for strengthening the management and fund procurement capacity of SMEs aiming to achieve management innovation or cultivate new markets in cooperation with SMEs in other sectors based on guidance and advice from approved management innovation support agencies. (Ongoing)

6. Encouragement of refinancing guarantees

To help SMEs and micro businesses relieve repayment burdens by consolidating multiple outstanding debts, credit guarantee corporations will continue to provide refinancing guarantees in fiscal 2018. The refinancing guarantee program that allows changes and improvements in loan conditions will also continue to be provided to support SMEs and micro businesses facing difficulty in receiving forward-looking loan support through a relaxation of repayment conditions even though their managers have the motivation to improve business. (Ongoing)

7. Safety-net Guarantees

Credit guarantee corporations will provide guarantees separate from ordinary guarantees to SMEs and micro businesses experiencing a management instability due to a bankruptcy of their business partner, a natural disaster, or the streamlining of operations by their main financial institution (100% guaranteed for up to ¥80 million for unsecured loans, and up to ¥280 million for other loans). (Ongoing)

8. Management support by credit guarantee corporations [Fiscal 2018 budget: ¥1.3 billion]

Credit guarantee corporations will provide management support to users of credit guarantee corporations, (potential) entrepreneurs planning to utilize a credit guarantee corporation, and SMEs and micro businesses that engage in management

improvement, business succession and productivity improvement, such as through the dispatch of experts in cooperation with regional financial institutions, in combination with cash-flow support. (Ongoing)

9. Program to assist with formulating management reform plans by approved support agencies

To promote management reform by SMEs and micro businesses that have a financial problem such as regarding the repayment burden of loans and require full-fledged management improvement that includes financial support and also by SMEs and micro businesses that particularly require prompt measures to improve their cash-flow and profitability management, the program will subsidize part (two-thirds) of the costs needed by approved support agencies (certified public tax accountants, lawyers, financial institutions, etc.) to provide SMEs and micro businesses assistance in formulating management reform plans and follow-up of those plans, under the Act on Strengthening the Management of SMEs, etc. (Ongoing)

10. SME Revitalization Support Councils

[Fiscal 2018 budget: Included in ¥6.88 billion]

The SME Revitalization Support Councils established at the chambers of commerce and industry and similar entities in each prefecture will provide SMEs and micro businesses whose businesses were profitable but faced financial problems such as excess of debts, with advice on solving their problems through consultation services, and will assist with the drafting of revitalization plans that also include coordination with relevant financial institutions and similar entities. (Ongoing)

11. SME revitalization funds

To deliver management support and the funds needed by SMEs engaging in revitalization initiatives, SMRJ, regional financial institutions, and credit guarantee corporations in unison will promote the establishment and utilization of regional funds that support the revitalization of SMEs within the region and national funds that provide wide-area support. (Ongoing)

12. Promotion of the use of “Guidelines for Personal Guarantees Provided by Business Owners”

[Fiscal 2018 budget: ¥100 million]

To promote the further dissemination and utilization of the “Guidelines for Personal Guarantees Provided by Business Owners” published on 5 December 2013, help desks will be operated in the regional headquarters of SMRJ, specialist advisors will be dispatched to businesses that wish to use the guidelines, examples of favorable initiatives that should be widely implemented will be collected and disclosed, and relevant ministries and agencies will

work closer together to disseminate the guidelines. (Ongoing)

13. Enhanced management support for financial administration among SMEs

Based on the financial monitoring policy, financial institutions will be encouraged to provide support that leads to enhancing the value of regional enterprises, such as by properly assessing the management issues of regional enterprises, providing the necessary advice for the formulation and execution of measures for solving those issues and offering appropriate financing in accordance with the use of the funds. (Ongoing)

14. Financial support for SMEs in Okinawa

[Fiscal investment and loan program]

Regarding support for SMEs in Okinawa delivered via the Okinawa Development Finance Corporation (ODFC), the operations and initiatives undertaken by JFC will be performed as usual, and ODFC's own system of lending will be expanded to meet the specific needs of businesses in Okinawa. (Ongoing)

15. Review of the credit insurance system

In June 2017, the Law for Partial Amendment of the SME Credit Insurance Act for Promotion of SME Management Improvement and Development was enacted, and a revised credit insurance system will begin on April 1, 2018. Under the review, support for business founders and micro business owners will be expanded, a designated management succession-related insurance will be created for individual managers who succeed a business, a danger-related insurance will be created that can be promptly applied in the wake of a large-scale economic crisis by specifying an application period, and schemes will be established to further promote management reforms and productivity improvement by SMEs and micro businesses. (New)

Section 4 Human resource and employment measures

1. Program to support regional SMEs acquire human resources [Fiscal 2018 budget: Included in ¥1.85 billion]

To help SMEs and micro businesses with few management resources acquire human resources, support will be provided in excavating, introducing and retaining human resources that are sought by local SMEs and micro businesses from within and outside the region, in consideration of regional characteristics. (Ongoing) Additionally, consideration will be given to establishing a sustainable scheme that would allow SMEs to secure core human resources (creation of best practices). (New)

2. Support program for development of core human resources in SME service industries [Fiscal 2018 budget: ¥85 million]

To develop next-generation managers in SME service businesses and increase productivity in the services industry, the program will match up SME service businesses with blue-chip enterprises and organize hands-on training (intensive training) programs. The program will provide an opportunity for SME service businesses to experience the key to business success, and will fund part of the cost of training. (Ongoing)

3. Smart manufacturing support program [Fiscal 2017 budget: Included in ¥1.67 billion]

The program will promote productivity improvement and new business cultivation by SMEs and micro businesses in manufacturing industries by implementing training that provides versatile leadership skills to human resources having rich experience in the production field and those possessing knowledge of IoT and robots, and by dispatching these trained leaders to SMEs and micro businesses. In fiscal 2018, the subsidy rate will be halved, but efforts will be made to implement the program in 40 nationwide locations. (Ongoing)

4. Program for development of human resources to support micro businesses

[Fiscal 2018 budget: Included in ¥1.85 billion]
Training for improving business guidance skills will be provided nationwide by business leaders in societies and chambers of commerce and industry. (Ongoing)

5. Program for development of human resources to support SMEs

[Fiscal 2018 budget: Included in ¥100 million]
Town managers who drive community development initiatives will be developed by providing classroom training and practical internship training on business startup and management skills and skills that are particularly required for community development, such as vacant store countermeasures and consensus building methods. (Ongoing)

6. Support program for human resource development in SMEs and micro businesses [Fiscal 2018 budget: Included in ¥2.5 billion]

The program will provide (1) basic business skills and (2) specialized skills required in SMEs to personnel who have the potential to become managers or manager-level personnel in SMEs, through diverse styles that include classroom lectures and online courses. (New)

7. Human resource development program at the Institute for Small Business Management and

Technology

At the Institute for Small Business Management and Technology located in nine nationwide locations, training will be provided that leads directly to the solution of business challenges faced by corporate managers and operations managers of SMEs. (Ongoing) Additionally, the functions of the institute will be strengthened on a full scale, such as by increasing training programs to improve the attendance of local businesses and introducing advanced practical programs. (Ongoing)

8. Support program for development of hometown producers

[Fiscal 2018 budget: Included in ¥1.05 billion]

Support will be provided to initiatives that aim to develop attractive products that involve local people and local resources into local brands and initiatives for developing human resources who could become central players in cultivating markets and attracting people to the regions. (Ongoing)

9. Measures to maintain workers' employment [Fiscal 2018 budget: ¥5.23 billion]

Employment Adjustment Subsidies will be provided to assist employers who are forced to downsize due to fluctuations in business conditions or other economic reasons but who keep workers on by allowing workers to take temporary leave from work or enter training, or by transferring workers. Active steps will also be taken to prevent fraudulent receipt of these subsidies, and efforts will be 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. (Ongoing)

10. Support for improvement of employment management toward the creation of attractive employment [Fiscal 2018 budget: ¥17.59 billion]

To support corporate initiatives to improve their employment management and create attractive employment, the subsidy for supporting the acquisition of human resources will be provided to SME organizations (business cooperatives, etc.) having improvement plans certified by the relevant prefectural governor pursuant to the Act on the Promotion of Improvement of Employment Management in Small and Medium- Sized Enterprises for Securing Manpower and Creating Quality Jobs, where they have implemented projects to improve their working environment. The subsidy will also be provided to SMEs and micro businesses that introduce a new employment management system and succeed in lowering the job separation rate of their employees after a year. Similarly, it will be provided to businesses that introduce assistive nursing care devices and lower the job separation rate of their employees,

and to business owners of nursing care or childcare services who lower the job separation rate of their employees by developing a proper wage system. It will furthermore be provided to business owners who improve productivity, increase wages and lower the job separation rate of their employees by developing a personnel evaluation system which includes an assessment of ability. In April 2018, a new subsidy for support of facility improvement is planned to be established. It will be provided to business owners who attempt to improve their employment management by creating an employment management improvement plan and making the relevant capital investment based on that plan, and who succeed in improving their employment management and increasing productivity to a certain extent. Additionally, a subsidy will be provided to SME construction business owners who achieve their goal of hiring a certain ratio of young people and women after receiving a subsidy under the subsidy program for employment management systems, and who revise their wage scale or increase the qualification allowance of registered core technicians they employ. A subsidy will also be provided to construction business owners and construction business organizations that take initiative to employ and retain young people and female workers, and to vocational training corporations that promote vocational training in tasks related to construction work. In addition to the above, a subsidy will be provided to SME construction business owners who maintain dormitories for workers located in the three disaster-affected prefectures, SME principal construction business owners who leases dedicated facilities for female workers in their construction work site, and vocational training corporations that install the necessary facilities for implementing certified training. (Ongoing)

11. Regional employment development subsidy (regional employment development course) [Fiscal 2018 budget: ¥3.41 billion]

To create and provide stable regional employment, employers who build or establish an office in regions, etc. where employment opportunities are particularly lacking and who also employ regional job seekers will be offered a regional employment development subsidy (regional employment development course) in accordance with the cost of their establishment and the number of workers they employ. (Ongoing)

12. Employment creation project for regional revitalization [Fiscal 2018 budget: ¥5.32 billion]

To promote initiatives aimed at creating favorable and stable employment opportunities, an employment creation project for regional revitalization was launched in support of prefectures that endeavor to create employment for regular employees in

conjunction with industrial policies. (Ongoing)
Additionally, from fiscal 2018, a preferential measure that raises the upper subsidy limit will be offered to prefectural governments that implement initiatives that contribute to workstyle reforms in SMEs and micro businesses. (New)

13. Promotion of employment shifts with no loss of employment [Fiscal 2018 budget: ¥6.26 billion]

A subsidy that supports employment shifts (re-employment support course) will be provided to business owners who employ the services of a private-sector employment agency to support the re-employment of employees who unavoidably lose their jobs due to business downsizing, etc. (workers who fall under a re-employment support plan). Additionally, a subsidy that supports employment shifts (early employment support course) will be provided to business owners who employ workers who fall under a re-employment support plan at an early stage or who provide training to such workers. Furthermore, a subsidy that supports employment shifts (mid-career employment expansion course) will be provided to business owners who expand their employment of mid-career recruits upon developing an employment management system for mid-career recruits, with an eye to increasing productivity. (Ongoing)

14. Program for promoting measures for the acquisition of human resources [Fiscal 2018 budget: ¥2.58 billion]

The framework of “Welfare Worker Corners,” which are dedicated to providing support in the welfare sector (nursing, healthcare and day care), will be expanded to provide comprehensive specialized support in sectors where human resources are in need, such as the construction, security, and transport industries, to strengthen support for match-ups. (Ongoing)

15. “Youth Yell” certification system based on the Act on Promotion of Youth Employment [Fiscal 2018 budget: Included in ¥560 million]

Based on the Act on Promotion of Youth Employment (1970 Act no. 98), the Minister of Health, Labour and Welfare certifies SMEs that display outstanding employment and management of youths as “youth yell” certification enterprises. By encouraging the information dissemination efforts of SMEs, the system supports the smooth employment of human resources sought by certified enterprises. (Ongoing)

16. Support for SMEs and micro businesses in raising the minimum wage [Fiscal 2018 budget: ¥2.9 billion]

The following support measures will be provided to increase the productivity of SMEs and micro businesses, toward raising the minimum wage.

- (1) “Workstyle Reform Promotion Support Centers” will be established throughout Japan (47 locations) as a one-stop portal for consultation on workstyle reforms, to provide consultation and dispatch experts free of charge. (New)
- (2) SME organizations that implement initiatives for increasing productivity toward reducing working hours and increasing wages in subsidiary enterprises will be supported by subsidies to cover the cost they require to implement those initiatives. (New)
- (3) SMEs and micro businesses in 47 nationwide prefectures that make a capital investment to increase labor productivity and increase the wages of workers who work for less than ¥1,000 an hour in their business establishments by more than ¥30 shall be supported by a subsidy to cover part of that investment (subsidy rate of 7/10 (3/4 for micro businesses with a workforce of 30 or less)), and shall also receive an additional amount on top of the upper limit of the subsidy in accordance with the number of workers whose wages were increased (1 to 3 workers: ¥500,000; 4 to 6 workers: ¥700,000; 7 or more workers: ¥1 million). (Ongoing)

17. Dissemination and promotion of career consulting services

The utilization of career consulting (offering advice and guidance in response to consultations concerning occupational selection by workers, occupational life planning, or the development and improvement of occupational capacities) will be disseminated and promoted in private employment agencies, employment support organizations, personnel management and human resource development departments in companies, and career education in schools. In April 2016, career consultants, who engage in career consulting as a specialty, were designated as a national qualification, so efforts will be made to disseminate the qualification. Additionally, the dissemination and expansion of “self-career examination” will continue to be promoted among enterprises as a scheme for offering regular career consultation opportunities at certain junctions of their employees, such as age, number of years in employment, promotion to a post, etc., to support employee awareness of career development. (Ongoing)

18. Taxation scheme to promote income expansion [Taxation scheme]

To strongly support SMEs, etc. that engage in sustainable wage increases and human resource investments, a taxation scheme that offers a tax credit at a certain rate on any increases in salaries and other such amounts paid to employees, will be provided under the fiscal 2018 tax reform. More specifically, (1) SMEs whose salaries and other such payments to continuing employees have increased by more

than 1.5% compared to the previous fiscal year will receive a 15% tax credit on the amount of increase in total salaries and other such amounts paid during the previous fiscal year, and (2) SMEs whose salaries and other such payments have increased by 2.5% from the previous fiscal year and who engages in human resource investments and productivity improvement will receive a 25% tax credit on the amount of increase in total salaries and other such amounts paid during the previous fiscal year. (Ongoing)

19. Support program for human resource development in SMEs and micro businesses [Fiscal 2018 budget: Included in ¥2.5 billion]

The program will provide (1) basic business skills and (2) specialized skills required in SMEs to personnel who have the potential to become managers or manager-level personnel in SMEs, through diverse styles that include classroom lectures and online courses. (New)

20. Subsidy for development of employment for designated job seekers (course for employment and development of disaster-affected workers) [Fiscal 2018 budget: ¥100 million]

Subsidies will be 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 will be additionally provided to employers hiring 10 or more such workers. (Ongoing)

Chapter 3 Facilitating business activities contributing to regional economies

Section 1 Utilization of local resources

1. Certification of management development support plans based on the Small Business Support Act

Management development support plans that are formulated and implemented by micro businesses with support from societies and chambers of commerce and industry as part of their “accompaniment” style of support of micro businesses based on the Small Business Support Act, will be certified. (Ongoing)

2. Micro business promotion program [Fiscal 2018 budget: ¥4.94 billion]

Support for micro businesses will be promoted through the “accompaniment” style of support provided by societies and chambers of commerce and industry in line with management development support plans that are certified based on the Small Business Support Act, and support will be provided for the formulation of business plans and market development in consideration of demand by micro businesses. To encourage business expansion by regional micro businesses aiming to target nationwide markets, societies and chambers of commerce and industry will cooperate with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets. (Ongoing) (Cited earlier)

3. Program for supporting hometown specialty products

[Fiscal 2018 budget: Included in ¥1.05 billion]

Support will be provided to SMEs and micro businesses that engage in the development of new products and services and the development of new markets by utilizing regional resources and collaborating with agriculture, forestry and fishery businesses. Support will also be provided to businesses that pursue product development by utilizing regional resources and collaborating with agriculture, forestry and fishery businesses in the form of information provision concerning consumer preferences surveyed by general incorporated associations and matching services. (Ongoing) (Cited earlier)

4. JAPAN Brand Development Assistance Program [Fiscal 2018 budget: Included in ¥1.05 billion]

To facilitate overseas expansion by SMEs, support will be provided under this program such as for the formulation of strategies built on collaboration among multiple SMEs and the strengths of those SMEs (raw materials, technologies, etc.), product development

based on those strategies and participation in overseas trade fairs. (Ongoing) (Cited earlier)

5. Designation of traditional crafts

Under the Act on the Promotion of Traditional Craft Industries (referred to hereinafter as the Traditional Craft Industries Act), a traditional craft will be designated, or a change in designation will be made, following surveys and investigations of craft products for which traditional craft product status has been requested, subject to the views of the Industrial Structure Council. (Ongoing)

6. Traditional Craft Product Subsidy Program [Fiscal 2018 budget: ¥1.11 billion]

(1) Based on the Traditional Craft Industries Act, the following support will be provided to promote the traditional crafts industries. (Ongoing)

1) Subsidization of the following programs undertaken by local manufacturing cooperatives and associations:

- Successor training programs
- Raw materials sourcing programs
- Design development programs
- Partnership development programs
- Local producer programs, etc.

2) Subsidization of the following programs undertaken by general incorporated associations and incorporated foundations under Article 23 of the Traditional Craft Industries Act:

- Programs to secure human resources and ensure transmission of skills and techniques
- Production district guidance programs
- Promotional programs
- Demand development programs, etc.

(2) Promotion of production region brands

To help attract tourists to regions where traditional crafts are produced and cultivate overseas markets, support will be provided to initiatives that aim to invite designers or other external human resources to such regions.

7. Program to promote the spread of traditional crafts

To promote public awareness of traditional crafts, November every year has been designated Traditional Crafts Month, and activities such as the national convention of the Traditional Crafts Month National Assembly are held to spread and increase awareness of traditional crafts. (Ongoing)

8. Promotion of regional future investment [Fiscal 2018 budget: ¥1 billion]

To revitalize regional economies, companies expected to play a central role in the regions will continue to be selected for support as “driving companies for the regional future,” and projects that have a large ripple effect on regional economies will be selectively supported by fully applying the budgetary, taxation, financial and deregulation measures of the Regional Future Investment Promotion Act. (Ongoing)

9. Local 10,000 Projects (Subsidies for business generating regional economic activity)

[Fiscal 2018 budget: Included in ¥1.45 billion]

To support the startup of region-based enterprises with large employment absorption capacity by making use of regional assets and funding (drawn from regional financial institutions, etc.) through the collaboration of industry, academia, financial institutions and government, subsidies will be granted to cover part of the cost of subsidies provided by local public organizations for expenditure required by private sector businesses at the business establishment phase. From fiscal 2018, the scope of support will be strengthened, such as by including businesses that receive financing from a fund for regional revitalization or other such subsidy under the scope of the project on a trial basis and expanding special tax allocation measures. (Ongoing)

Section 2 Revitalization of shopping districts and city centers

1. Comprehensive support for the revitalization of local shopping districts

Pursuant to the Local Shopping District Revitalization Act, support measures will be established for shopping districts with a government-approved revitalization project plan. (Ongoing)

2. Development of human resources by the Japan Shopping District Support Center

Support will be 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

Support will be provided for the provision of advisory services, provision of information via websites and e-mail newsletters, and development of networks through the organization of exchange events led by support centers established in the SMRJ to assist the establishment and operation of Councils for the Revitalization of Central Urban Districts. (Ongoing)

4. Program to dispatch advisers for city center and shopping district revitalization

Experts in a range of fields related to commercial revitalization registered with SMRJ will be dispatched to help tackle various challenges faced by Councils for the Revitalization of Central Urban Districts. (Ongoing)

5. Consultation and support for commercial revitalization in city centers

In order to assist commercial revitalization initiatives being undertaken in city centers by Councils for the Revitalization of Central Urban Districts and similar organizations, seminar planning support and instructors will be supplied, and advice, analyses, assistance with identification of issues, and information, etc. will be provided to raise the efficacy of individual projects using the SMRJ's specialized know-how. (Ongoing)

6. Enterprise vitality enhancement funding (for the distribution and service industries)

[Fiscal investment and loan program]

Japan Finance Corporation (JFC) will provide loans for funds needed to modernize management and rationalize the distribution systems of SME commercial businesses and service businesses, and to minimize vacant houses and stores. (Ongoing)

7. Program to support commercial revitalization in local communities and town centers

[Fiscal 2018 budget: ¥1.63 billion]

Support will be provided to initiatives such as for providing childcare and elderly care services in shopping districts, attracting businesses to vacant stores, and developing commercial complexes in city centers. (Ongoing)

8. Taxation measures to revitalize central urban districts [Taxation scheme]

Under the “Certified specific private sector central urban district economic activity improvement program plan” set up under the revisions to the Act on the Vitalization of City Centers, a measure for the acquisition of an immovable property will be implemented that halves the registration and license tax payable when ownership of that immovable property is registered or a transfer is registered. (Ongoing)

Section 3 Other regional revitalization measures

1. Taxation scheme to strengthen the regional location of enterprises [Taxation scheme]

In order to revitalize the regions, it is necessary to correct the over-concentration of population and industry in Tokyo and create good quality employment in the regions. Toward this end, enterprises will be encouraged to relocate their head office functions

(offices, research institutions, training centers) from Tokyo to the regions or to expand their business in the regions, by continuing to offer certified enterprises a choice of either a 15% special depreciation deduction on the cost of acquisition of an office building (25% in the case of relocation) or a 4% tax credit on the cost of acquisition (7% in the case of relocation), in addition to offering a tax deduction according to the number of people they employ in their regional offices and a local tax grant related to strengthening regional corporate centers. Additionally, under the fiscal 2018 tax reform, the scheme will be extended by two years, and (1) the employment requirements of the scheme as a whole will be relaxed, and (2) the scope of regions eligible for receiving support will be reviewed (to include city centers in the Kinki and Chubu regions) with respect to the relocation of enterprises that have a direct impact on Tokyo centralization. Furthermore, the measure to cover revenue decreases using the local allocation tax will be strengthened. (Ongoing)

productivity in the tourism industry, etc. and increasing tourism income, JFC will provide loans to SMEs that provide high-quality services, etc. (Ongoing)

2. Program for creation and support of regional core enterprises [Fiscal 2018 budget: ¥2.15 billion]

To support the initiatives of potential regional core enterprises to foray into new sectors or businesses and promote their growth, support will be provided for the creation of nationwide networks with external resources (universities, cooperating enterprises, financial institutions, etc.) using support personnel. Additionally, for further growth of regional core enterprises, support personnel will provide hands-on support for formulating business strategies, cultivating markets, and other such business activities. Furthermore, support will be provided for the formulation of business strategies and the cultivation of markets with an eye to the global market, through the Global Network Council composed of global coordinators who are experts in businesses that are suitable for the global market. (Ongoing)

3. Promotion of the concept of regional core city spheres

[Fiscal 2018 budget: Included in ¥130 million]

Projects to support the creation of regional core city spheres will be commissioned under national expenditure, and regional fiscal measures will be applied to core cities and municipalities that have formulated a regional core city sphere vision, to support initiatives that contribute to driving economic growth in the sphere as a whole, consolidating and strengthening high-level city functions, and improving lifestyle-related functions and services. (Ongoing)

4. Fund for productivity improvement in the tourism industry, etc.

[Fiscal investment and loan program]

To revitalize the Japanese economy by improving

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

Section 1 Strengthening management support frameworks

1. Micro business promotion program [Fiscal 2018 budget: ¥4.94 billion]

Support for micro businesses will be promoted through the “accompaniment” style of support provided by societies and chambers of commerce and industry in line with management development support plans that are certified based on the Small Business Support Act, and support will be provided for the formulation of business plans and market development in consideration of demand by micro businesses. To encourage business expansion by regional micro businesses aiming to target nationwide markets, societies and chambers of commerce and industry will cooperate with businesses to provide wide-ranging support for programs that develop special regional products and tourism and to develop those markets. (Ongoing) (Cited earlier)

2. Programs promoting measures to support cooperative SME organizations [Fiscal 2018 budget: ¥660 million]

Where partnerships or other associations work on management innovation and/or reforms through the National Federation of Small Business Associations, which is a dedicated agency assisting cooperative SME organizations, support will be provided that includes partial subsidies for the costs of implementing those innovations or reforms, along with training for instructors. Support will also be provided for optimizing the activities of associations (supervision organizations) that engage in the training of foreign intern trainees. (Ongoing)

3. Support for capital investment through advancement programs integrated with business support

Where SMEs work jointly to establish business cooperatives in order to shore up their administrative platforms and improve their business environment, the SMRJ and prefectural governments will collaborate to provide consultation and advice on business plans together with long-term, low-interest (or interest-free) loans to fund the required capital expenditure. (Ongoing)

4. One-stop comprehensive support programs for SMEs and micro businesses [Fiscal 2018 budget: ¥5.02 billion]

“Yorozu support centers” will be set up in each

prefecture as one-stop consultation centers for SMEs and micro businesses facing various management issues, to provide professional detailed advice, and specialist advisors will be dispatched to deal with particularly advanced and specific management issues. (Ongoing)

5. Local benchmarks

Initiatives that aim to enhance management or increase productivity will continue to be promoted, through business assessments of enterprises utilizing local benchmarks. For example, local benchmarks will be incorporated into relevant measures for promoting a productivity revolution in SMEs and micro businesses, and a system for extraction of productivity improvement issues and follow-up of results will be established. (Ongoing)

Chapter 5 Other policies for promotion of micro businesses

Section 1 Support for SMEs and micro businesses in disaster-affected regions

1. Cash-flow assistance for disaster-affected SMEs (finance policy) [Fiscal 2018 budget: ¥12 billion]

To assist SMEs and micro businesses affected by the Great East Japan Earthquake and Kumamoto Earthquake with their cash-flow issues, Japan Finance Corporation (JFC) (SME Unit and Micro Business and Individual Unit) and Shoko Chukin Bank will continue to provide the Great East Japan Earthquake Recovery Special Loan Program and the 2016 Kumamoto Earthquake Special Loan Program. For SMEs and micro businesses with business establishments located in restricted areas or similar zones when they were imposed following the nuclear accident in Fukushima triggered by the Great East Japan Earthquake and SMEs and micro businesses with business establishments and other assets that were completely destroyed or swept away by the earthquake or tsunami, measures for effectively eliminating the burden of interest payments on loans through prefectural level foundations and similar institutions will continue to be implemented. (Ongoing)

2. Cash-flow assistance for disaster-affected SMEs (credit guarantee)

To assist SMEs and micro businesses affected by the Great East Japan Earthquake, the “Great East Japan Earthquake emergency reconstruction guarantee” will continue to be implemented in fiscal 2018 in specific disaster affected areas as a new guarantee system separate from existing ordinary guarantees, disaster-related guarantees and safety net guarantees (100% guaranteed for up to ¥80 million for unsecured loans, and up to ¥280 million for other loans).

As of the present (end of December 2017), Safety-net Guarantee No. 4 is being applied to areas affected by the Kumamoto Earthquake and the heavy rain disaster in northern Kyushu. These guarantees will continue to be applied in fiscal 2018 as necessary, upon an assessment of the damage situation. (Ongoing)

3. 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 and low-interest Marukei and Eikei loans provided by the JFC to micro businesses affected directly or indirectly by the Great East Japan Earthquake or the 2016

Kumamoto Earthquake will be raised and interest rates will be lowered on a continuous basis. (Ongoing)

4. “Special Finance for Small and Medium Enterprises in the Specified Area” affected by the nuclear disaster

In order to assist SMEs and other businesses that have offices in regions affected by the nuclear power plant accident, long-term, interest-free, unsecured loans will be offered to provide business funds (working capital and capital expenditure) required to continue or resume business in Fukushima prefecture. (Ongoing)

5. Business revival assistance from Industrial Recovery Consultation Centers and Industry Reconstruction Corporations

[Fiscal 2018 budget: ¥1.22 billion*]

Support will continue to be provided for the revival of SMEs damaged by the Great East Japan Earthquake through Industrial Recovery Consultation Centers that have been established to provide comprehensive consultation in fiscal 2011 by expanding on the framework of SME Revitalization Support Councils in each affected prefecture and Industry Reconstruction Corporations that have been established to purchase accounts receivable, etc. (*) Special account for reconstruction from the Great East Japan Earthquake. Of the six affected prefectures, the expenses of the SME Revitalization Support Councils and Industrial Recovery Consultation Centers in Aomori, Ibaraki and Chiba will be transferred to the general account from the fiscal 2017 budget. (Ongoing)

6. Business revival assistance from the Incorporated Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake [Fiscal 2018 budget: ¥10 billion]

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 will provide assistance such as helping to relieve the repayment burdens for existing debts. (Ongoing)

7. Reduction of interest burden during assessment of the potential for business regeneration

This program supports the early business revival of SMEs, etc. that suffer damage in the Great East Japan Earthquake or the nuclear power plant accident in Fukushima, by defraying the cost of interest that such businesses incur during the period they receive assistance from an Industrial Recovery Consultation

Center to formulate a regeneration plan. (Ongoing)

8. Lease subsidy program to support SMEs in disaster-affected areas

In order to reduce the burden of overlapping debt borne by disaster-affected SMEs, SMEs burdened with lease obligations due to leased equipment that was lost during the Great East Japan Earthquake will be 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. (The Great East Japan Earthquake) [Fiscal 2018 budget: ¥14.96 billion]

In order to promote the restoration and reconstruction of areas affected by the Great East Japan Earthquake, the following subsidies will be provided in support of the recovery of facilities held by groups of disaster-affected SMEs and others.

- (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
- (2) Subsidization by the national government (one half) of the cost of disaster recovery projects such as for Societies of Commerce and Industry and other such instruction and consultation facilities for SMEs (Ongoing)

10. Projects for development of temporary facilities and subsidies for effective utilization of temporary facilities

[Fiscal 2018 budget: Included in ¥600 million]

Temporary facilities will continue to be developed, where such facilities are needed such as to resume business in regions that have not yet achieved full-scale reconstruction. Additionally, to promote the effective utilization of temporary facilities, subsidies will be provided to disaster-affected municipalities to cover the costs for the construction, relocation and removal of temporary facilities. (Ongoing)

11. Loans for restoration and development of facilities and equipment (The Great East Japan Earthquake)

SMRJ and prefectures will cooperate in supporting SMEs that suffered damage in the Great East Japan Earthquake by providing loans for the repair and development of facilities and equipment that they need to implement restoration plans approved by the prefecture. (Ongoing)

12. Program to create employment that promotes business recovery

To address the employment mismatch caused by a serious shortage of workers in disaster-affected areas, support will be provided in the area of employment in accord with industrial policies. (Ongoing)

13. Establishment of special help desks

Special help desks that are 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, regional head offices of the SMRJ, and bureaus of economy, trade and industry nationwide will provide detailed 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 will connect callers to their nearest Bureau of Economy, Trade, and Industry by dialing a single telephone number. (Ongoing)

15. Consideration for SMEs in disaster-affected regions by the government and other public agencies

The matter of giving consideration to SMEs and micro businesses in areas affected by the Great East Japan Earthquake and the 2016 Kumamoto Earthquake with regard to orders from the public sector will be included in the “Basic Policy on State Contracts with Small and Medium Enterprises” and widely disseminated. (Ongoing)

16. Subsidy for development of employment for designated job seekers (course for employment and development of disaster-affected workers) [Fiscal 2018 budget: ¥100 million]

Subsidies will be 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 will be additionally provided to employers hiring 10 or more such workers. (Ongoing) (Cited earlier)

17. Guidance and advice on measuring radiation levels [Fiscal 2018 budget: ¥30 million]

A review of the evacuation order in areas designated as evacuation zones after the Great East Japan Earthquake is hereafter expected to be accompanied by the recommencement of business by enterprises that were affected by the disaster and promote the

siting of enterprises in the affected areas. Thus, in response to requests from enterprises in Fukushima prefecture, teams of experts will be dispatched and guidance and advice on radiation measurements of industrial products will be provided to enterprises in the prefecture as a countermeasure against harmful rumors about Fukushima's industrial products. (Ongoing)

18. Program for employment support in response to the nuclear disaster

[Fiscal 2018 budget: ¥1.55 billion]

A program will be implemented to provide temporary places of employment to people in Fukushima Prefecture who have been affected by the nuclear disaster, to help them stabilize their living situation. (Ongoing)

19. Measures for securing human resources in disaster-affected regions

[Fiscal 2018 budget: ¥970 million]

Measures will be implemented that aim to attract wide-ranging human resources, including young workers and specialists, to disaster-affected regions, and to increase the numbers of regular visitors (visitor population) to disaster-affected enterprises to help solve their issues. Measures will also be implemented to provide enterprises with the knowhow increasing their capacity to gain human resources, and efforts will be made to laterally apply best practices in acquiring human resources. (Ongoing)

20. Program for promoting regional reconstruction and practical development under the Fukushima Innovation Coast Scheme

[Fiscal 2018 budget: ¥6.97 billion]

Support will be provided for the cost of practical development of robot technology and other innovative technologies in the priority areas(*) of the Fukushima Innovation Coast Scheme, which contribute to regional promotion through cooperation with local enterprises. (Ongoing)

*Priority areas include the decommissioning of reactors, robots, energy, environment and recycling, agriculture, forestry and fisheries, and medical equipment, among others.

21. Support program for business recovery, etc. by SMEs and micro businesses

[Fiscal 2018 budget: ¥11.2 billion]

To provide concentrated support to SMEs in the 12 municipalities that were affected by the nuclear disaster in Fukushima prefecture and thereby create jobs in the region and promote the early recovery of city functions such as by restoring places for shopping, a subsidy will be provided to cover part of the capital investment needed to resume business. From fiscal

2017, the scope of the support will be expanded to enterprises in “difficult-to-return zones” that cannot resume business in the original community. (Ongoing)

22. Support program for new businesses in regions affected by the nuclear disaster [Fiscal 2018 budget: ¥210 million]

A subsidy will be provided for capital investment needed to start a new business in the 12 municipalities affected by the nuclear disaster in Fukushima prefecture or transfer a business from outside the 12 municipalities, and initiatives will be taken to develop an environment conducive to revitalizing investment, to help the 12 municipalities recover their city functions so that affected enterprises can get back on their feet. (Ongoing)

23. Support for securing travel and transportation means needed to receive lifestyle-related services [Fiscal 2018 budget: ¥210 million]

In the 12 municipalities affected by the nuclear disaster in Fukushima prefecture, support will be provided in the form of travel and transportation means so that local stores could make joint deliveries, local residents can receive medical services, etc. (Ongoing)

24. Support for securing personnel through a personnel match-up program

[Fiscal 2018 budget: ¥500 million]

Human resources coordinators will make a detailed assessment of the personnel needs of businesses in the 12 municipalities affected by the nuclear disaster in Fukushima prefecture, and widely share these needs with job seekers so that personnel could be acquired from both inside and outside the 12 municipalities through a match-up program. (Ongoing)

25. B2B match-up program for sixth sector industrialization

[Fiscal 2018 budget: ¥370 million]

A B2B match-up service will be provided, to help businesses cultivate new markets and promote the creation of new businesses. In addition to matching businesses with other businesses, an expert will also provide guidance regarding the smooth implementation of business after the match-up. (Ongoing)

26. Support program by specialists of the Fukushima Soso Reconstruction Public-Private Partnership Team [Fiscal 2018 budget: ¥8.2 billion]

The framework for providing support through individual visits and consultations via a public-private partnership team will be strengthened. A team composed of counselors, consultants, SME management consultants, and other such experts will provide fine-tuned consultation support on issues related to business recommencement, business

succession, job change, lifestyle reconstruction, etc. From fiscal 2017, the scope of the support will be expanded to include municipalities. (Ongoing)

27. Program for developing a foundation for introducing regional attractions, etc.

[Fiscal 2018 budget: ¥230 million]

The program will aim to dispel harmful rumors and to achieve a stable business foundation by increasing the non-resident population mainly in the 12 municipalities affected by the nuclear disaster in Fukushima prefecture, by supporting private organizations in their efforts to introduce the traditions and attractions of the prefecture and selecting effective means of information dissemination, creating contents that are suited to the means of information dissemination, and measuring the effect of these initiatives after disseminating various information. (New)

Section 2 Enhancing financial capacity

1. Lowering of corporate tax rates

[Taxation scheme]

A measure will be taken to lower the rate of corporate tax (19%) incurred on annual income amounts up to ¥8 million to 15%. (Ongoing)

2. SME investment promotion tax system

[Taxation scheme]

Under this system, a 30% special depreciation or a 7% tax credit (the tax credit is not offered to corporate entities with a capital of more than ¥30 million) is offered for the cost of acquiring machinery or equipment. (Ongoing)

3. Special scheme for inclusion of petty sum depreciable assets in expenses

Under this scheme, the entire cost of acquiring depreciable assets worth less than ¥300,000 in acquisition cost is allowed to be included in expenses, up to a total of ¥3 million a year (with the exception of enterprises with more than 1,000 employees). Under the fiscal 2018 tax reform, the scheme will be extended by two years. (Ongoing)

4. Carryover and refund carryback of loss

The carryover of loss is a scheme that allows loss arising in the current business year to be deducted as a loss carried over from the amount of income in the following and subsequent business years (carryover period: 9 years (10 years from fiscal 2018)). The one-year carryback refund allows losses arising in the current business year to be carried back a year, and a return on corporate tax to be filed. Under the fiscal 2018 tax reform, the one-year carryback refund will be extended by two years. (Ongoing)

5. Taxation system for the revitalization of the commercial, service and agriculture/forestry/fishery industries [Taxation scheme]

This tax measure allows SMEs in the commercial and service industries that acquire facilities based on advice on business improvement from a chamber of commerce and industry or other such institution to receive a 30% special depreciation deduction from the cost of acquisition or a 7% tax credit (the tax credit is offered only to corporate entities with a capital of no more than ¥30 million). (Ongoing)

6. Special exemption from inclusion in charges against revenue of entertainment and social expenses, etc.

This measure allows the selective application of (1) the measure that permits entertainment and social expenses to be included in charges against revenue up to the fixed deduction amount (¥8 million) or (2) the measure that allows 50% of food and drink expenses to be included in charges against revenue was offered. Under the fiscal 2018 tax reform, this measure will be extended by two years. (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. will operate 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 3 Measures for proper transaction prices and pass-throughs of consumption tax

1. Improvement of the transaction conditions of SME subcontractors

Based on the "Basic Policies for Future-oriented Trade Practices" (Seko Plan) that was released in September 2016 as a package of measures for promoting fair trade and enhancing added values, the Subcontractor Payment Act and relevant laws and regulations will be disseminated and enforced, and efforts will be made to ensure the steady implementation of voluntary action plans that set forth industrial initiatives for fair subcontract transactions and to expand the number of industries that participate in this initiative. Additionally, the interview surveys of SME subcontractors that have been undertaken by transaction investigators called "subcontract G-men" since fiscal 2017 will be strengthened by augmenting more personnel, to further assess the actual state of

SME subcontractors. (Ongoing)

2. Stricter enforcement of the Subcontractor Payment Act

[Fiscal 2018 draft budget: Included in ¥1.39 billion]

To ensure fair treatment of subcontractors and protect their incomes, the Fair Trade Commission (FTC) and SME Agency will collaborate closely in enforcing the Subcontractor Payment Act. The FTC and SME Agency will continue to encourage rigorous compliance with the Act, by carrying out a written survey of principal contractors, and by collecting information on violations of the Act through an office set up specifically to receive such information and reports. (Ongoing)

3. Strengthening consultation systems and fair subcontracting transactions

[Fiscal 2018 draft budget: Included in ¥1.39 billion]

Consultation services concerning SME transactions will be provided by Subcontracting Help Centers that are to be set up in 48 locations throughout Japan, and individual guidance and seminars will be held on price negotiating know-how that managers and sales representatives in subcontracting SMEs require in holding price negotiations with the procurement department in the parent company. To prevent the occurrence of violations of the Subcontractor Payment Act, seminars will be 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 will be presented around the country and symposiums and other events held to promote broader adherence to the Subcontractor Payment Act. Furthermore, information sessions were held nationwide to disseminate the guidelines for establishing a favorable relationship between parent companies and subcontracting businesses (guidelines for promoting proper subcontracting transactions in 18 industries under the jurisdiction of the Ministry of Economy, Trade and Industry, the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Internal Affairs and Communications and the Ministry of Agriculture, Forestry and Fisheries).

4. Self-reliance support for SME and micro subcontractors

[Fiscal 2018 draft budget: Included in ¥1.39 billion]

Under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises, business plans designed to solve issues in collaboration between subcontracting SMEs and micro businesses that are highly transaction-dependent on principal contractors will be certified and supported in the form of subsidies, loans and special exemptions for guarantees. In regions where production centers of

principal contractors have closed or downsized (or are slated to close), support in the form of subsidies will be provided to subcontracting SMEs seeking to advance into new fields. (Ongoing)

5. Support for market expansion through subcontracting business mediation and business fairs

[Fiscal 2018 draft budget: Included in ¥1.39 billion]

Using Business Matching Stations (BMS), SMEs looking to solicit new clients will be provided with information on orders for contract manufacturing issued and received between enterprises for business such as outsourced manufacturing in the SME's preferred industry and where the SME can provide the required equipment or technology. Broad-area information sessions will also be held to support new market development. (Ongoing)

6. Request to parent companies for consideration toward subcontractors

[Fiscal 2018 draft budget: Included in ¥1.39 billion]

The Minister of Economy, Trade and Industry and Fair Trade Commission will jointly issue a request to parent companies and industrial organizations for proper subcontracting transactions under the Subcontractor Payment Act and will aim to disseminate full understanding of the Act. Additionally, the Minister of Economy, Trade and Industry will also issue a request (jointly with the relevant ministers in the case of industries under the jurisdiction of other ministries and agencies) to industrial organizations for compliance with the promotion standards as defined in the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises. (Ongoing)

7. Programs to enhance monitoring and inspection regimes for consumption tax imputation

[Fiscal 2018 draft budget: ¥2.7 billion]

To ensure that consumption tax is passed through appropriately, "cost pass-through inspectors" will be assigned throughout Japan. At the same time, to collect information such as on refusals to pass through the consumption tax, a large-scale written survey will be carried out in conjunction with the Fair Trade Commission (FTC) in an effort to monitor and regulate acts of refusal to pass through the consumption tax. (Ongoing)

Section 4 Measures for reduced consumption tax rate system

1. Support for the introduction of cash registers and system renovations among SMEs in the retail trade industry

Support will be provided to help businesses prepare for the introduction and operation of the reduced

consumption tax rate system. More specifically, (1) support for introducing cash registers that are compatible with multiple tax rates will be provided to SMEs in the retail trade industry, and (2) support for renovating electronic ordering systems that are not compatible with multiple tax rates will be provided to SMEs in the retail trade and wholesale trade industries. (Ongoing)

2. Consultation desks for inquiries regarding the reduced consumption tax rate system [Fiscal 2018 budget: ¥1.94 billion]

Toward the smooth implementation of the reduced consumption tax rate system, detailed support will be provided in cooperation with SME organizations, etc. Seminars and forums will be held, consultation desks will be established, specialists will be dispatched to provide itinerary guidance, and such support measures will be disseminated via pamphlets and other such media. Support will also be provided through the operation of cost pass-through consultation desks. (Ongoing)

Section 5 Measures for business stabilization

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, which provides loans to prevent a chain reaction of bankruptcies accompanying the bankruptcy of a supplier or customer, will continue to be promoted among SMEs and will continue to provide steady loans. (Ongoing)

2. Special Business Stability Consultation Centers [Fiscal 2018 budget: Included in ¥4.94 billion]

To facilitate management consultations at special business stability advice centers that have been established in key chambers of commerce and industry and prefectural federations of societies of commerce and industry across the country, support will continue to be provided to initiatives such as guidance programs run 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 BCPs by SMEs [Fiscal investment and loan program]

To strengthen the capacities of SMEs and micro businesses to continue business in the event of an emergency, support will be provided for initiatives related to the formulation of BCPs (business continuity plans) and initiatives for ensuring proper action in ordinary times and business continuation in times of emergency (review of supply chains and operational

frameworks, formulation of fund procurement plans, identification of priority products, etc.).

Additionally, loans will continue to be provided by JFC for the establishment of disaster prevention facilities in accordance with BCPs formulated by SMEs and micro businesses themselves. (Ongoing)

4. Relief for damage caused by dumped imports [Fiscal 2018 budget: ¥100 million]

Trade remedy measures include anti-dumping (AD) programs to provide relief to domestic industries impacted by dumped imports to Japan from foreign enterprises, including measures to ensure equitable market competition such as by imposing extra customs duties base on a petition by the affected Japanese industry and an investigation by the government. In response to requests from Japan's industries, continued efforts will be made in fiscal 2018 to pursue AD investigations fairly and appropriately based on international rules and Japanese laws and regulations. Furthermore, information sessions will be held for enterprises, and studies will be conducted to ensure that investigations are consistent with WTO conventions. (Ongoing)

Section 6 Measures concerning public demand

1. Formulation and dissemination of the “FY2018 Policy on State Contracts with Small and Medium Enterprises”

Cabinet approval will be given on measures that are contained in the Basic Policy on State Contracts with Small and Medium Enterprises that is formulated every year with the aim of achieving the target number of state contracts with new and existing SMEs and increase opportunities for SMEs to receive orders. Additionally, the following initiatives will be implemented to fully disseminate the Basic Policy. (Ongoing)

- (1) The Minister for Economy, Trade and Industry will explain the purport of the Basic Policy in writing to the heads of each agency and ministry, prefectural governors, all municipal mayors, and mayors of the Tokyo special wards, and also request that they make efforts to increase opportunities for SMEs and micro businesses to receive orders.
- (2) Information sessions (Councils to Promote Local Access to Public Sector Demand) will be held throughout Japan to actively disseminate the Basic Policy in regional areas.
- (3) Conferences (Councils to Promote Procurement from New SMEs) will be organized to discuss policies for information sharing and cooperation regarding initiatives for promoting procurement from new SMEs in regional areas.
- (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.

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 2018 draft budget: Included in ¥1.39 billion]

The matter of giving consideration to SMEs and micro businesses in areas affected by the Great East Japan Earthquake and the 2016 Kumamoto Earthquake with regard to orders from the public sector will be included in the “Basic Policy on State Contracts with Small and Medium Enterprises” and widely disseminated. (Ongoing)

Section 7 Promotion of human rights awareness

1. Human rights awareness

[Fiscal 2018 budget: ¥190 million]

For promotion of sound economic activities, seminars and other awareness-raising activities will be implemented, intended for corporate entities. Traveling consultation services and training programs will also be offered to revitalize micro businesses in regions or industries where there are particularly large numbers of micro businesses that require concentrated support. (Ongoing)

Section 8 Promotion of surveys and public information activities

1. Publicizing of policy

To publicize SME policy, guidebooks and leaflets summarizing the main points will be produced and distributed to local governments, SME support agencies and financial institutions, etc., and further publicity will be generated by issuing information via portal site for SME support (Mirasapo) and organizing “One-day SME Agency” events.

(1) Publication of booklets

Guidebooks and leaflets for utilizing SME policies have been produced, including the “Guide to the Use of SME Policy,” which contains an introduction of more than 200 policies. These will be distributed to a wide range of interested parties, including SMEs, local government bodies, SME support agencies (commerce and industry associations, chambers of commerce and industry, etc.), financial institutions, and certified public tax accountants, lawyers, certified public accountants, and SME management consultants who provide support to SMEs. (Ongoing)

(2) Organization of “One-day SME Agency” events

Co-hosted by the SME Agency and host prefectures, these events will be held both to explain the

latest measures to local SMEs and deepen their understanding of the measures. The events will also provide a forum for exchanges of ideas and interaction, toward contributing to future revisions and improvements in SME policy. These events have been held every year since 1964. (Ongoing)

(3) Publicity using the Internet

1) Website based publicity

Up-to-date information on SME measures, information on public offerings, and publicity materials such as flyers and booklets will be posted on the SME Agency website. (Ongoing)

2) E-mail newsletters

In association with SME support agencies, an e-mail newsletter will be issued to subscribers every Wednesday, containing information of subsidies and other support measures, local updates, surveys and research reports, and information concerning events. (Ongoing)

(4) “Mirasapo” (portal website for supporting the future of SMEs and micro businesses)

Through the Mirasapo site, the latest support information, information on how to apply for subsidies, case examples of the utilization of support schemes, etc. will be delivered to nationwide SMEs in a timely and easy-to-understand manner. (Ongoing)

2. Production of the White Paper on Small and Medium Enterprises in Japan and the White Paper on Small Enterprises

In order to ascertain the current situation of SMEs and the challenges that they face, an annual report (2018 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.

Also to ascertain the current situation of small enterprises and the challenges they face, an annual report (2018 White Paper on Small Enterprises) will be produced in accordance with the provisions of Article 12 of the Small Enterprises Promotion Act. (Ongoing)

3. Basic Survey of Small and Medium Enterprises

The Basic Survey of Small and Medium Enterprises will be conducted in accordance with the provisions of Article 10 of the Small and Medium-sized Enterprise Basic Act, to acquire statistics concerning management and financial information such as SME sales figures and numbers of workers employed by SMEs. (Ongoing)

4. Publication of the Survey on SME Business Conditions

The Survey on SME Business Conditions will be published quarterly by the SMRJ 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 in the food industry [Fiscal 2018 budget: ¥1.678 billion]
Support will be provided for sixth industrialization initiatives that are implemented by a network of agriculture, forestry and fishery businesses and diverse other businesses. The support will be directed to initiatives that are implemented by the entire region to develop new products and cultivate markets in line with municipal sixth industrialization strategies and for the development of processing and marketing facilities. (New)
- (2) Active utilization of the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan
Support will be provided through measures such as investment for business activities aimed at sixth sector industrialization by agriculture, forestry and fishery businesses in cooperation with distribution and processing businesses through the Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan (A-FIVE). (Ongoing)
- (3) Comprehensive program for the utilization of the geographical indication protection system [Fiscal 2018 budget: ¥170 million]
Initiatives will be implemented to establish support centers for registration and application of geographical indications (GI), provide a subsidy for carrying out examinations required for application, raise awareness of the GI protection system by holding trade fairs on GI, disseminate information on GI products in Japan and abroad, and strengthen measures against infringements of Japan's intellectual properties overseas. (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 2018 budget: ¥63.8 billion]
In order to streamline lumber production and distribution, loans will be provided through the Wood Industry Upgrading Promotion Fund, and loans through the Wood Industry Improvement Fund will be provided to implement measures such as management reforms in the forestry and lumber industries.

(Ongoing)

- (2) Interest subsidy program for the introduction of lumber processing facilities, within measures for promoting new production, processing and distribution frameworks, within measures for the revitalization of the lumber industry and wooden buildings, within comprehensive measures for growth of the forestry industry [Fiscal 2018 budget: ¥3 million]
To supply high-quality, high-performance wood products stably at low cost, an interest subsidy will be provided for borrowings required for the introduction of facilities by enterprises engaging in lumbering, and for the establishment of a stable supply framework by midstream businesses. (Ongoing)
- (3) Measures for strengthening the competitiveness of the lumber industry, within measures for the promotion of the growth of the forestry and lumber industries, within comprehensive measures for growth of the forestry industry (for the development of lumber processing and distribution facilities) [Fiscal 2018 budget: ¥23.47 billion]
Support will be provided for the development of lumber processing and distribution facilities that aim to provide a stable supply of wood products by reducing production, processing and distribution costs through the cooperation of businesses in the upstream and downstream sectors. (New)
- (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 2018 budget: Included in the ¥20.15 billion Subsidy for Creating Strong Agriculture]
(Objectives of the measure)

- To promote a stronger management culture in the SME dairy industry, such as by restructuring and rationalizing dairy plants and enhancing sanitary control, toward contributing to business stabilization among dairy farmers.

(Overview of the measure)

- To reduce the production and selling costs of SMEs in the dairy industry and promote the advancement of sanitary standards, support will be provided for the additional construction and closing down of dairy plant facilities and for the closing down of dairy plants in cases where it is not accompanied by the construction of new plants.

- (5) Fund for promoting advanced quality control in the food industry

To improve the safety of food products and gain the confidence of consumers, financial support will be 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;
 - 2) Provision of infrastructure and equipment for hygiene and product quality control as preliminary steps towards HACCP introduction (advanced platform provision). (Ongoing)
- (6) Program for supporting the creation of overseas demand [Fiscal 2018 budget: ¥3.44 billion]
(Objectives of the measure)
- To implement initiatives in line with the “Strategies for Strengthening the Export Competitiveness of the Agriculture, Forestry and Fishery Industries” (compiled in May 2016 by the Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries) through private-public cooperation toward achieving the target of ¥1 trillion in exports by 2019.
(Overview of the measure)
 - Through subsidies to JETRO, comprehensive business support will be provided for upstream to downstream operations of export businesses. (Ongoing)
 - Opportunities for direct negotiations between Japanese businesses and overseas buyers will be provided by establishing a Japan Pavilion in overseas trade fairs that are held in countries and regions where export is strongly expected to increase in the future. (Ongoing)
 - Major buyers from overseas will be invited to business conventions in Japan to deepen their understanding of the characteristics of Japanese product categories and their safety through onsite inspections of wholesale markets and production regions, to promote effective business talks. (Ongoing)
 - Strategic promotion campaigns will be implemented for cultivation and expansion of new overseas markets by the Japan Food Overseas Promotion Center (JFOODO).
 - Support will be provided to export organizations for each export category including rice and rice products, fruits, flowers, tea, animal products, forestry products (wood), marine products and snack foods, who engage in all-Japan PR activities and new market cultivation initiatives based on policies for each respective product category. (Ongoing)
 - In sectors that anticipate a specific expansion in exports, support will be provided for the implementation of promotional campaigns that cut across multiple product categories and for the promotion of product categories that is difficult to undertake by all-Japan organizations. (Ongoing)

- Support will be provided to regional blocks in which businesses that handle diverse products cooperate with multiple production regions in Japan to cultivate new markets. (Ongoing)
(Changes from fiscal 2017)

- Accompanying the establishment of the Japan Food Overseas Promotion Center (JFOODO), promotional campaigns will be implemented in countries/regions and for product categories that JFOODO identifies as strategic areas. (Ongoing)

- (7) Program for promoting the development of export environments (incl. support for resolving issues related to export environments)
[Fiscal 2018 budget: ¥460 million]
(Objectives of the measure)

- To implement initiatives in line with the “Strategies for Strengthening the Export Competitiveness of the Agriculture, Forestry and Fishery Industries” (compiled in May 2016 by the Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries) through private-public cooperation toward achieving the target of ¥1 trillion in exports by 2019.

(Overview of the measure)

With respect to priority product categories specified in the Strategies for Strengthening the Export Competitiveness of the Agriculture, Forestry and Fishery Industries,” support will be provided for initiatives to acquire/renew internationally recognized certifications (ISO22000 etc.), respond to quarantine requirements of export destination countries/regions (inspection of registered farms, halal certification, etc.), or to acquire/renew standard certifications that aim to differentiate products made in Japan from those made in other countries in export destination countries/regions (organic JAS certification, etc.). (Ongoing)

3. Support for R&D and other cross-field activities

- (1) Program for promotion innovation in venues for the accumulation and utilization of knowledge [Fiscal 2018 budget: ¥4.39 billion]
To create innovation in the agriculture, forestry, fishery and food industries, proposal candidate studies that focuses on promoting research and development based on diverse knowledge and technologies of various sectors, will be implemented. (New)
- (2) Various forms of lending by JFC
Loans will be provided for
- 1) the improvement of the management of designated agricultural processing businesses,
 - 2) the promotion of new applications of designated agricultural, forestry and livestock products or the adoption of new raw material species for processing,

- 3) the establishment of stable transaction relationships between food manufacturers and agriculture, forestry and fishery businesses and the development of agricultural, forestry and fishery facilities,
- 4) the strengthening of the corporate structure of seafood manufacturers, and
- 5) the restructuring of businesses related to agricultural production. (Ongoing)

Section 2 Measures for SMEs in the transport industry

1. Support, etc. for the warehousing industry

To save labor and increase efficiency of physical distribution services pursuant to the Law for Integration and Improvement of Physical Distribution, the development of warehouses that serve both transport and storage functions will be promoted.

Additionally, to promote low-carbon warehouses, ongoing support will be provided for the introduction of energy-saving facilities that use natural refrigerants. (Ongoing)

2. Measures for coastal shipping and domestic passenger ships (joint vessel construction system) [Fiscal investment and loan program] [Fiscal 2018 budget: ¥15.2 billion]

Under the joint vessel construction system of the Japan Railway Construction, Transport and Technology Agency (JRJT), support was provided for the construction of ships having high political significance, such as ships that contribute to the greenification of coastal shipping or to maintaining and revitalizing remote island routes. (Ongoing)

3. Measures for small and medium shipbuilders and related manufacturers [Fiscal 2018 budget: (1) Included in ¥70 million; (2) ¥16 billion (fiscal 2013 budget); (3) ¥450 million; (4) ¥80 million]

- (1) In addition to taking steps to develop a safety net for business stabilization, (1) courses aimed at modernizing management techniques were held, and a health and safety manager training course will also be held to help prevent industrial accidents. (Ongoing)
- (2) Most of the shipyards and shipbuilders on the Pacific coast of Tohoku suffered devastating damage in the Great East Japan Earthquake. The Ministry of Land, Infrastructure and Transport, in cooperation with the SME Agency and other relevant ministries and agencies, have supported the utilization of various support programs to promote the prompt recovery and reconstruction of local shipbuilding industries that support the fishery industry that is a core industry in the region. For shipbuilding businesses that face difficulties in resuming operations at the same level as before the earthquake due to ground subsidence, the

Subsidy for Projects that Support the Reconstruction of Shipbuilding Businesses, etc. was established in fiscal 2013 to support the development of shipbuilding facilities toward the full-scale reconstruction of the shipbuilding industry through business cooperation and integration. A total of 19 businesses in 8 projects were selected to receive a subsidy (¥11.42 billion in total), as of the end of fiscal 2014. Seven of those subsidized businesses have been completed by the end of fiscal 2017, and the remaining one business will also be properly implemented. (2) Subsidy for reconstruction assistance projects in the shipbuilding industry (Ongoing)

- (3) Subsidies will be provided for research and development projects for marine resource development technologies that improve productivity in the construction and operation of ships. (3) Subsidy for R&D for technologies related to the maritime industry (Ongoing)
- (4) To improve productivity in SME shipbuilding and ship machinery industries, the approval of management improvement plans formulated by SMEs and micro businesses in line with “Guidelines concerning management improvement in relevant fields of the shipbuilding and ship machinery industries” will be pushed forward and capital investment will be promoted by offering tax benefits and other support measures based on the Act on Strengthening the Management of SMEs, etc. [Taxation] (Ongoing)
- (5) To secure human resources in the shipbuilding sector, the “Guidance for shipbuilding businesses on implementing internships through regional cooperation” will be disseminated with the aim of deepening understanding of the shipbuilding industry among students and teachers and strengthening the network between local shipbuilding enterprises and educational institutions. Additionally, a test program will be implemented as a wrap-up of the program for development of shipbuilding instructors, with the aim of strengthening shipbuilding education in high schools and establishing a sustainable training framework for shipbuilding instructors. Furthermore, the employment of foreign workers will be promoted through the proper operation of the program for accepting foreign shipbuilding workers. (4) Acquisition and development of human resources in the shipbuilding industry (Ongoing)

Section 3 Measures for small and medium building contractors and realtors

1. Promotion of the development of multi-skills in regional construction industries [Fiscal 2018 budget: ¥60 million]

A model multi-skills development program will be implemented to support the formulation and

implementation of multi-skills development and utilization plans by groups of SME and second-tier construction enterprises, with the aim of increasing productivity in SME and second-tier construction enterprises by promoting the development of multi-skills that would expand the breadth of specialized skills among skilled workers in the construction field. Additionally, the results of the above model program and areas that need improvement will be compiled into a handbook on methods for multi-skills development and widely disseminated among SME and second-tier construction enterprises. (New)

2. 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 Local Construction Management Enhancement Loan Program will continue to be implemented, to allow SME and second-tier construction enterprises to receive a loan from loan businesses (business cooperatives, etc.) in proportion to the construction work using the contract value credit from public works as collateral.

The program aims to secure loan funds and reduce procurement interest rates by attaching a loan guarantee to sublease funds that loan businesses borrow from financial institutions when providing a loan. (Ongoing)

(2) Implementation of the Subcontracting Receivables Protection Support Program

To promote the protection of receivables by building subcontractors, the Subcontracting Receivables Protection Support Program will continue to be implemented whereby a factoring company guarantees the contract price receivable by an SME or second-tier subcontractor from the main building contractor. The program will also compensate for a certain amount of losses by factoring companies and will provide subsidies to cover the guarantee fees borne by subcontractors. (Ongoing)

3. Support for overseas business expansion in the construction industry

[Fiscal 2018 budget: ¥80 million]

To promote the overseas expansion of second-tier and SME construction companies in Japan that possess original technologies, support will be provided for marketing such technologies and for establishing connections with local relevant parties by organizing seminars in Japan, dispatching missions, supporting their participation in overseas trade fairs, and holding joint job fairs with overseas companies.

Support will also be provided for enhancing the practical capacity of enterprises by creating practical manuals and e-learning contents. (Ongoing)

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 will be continued so as to supplement credit and facilitate financing of small and medium realtors. (Ongoing)

5. Regional housing greenification program

[Fiscal 2018 budget: ¥11.5 billion]

To strengthen the regional production framework for wooden housing and reduce environmental burden, support will be provided for the development of energy efficient and durable wooden housing and buildings through groups comprising businesses in related fields involved at all stages from provision of materials through to design and implementation. (Ongoing)

6. Community-based program for developing a framework for wooden housing construction techniques

[Fiscal 2018 budget: ¥450 million]

To maintain and develop a framework for wooden housing construction techniques in the regions and create a stock of excellent housing, support will be provided for training activities implemented by groups of private businesses to develop skilled carpenters. (Ongoing)

Section 4 Measures for the environmental sanitation business

1. Measures for the environmental sanitation business

[Fiscal 2018 budget: ¥1.14 billion]

Subsidies will be provided to environmental sanitation associations, the national environmental sanitation guidance center, and prefectural environmental sanitation guidance centers, to promote the creation of safe and comfortable lifestyle environments from the perspective of sanitation. Support will be provided specifically for rehabilitating the management of environmental sanitation businesses such as the hairdressing, dry cleaning and restaurant businesses, maintaining and improving sanitation standards, and protecting user and consumer interests.

In fiscal 2018, priority will be placed on raising the level of wage payments in environmental sanitation businesses, such as by organizing seminars given by certified social insurance labor consultants and other specialists on improving management power and profitability. (Ongoing)

2. Loans for ES businesses

[Fiscal 2018 budget: ¥3.45 billion]

The JFC will provide low-interest loans

(environmental sanitation loans) with the aim of improving and otherwise promoting public health, by providing financial assistance to environmental sanitation businesses.

In fiscal 2018, working capital was newly included in the scope of disaster loans for ES businesses that were previously limited to loans for equipment funds. (Ongoing)

Section 5 Environmental and energy measures

1. Consignment expenses for implementing the J-Credit scheme in Japan

[Fiscal 2018 budget: ¥380 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 allowing large enterprises to use those credits to achieve the goals of the plan for realizing a low-carbon society or to offset their CO₂ emissions. Under this program, a secretariat for administering the scheme will be operated, and SMEs implementing greenhouse gas emissions reduction activities by using the J-Credit Scheme will be supported in registering projects. The program will also promote carbon offsets and the cultivation of demand for credits created under the J-Credit Scheme. Furthermore, by boosting low-energy investments by SMEs and promoting the circulation of funds in Japan through the use of these credits, the program will aim to achieve a good balance between the environment and economy. (Ongoing)

2. Environment and Energy Measure Fund (for anti-pollution measures)

[Fiscal investment and loan program]

To promote anti-pollution measures by SMEs and micro businesses, JFC will continue to provide special loans upon conducting a review of relevant measures and interest rates. (Ongoing)

3. Anti-pollution tax system [Taxation scheme]

This anti-pollution tax system will continue to be implemented, to support the pollution prevention initiatives of SMEs and micro businesses. (Ongoing)

4. Subsidy for supporting the promotion of energy conservation investments (Energy Use Rationalization Business Support Subsidy)

[Fiscal 2018 budget: Included in ¥60.04 billion]

To promote energy conservation investments and improve energy consumption efficiency in plants and offices, support will be provided for the replacement of existing facilities with energy-efficient facilities, by establishing two application categories: application by plants and offices, which places no restriction on the type of facilities, and application by facility, which

places a restriction on the type of facilities but requires only a simplified procedure. (Ongoing)

5. Interest subsidy for investment in energy-saving facilities [Fiscal 2018 budget: ¥1.6 billion]

An interest subsidy on loans will be provided to businesses that receive financing from private financial institutions to improve energy consumption efficiency by introducing energy-saving facilities to a new office or installing/adding energy-saving facilities to an existing office, to reduce the cost of funds procurement. (Ongoing)

6. Subsidy for SME energy conservation diagnosis programs [Fiscal 2018 budget: ¥1.2 billion]

To provide detailed support for the energy-saving initiatives of SMEs, etc., their energy-saving potential will be diagnosed free of charge, and regional platforms for energy conservation consultation will be established nationwide as centers that provide consultation on energy conservation in cooperation with regional experts. Additionally, the nationwide energy conservation promotion network will centrally provide information on energy conservation support centers and energy conservation information. (Ongoing)

7. Program to create a fund to promote regional low-carbon investment

[Fiscal 2018 budget: ¥4.8 billion]

In order to call in private funding to low-carbon projects such as renewable energy projects that are likely to be profitable but lack sufficient private funding due to risks stemming from long lead times or long investment recovery periods, funding will be provided from the low-carbon investment promotion fund. (Ongoing)

8. Eco-Lease promotion program

[Fiscal 2018 budget: ¥1.9 billion]

The widespread adoption of low-carbon devices will be supported by subsidizing part of the total lease payment and promoting the utilization of a no-deposit “lease” scheme among SMEs that have difficulty coping with the very high initial investment costs (deposits) of installing low-carbon devices. (Ongoing)

9. Eco-Action 21

Information meetings will be held in five locations throughout Japan and a symposium for environmental managers will be held in one location to raise awareness of Eco-Action 21 Guidelines 2017 and industry-specific guidelines for the industrial waste processing, construction and food industries, with the objective of enhancing the effectiveness of Eco-Action 21 as an effective environmental management system for second-tier businesses and SMEs and contribute

to enhancing corporate value. Additionally, the support program for introduction of an environmental management system dedicated to CO2 reduction will continue to be implemented, to promote greater awareness and approaches to Eco-Action 21 and other environmental management systems, and encourage large enterprises to introduce environmental management to their value chain. (Ongoing)

Section 6 Measures on intellectual property

1. Surveys of technical trends of patent application [Fiscal 2018 budget: Included in ¥830 million]

Market trends and patent application trends will be surveyed by selecting themes related to technical fields that have the potential to create and capture markets, and technical fields that Japan should promote as part of its science and technology policies. The results of the surveys will be made publicly available via such sources as the Japan Patent Office's website, so they may be utilized for the formulation of R&D strategies and IP strategies in Japan's industrial world. (Ongoing)

2. Subsidy for international patent applications [Fiscal 2018 budget: ¥650 million]

In order to encourage SMEs to file strategic applications for international patents, subsidies will be provided to partially defray the costs (such as application fees to overseas patent offices, expenditure on hiring Japanese agents and local agents overseas, and translation costs) incurred by SMEs aspiring to expand their business overseas. In addition to prefectural SME support centers, support will also be provided by JETRO. (Ongoing)

3. Promotion of the wider use of IP systems [Fiscal 2018 budget: (1) Included in INPIT subsidy (2) ¥50 million]

Information sessions will be held for individuals, tailored according to their different levels of knowledge and expertise on the intellectual property system. These include [1] sessions outlining the IP system and explaining basic knowledge for beginners, and [2] 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 for widely explaining the latest amendments to relevant laws and regulations. In fiscal 2018, information sessions for beginners will be held in 47 prefectures, and information sessions for working-level personnel and sessions on institutional amendments will be held in major cities throughout Japan. (Ongoing)

4. Program supporting measures by SMEs to counter overseas infringement [Fiscal 2018 budget: ¥90 million]

To promote the timely and appropriate exercise of industrial property rights overseas by SMEs, the costs required for the investigation of imitation products through to procedures for issuing warning statements and government seizure against the manufacturer of imitation products will be subsidized through JETRO. Subsidies will also be provided for the cost of consulting with a lawyer or other authority and the cost of a lawsuit in cases where an SME is sued by a local enterprise overseas for an infringement of intellectual property rights, and for costs required for the invalidation or rescission of an usurped trademark. (Ongoing)

5. Patent strategy portal site [Fiscal 2018 budget: Included in ¥10 million]

The patent strategy portal site on the Patent Office's website will provide 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 apply for a password. (Ongoing)

6. Reductions in patent fees for SMEs

SMEs actively pursuing R&D will continue to be subsidized through the reduction by half of examination request fees and patent charges (for 10 years from the first year). (Ongoing)

To apply the system for reducing patent charges by half for all SMEs, a proposal to amend the Patent Act will be submitted to the Diet. (New)

7. Accelerated examination and accelerated appeal examination system

In cases where the applicant or appellant is an SME or micro business, a system for accelerated examination and accelerated appeal examination will be implemented whereby examinations and appeal examinations could be fast tracked by filing an "explanation of situation for accelerated examination" or "explanation of situation for accelerated appeal examination." For patents of venture enterprises, a new system will be established within fiscal 2018 so that venture enterprises could receive the result of a primary screening within a month as a rule by submitting an "explanation of situation for accelerated examination." The system will also be applied to the examination of designs and trademarks that satisfy the requirements for accelerated examination or accelerated appeal examination. (Ongoing)

8. Provision of a one-stop IP service for SMEs (General IP Help Desks)

“General IP Help Desks” have been established in each prefecture, 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 will be further promoted such as by using IP experts to work with SMEs to jointly resolve highly specialist issues, collaborating with SME support agencies and similar organizations, and searching for SMEs that are not yet capable of utilizing IP effectively. In fiscal 2018, the support framework will be strengthened such as by increasing the numbers of support personnel and enhancing both the qualitative and quantitative aspects of support, toward achieving the Action Plan for Revitalization of Intellectual Properties in the Regions (Sept. 26, 2016) and the goals that have been established in consideration of the regional characteristics of each of the 47 prefectures based the action plan. (Ongoing)

9. Development of a one-stop support framework for trade secrets (“Trade secret/IP strategy consultation center—Trade secret hot line—”)

The “Trade secret/IP strategy consultation center—Trade secret hot line—” that was newly established in the National Center for Industrial Property Information and Training (INPIT) on February 2, 2015 cooperates with the IP comprehensive support center in responding to consultations mainly from SMEs through IP experts. The consultations deal with specific IP strategies, such as the open/close strategy that involves the rights of patents and confidentiality of trade secrets, as well as methods of managing confidential trade secrets and leaks and outflows of trade secrets. The center will continue to offer these services in fiscal 2018. Particularly with respect to cases of leakage and outflows of trade secrets, information security measures and cyberattacks, the center will work in close cooperation with the National Police Agency and Information Technology Promotion Agency, Japan (IPA), in accordance with the content of the consultation. In fiscal 2018, activities for dissemination and awareness-raising will be promoted via seminars on trade secrets and intellectual properties and e-learning contents. (Ongoing)

10. Emerging Country IP Information Databank

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. Dispatch of Global IP Producers

The National Center for Industrial Property Information and Training (INPIT) will dispatch experts in IP management (“Global IP Producers”) to assist SMEs and other enterprises with promising technologies that are likely to drive overseas expansion. These Global IP Producers support overseas business expansion by SMEs through the use of intellectual property, by assisting in 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 and TV interviews [Fiscal 2018 budget: ¥30 million]

To provide support regarding patents and designs to small and medium venture enterprises throughout Japan, onsite interview examinations will be held by inspectors and examiners sent to interview venues throughout Japan, and to provide support regarding patents, designs and trademarks, TV interview examinations were held via the Internet using the applicants’ own PCs. An onsite interview examination office and TV interview examination office will be established in the Kinki Headquarters of the National Center for Industrial Property Information and Training (INPIT) (provisional name) that opened in July 2017, and the major dates for onsite interviews will be scheduled. Additionally, a region-based patent promotion program will be implemented, in which an onsite interview examination and seminar on patent rights are held at the same time, intended for corporate cluster regions, such as research parks and universities, where local SMEs, venture enterprises, and research facilities are concentrated. (Ongoing)

13. Promotion of intellectual property financing [Fiscal 2018 budget: ¥150 million]

A comprehensive initiative that promotes financing by financial institutions based on intellectual properties will be implemented, such as by providing IP business assessment documents that contain easy-to-understand information about businesses that utilize SME patents and other intellectual properties to financial institutions that find it difficult to assess the patents and intellectual properties of SMEs. (Ongoing)

14. Program for promotion of businesses that utilize Japanese intellectual properties

[Fiscal 2018 budget: ¥330 million]

The following initiatives will be implemented via JETRO, to support the promotion of overseas business expansion through the use of intellectual properties of

medium enterprises, SMEs and regional organizations that have acquired a regional collective trademark. (Ongoing)

- (1) Comprehensive support will be provided, from the organization of seminars in Japan and overseas, to the formulation of business plans using local specialists and arranging presentation meetings with business partners.
- (2) Business meetings with business partners will be arranged, through participation in overseas trade fairs and business meetings.
- (3) Information will be disseminated to companies participating in this program in multiple languages, with consideration to preventing the outflow of technologies.
- (4) The necessary surveys for overseas business expansion will be carried out, such as for seeking candidate local partners.

15. Program for strengthening capacities to support the intellectual properties of regional SMEs [Fiscal 2018 budget: ¥170 million]

To promote the protection and utilization of the intellectual properties of SMEs through detailed support in consideration of the various issues and regional characteristics of SMEs, Bureaus of Economy, Trade and Industry will seek pioneering and advanced initiatives for supporting intellectual properties from highly motivated regional support organizations, provide support for their implementation. (Ongoing)

16. Subsidy for trade insurance against IP lawsuits overseas [Fiscal 2018 budget: ¥60 million]

To allow SMEs to take measures against IP lawsuits overseas, support was provided for the initiatives of an overseas IP lawsuit insurance system, which is operated by a membership of nationwide SMEs, to provide funds to cover for the cost of IP lawsuits overseas. Subsidies will be granted to a nationwide organization of SMEs, to subsidize 1/2 the premium of overseas IP lawsuit insurances (1/3 in cases where the subsidy will continue to be granted in the second year and beyond). By reducing the burden of paying the insurance premium, the program will encourage subscription by SMEs. (Ongoing)

17. Dispatch of business producers for regional revitalization

[Fiscal 2018 budget: Included in ¥120 million]

With the objective of expanding business functions in the regions, three “business producers” will be dispatched to three institutions to support the development of an environment that is conducive to creating businesses, by helping to identify hidden needs that could lead to business, procure business capital by matching the needs with seeds through the creation and utilization of a regional network that

includes financial institutions, and cultivate a market. (Ongoing)

18. Provision of patent information

In response to advanced and diversified user needs for patent information, a new service for patent information provision called Japan Platform for Patent Information (J-PlatPat) was launched in March 2015. J-PlatPat allows searches through official bulletins for patents in Japan, utility model patents, designs, and trademarks, as well as official bulletins issued in major foreign countries (EU and U.S.), and verification of the progress of patent examinations, registrations and appeals. Furthermore, to enable foreign patent documents and particularly the increasing numbers of Chinese and South Korean patent documents to be searched in Japanese, the Chinese and Korean Document Translation and Search System was launched in January 2015, and the Foreign Patent Information Service (FOPISER) was launched in August 2015 for referencing patent information in the ASEAN and foreign countries that are prominent destinations of overseas expansion by Japanese enterprises. These services are available free of charge via the Internet. (Ongoing)

Section 7 Promotion of standardization

1. Promotion of the strategic utilization of standardization by medium enterprises and SMEs

The Standardization Support Partnership System, which provides information and advice on the strategic utilization of standardization in the regions via a framework of cooperation between local government bodies, industrial promotion organizations, regional finance institutions, university and public research institutions (partner institutions), and the Japanese Standards Association (JSA), will continue to provide support to second-tier enterprises and SMEs such as by holding seminars on the strategic utilization of standardization. (Ongoing)

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