

BCG

GraSPP
THE UNIVERSITY OF TOKYO

東京大学公共政策大学院
中小企業政策(I)

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THE BOSTON CONSULTING GROUP

Freshly university graduating students who could succeed in finding a company to join out of a total number of the graduating students look as low as 69%. But . . .

(1) How is the student side, namely the labor-supplying side?

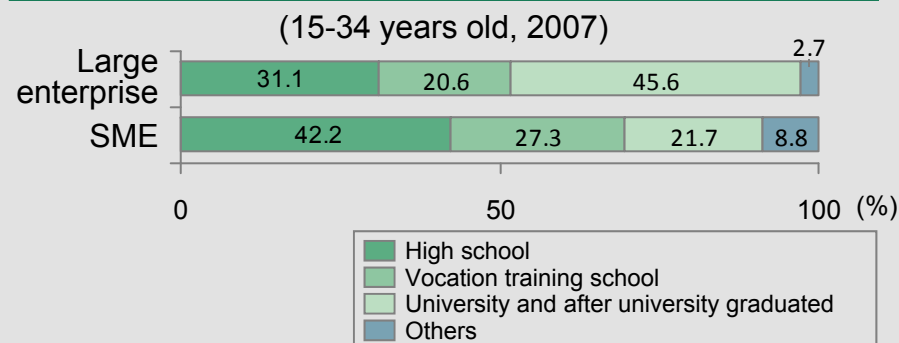
- Japan's youth with 15 to 24 years old has decreased to 13 mil. in 2009 from 19 mil. in 1991, while university graduated students have increased. Out of them those who succeeded in joining a company have increased to 382 thousand in 2009 from 324 thousand in 1991.
- In case of high school graduated students, those who joined a company in 2009 dramatically reduced to 194 thousand in 2009 from 622 thousand in 1991.

(Year)	High school graduated		University graduated	
	Graduated	Joined a company	Graduated	Joined a company
	(Thousand)			
1991	1,767	622	400	324
2000	1,329	247	539	301
2009	1,064	194	560	382
1991→2009	▲ 703	▲ 428	160	58

(2) How is the SME side, namely the labor-demanding side?

- In SME's recruiting, freshly high school graduated students primarily account for.

Finally graduated school of employee



- Both large enterprise and SME could not recruit sufficient numbers of high school graduated students and the insufficiency exacerbated from 2000 to 2008.

	(Year)	Large enterprise	SME
		(Thousand, %)	
Actually recruited/ desirably recruited	2000	83%	62%
	2008	71%	34%
Recruited high school graduated	2000	98	95
	2008	120	60

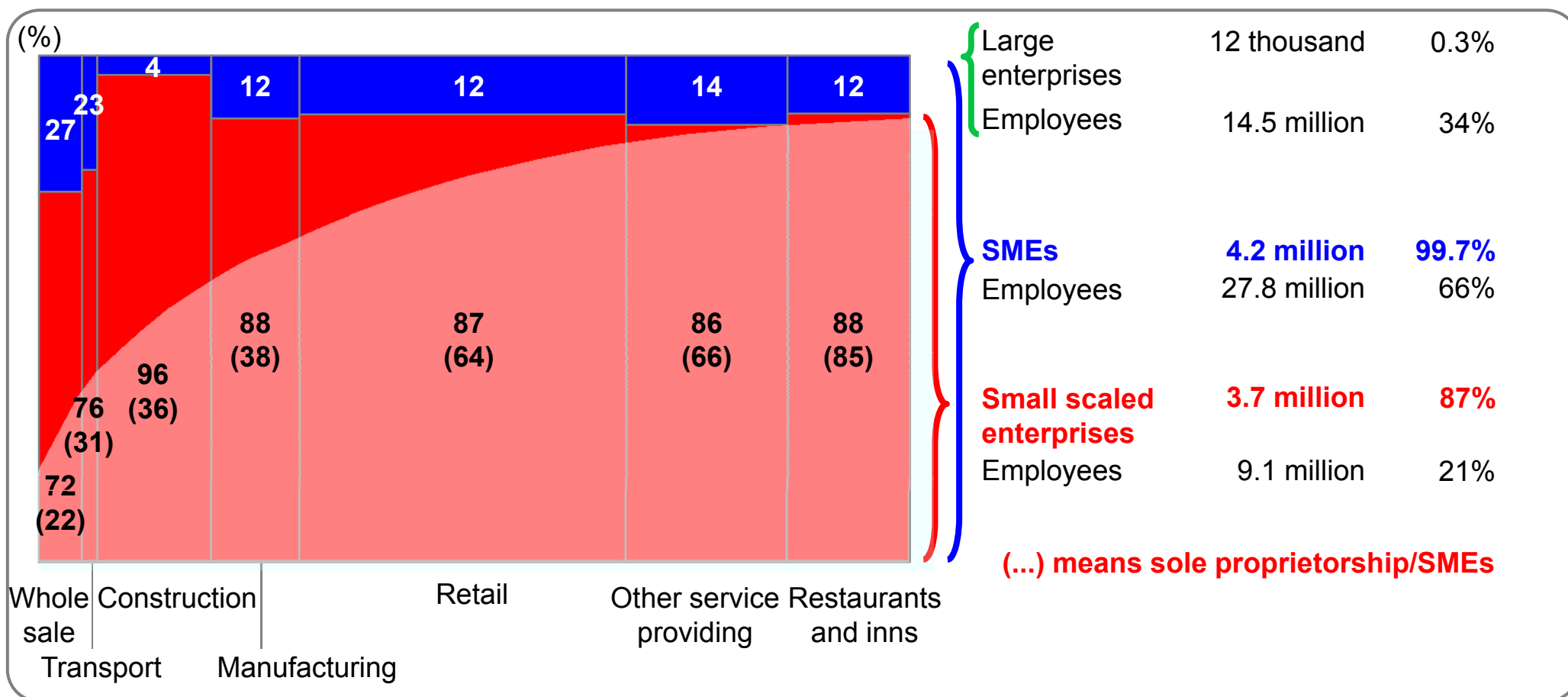
What's SME in the basic rule of Japan's legislation?

- Any firm either whose capital is no more than below expressed amount or whose number of employee is no more than below expressed is stipulated as SME.
In a case of sole proprietor, it is solely judged by a number of employees

	Before amended in 1999		Current (after amended in 1999)	
	(a) Capital (mil.)	(b) Employee (persons)	(a) Capital (mil.)	(b) Employee (persons)
Manufacturing, mining, transport	100	300	300	300
Whole sale	30	100	100	100
Retails and other tertiary industries	10	50	50	50
Other tertiary industries			50	100

How SMEs are populated scale-wise and kind-of-business-wise?

- Out of approximate 4.2 million firms, SMEs account for 99.7% and small scaled enterprises do for 87%.
- In business areas such as retail and restaurants and inns, proportion of sole proprietorship is very large.



Source: 総務省「経済センサス基礎調査」(2009年)再編加工

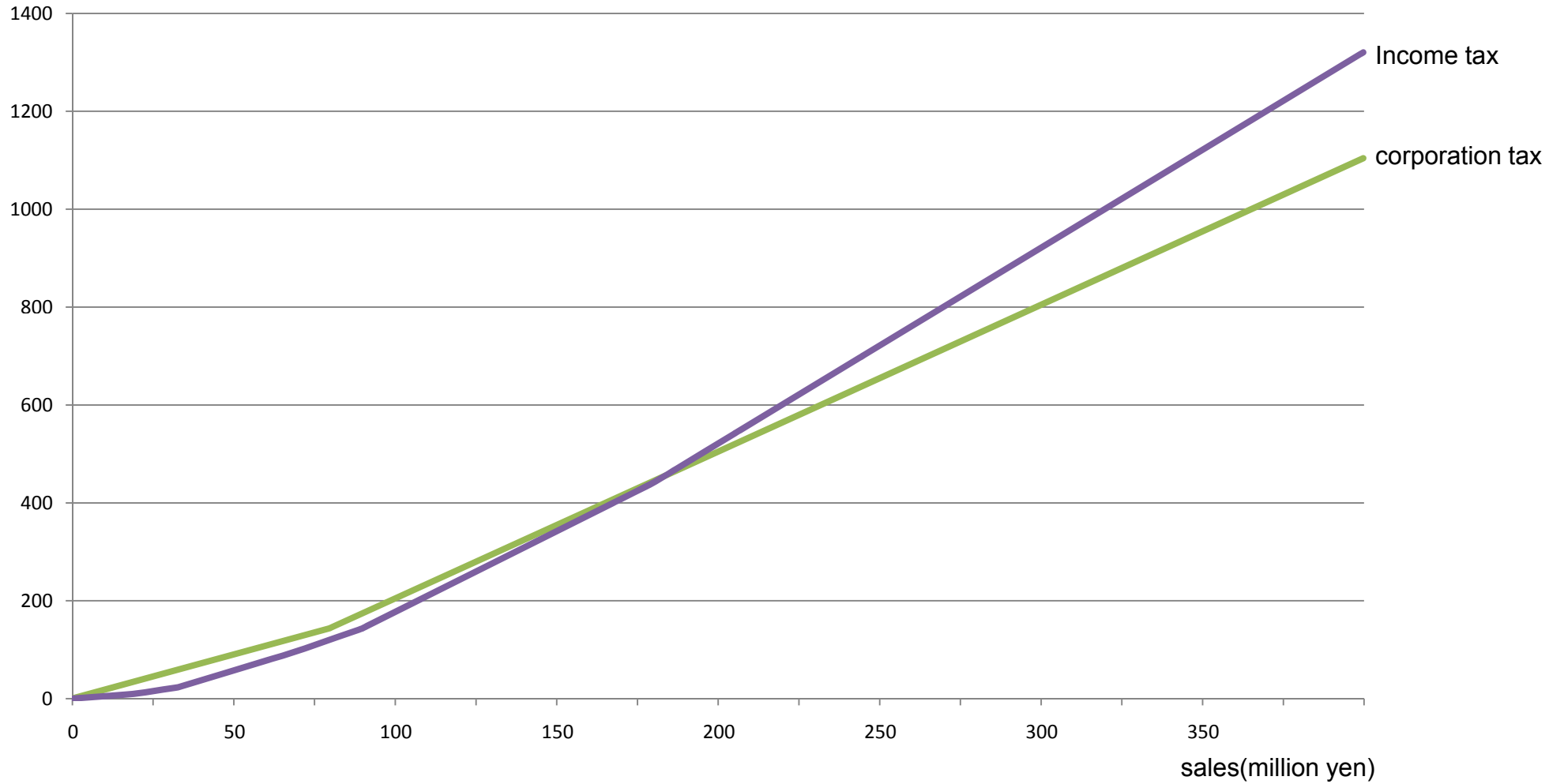
"SME" in tax-related legislation

Legal entity: with capital no more than 100 mil. yen
(number of employees does not matter)

Sole proprietor: with employees no more than 1,000 persons

Income tax vs. Corporation tax

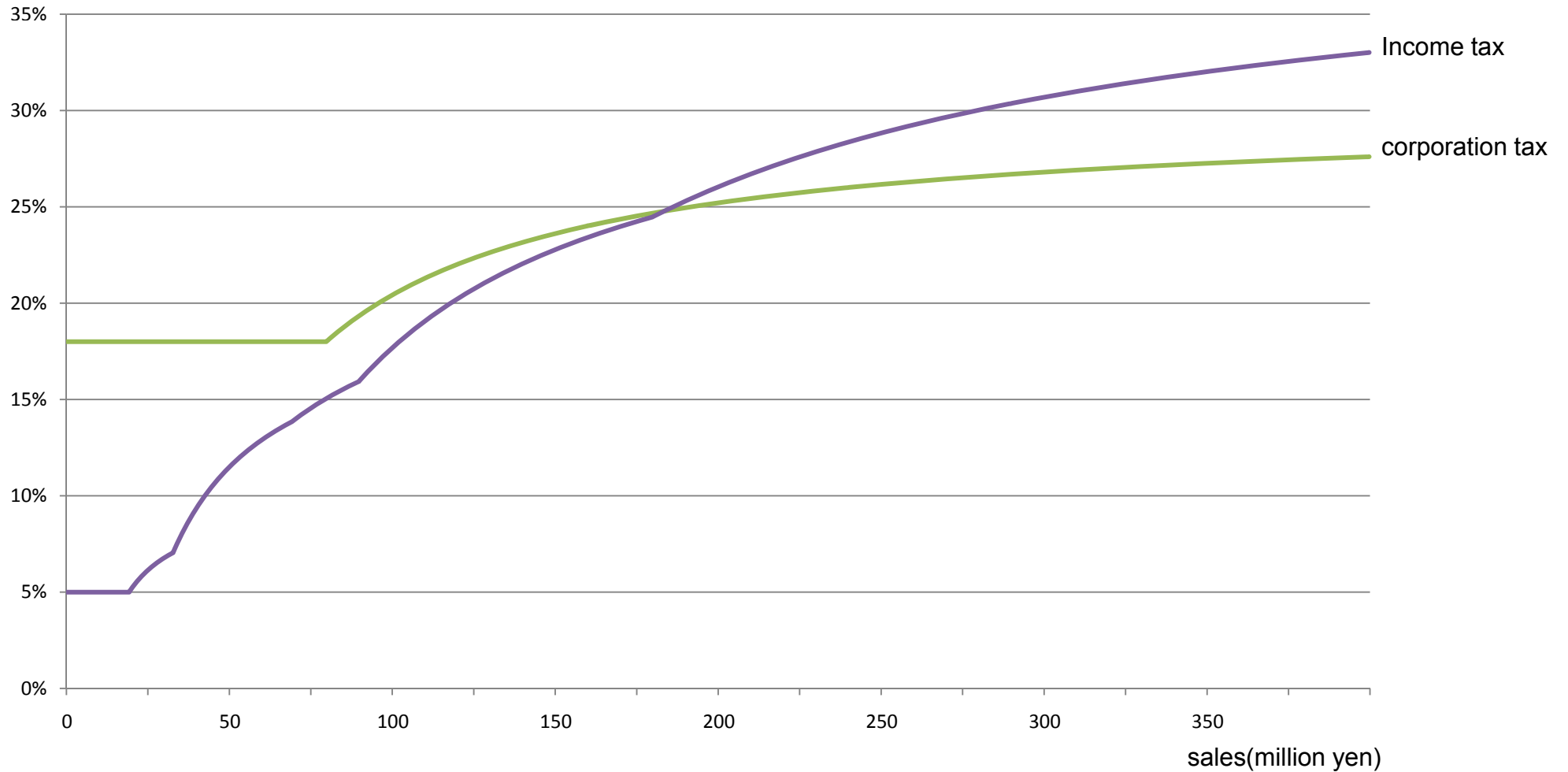
due tax amount
(thousand yen)



Note: assuming taxable income is 10% out of sales.

Income tax vs. Corporation tax

tax rate
(tax amount divided by taxable income)



Note: assuming taxable income is 10% out of sales.

増加の一途の国の借金 ---誰が払うのか？

国債か、増税か？
= 将来世代か、現在世代か？

稼ぎ手のやる気を削ぐのか？
低所得者にこれ以上の負担を
させないのか？

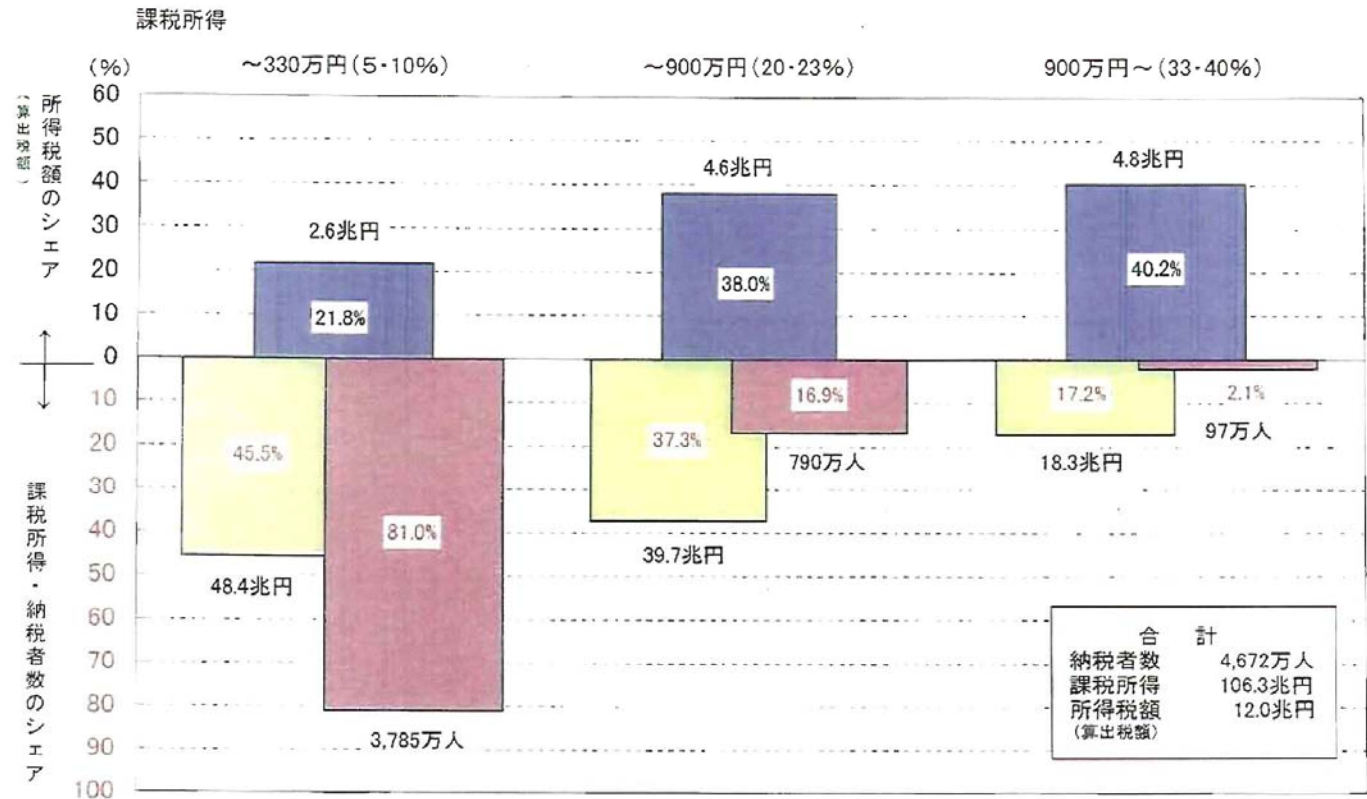
所得税、法人税 vs. 消費税

相続税問題---現在の改正案で
は、住宅ローンを終えた都会部の
サラリーマンや、地方都市の地主
にも広く課税。

「手数料の引き上げ=当事者
負担」という考え方を強められ
ないのか？

所得税における課税所得階級別の納税者数等

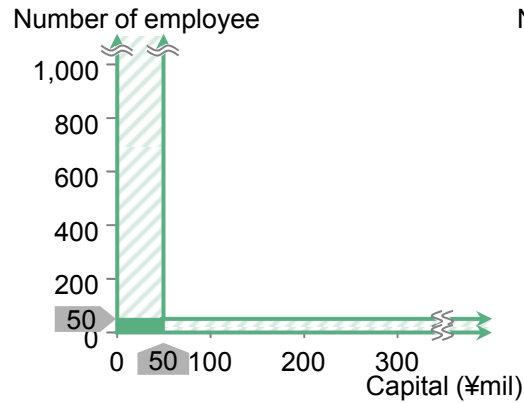
未定稿



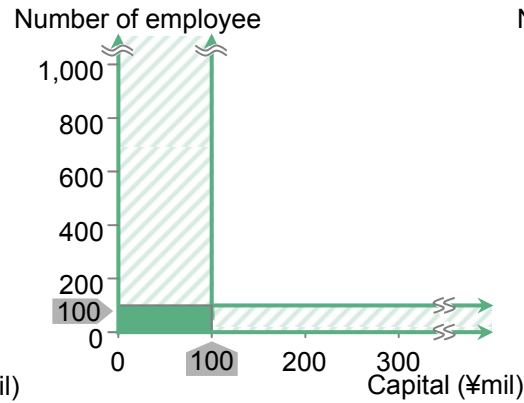
(注) 1. 各計数は、平成21年度予算ベースの推計値である(総合課税に係るものであり、分離課税に係るものは含まれていない)。
2. 上記の各階級区分(①「~330万円」、②「~900万円」、③「900万円~」)は課税所得ベースのものであるが、これを仮に夫婦2人(子のうち1人は特定扶養親族に該当)の場合の給与収入ベースで算出した場合、①「~785万円」、②「~1,430万円」、③「1,430万円~」となる。

SME qualified to use Japan Finance Corporation

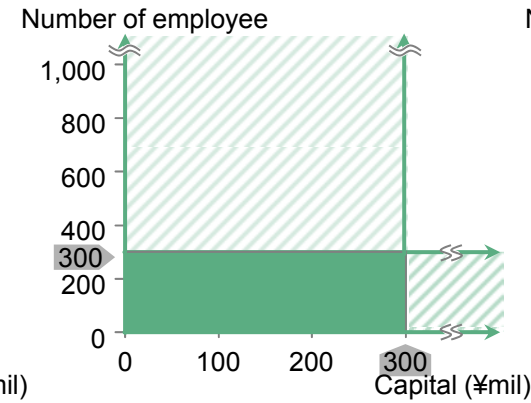
Retail



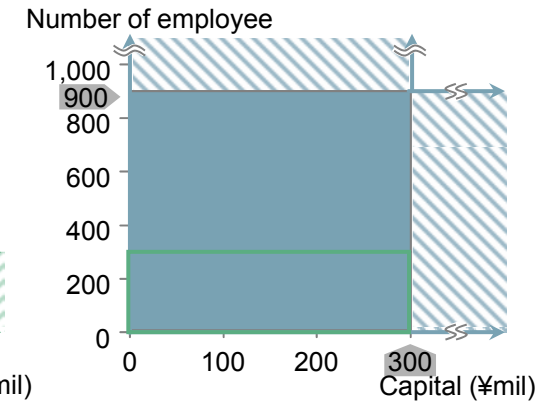
Wholesale



Manufacturing

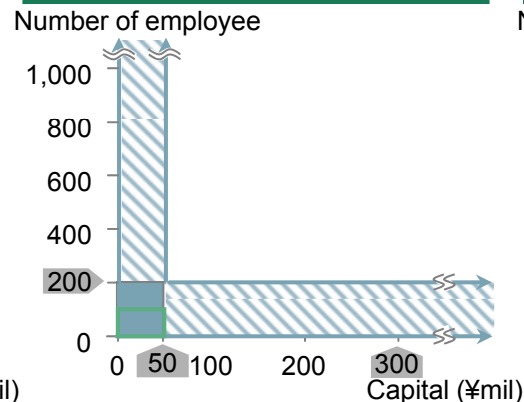
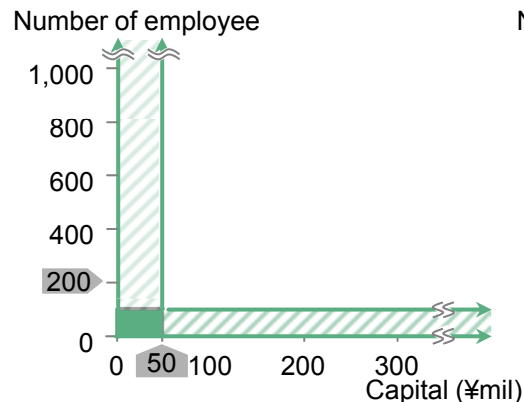


Rubber product manufacturing

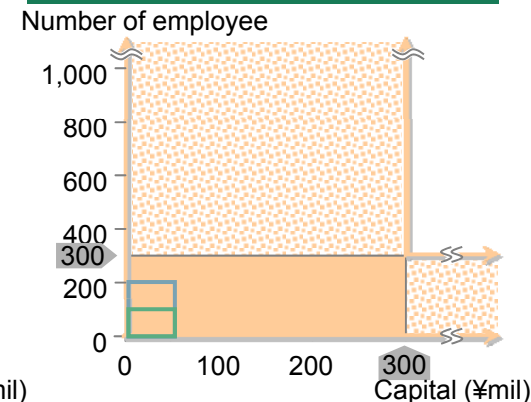


Tertiary industries

Hotel



Software and information processing



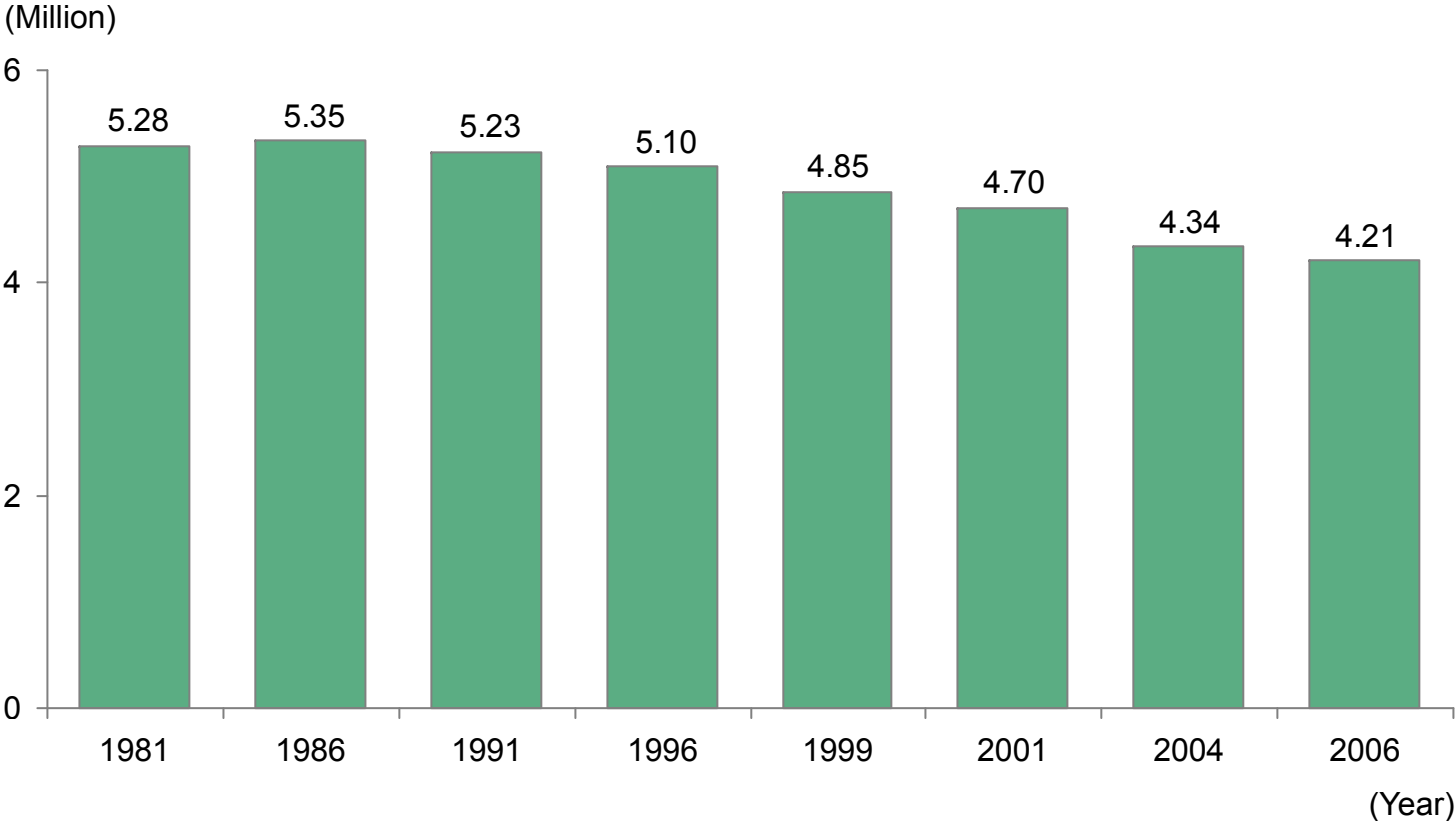
Note: Some kind of business, as an exception, are not qualified

The Shoko Chukin Bank

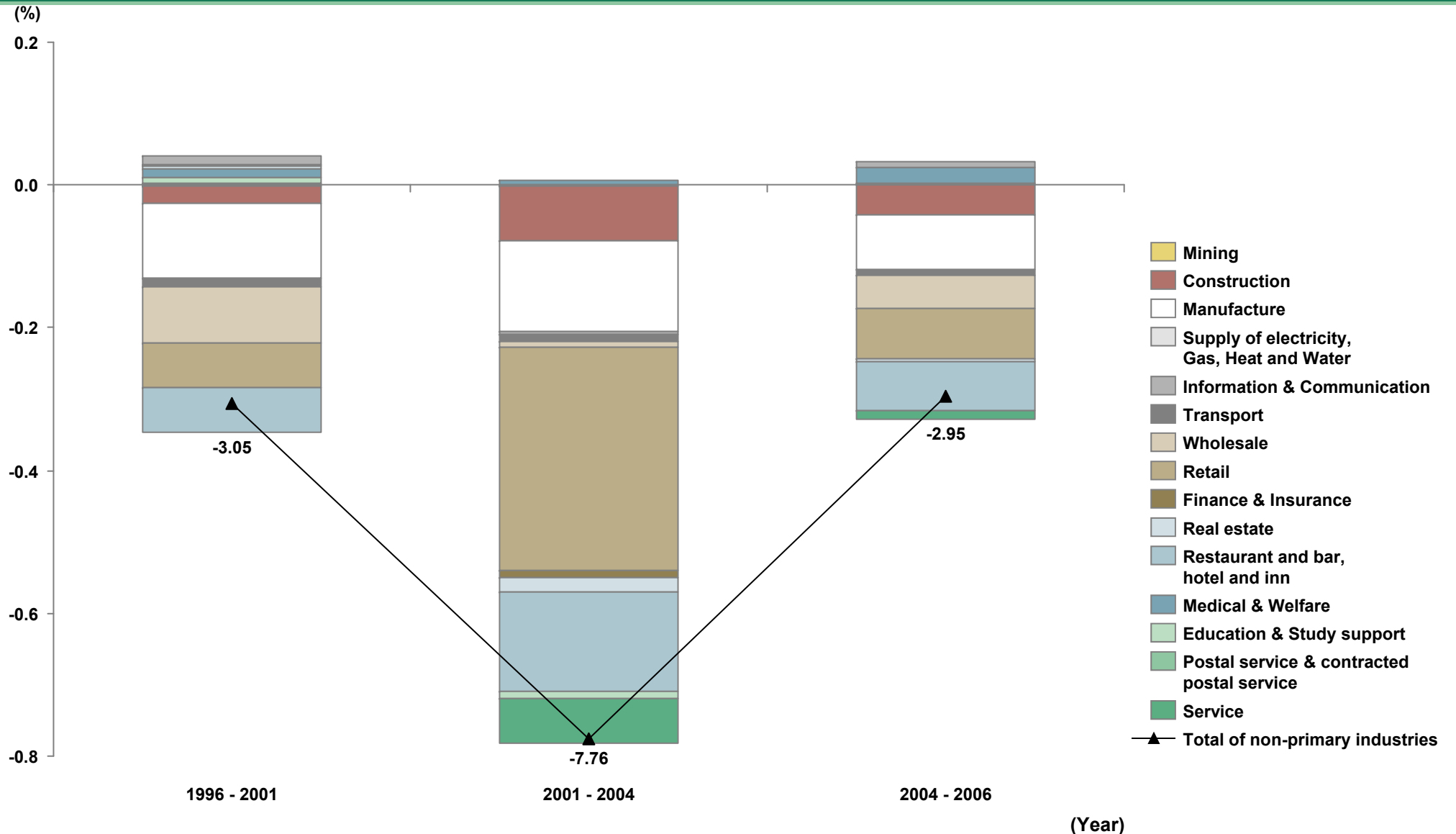
- ① **SME association and its member firm**

- ② **Association and its member firms whose activities are so authorized to be helpful to SME association (up to 20% of total lending)**

A total number of Japan's business entities

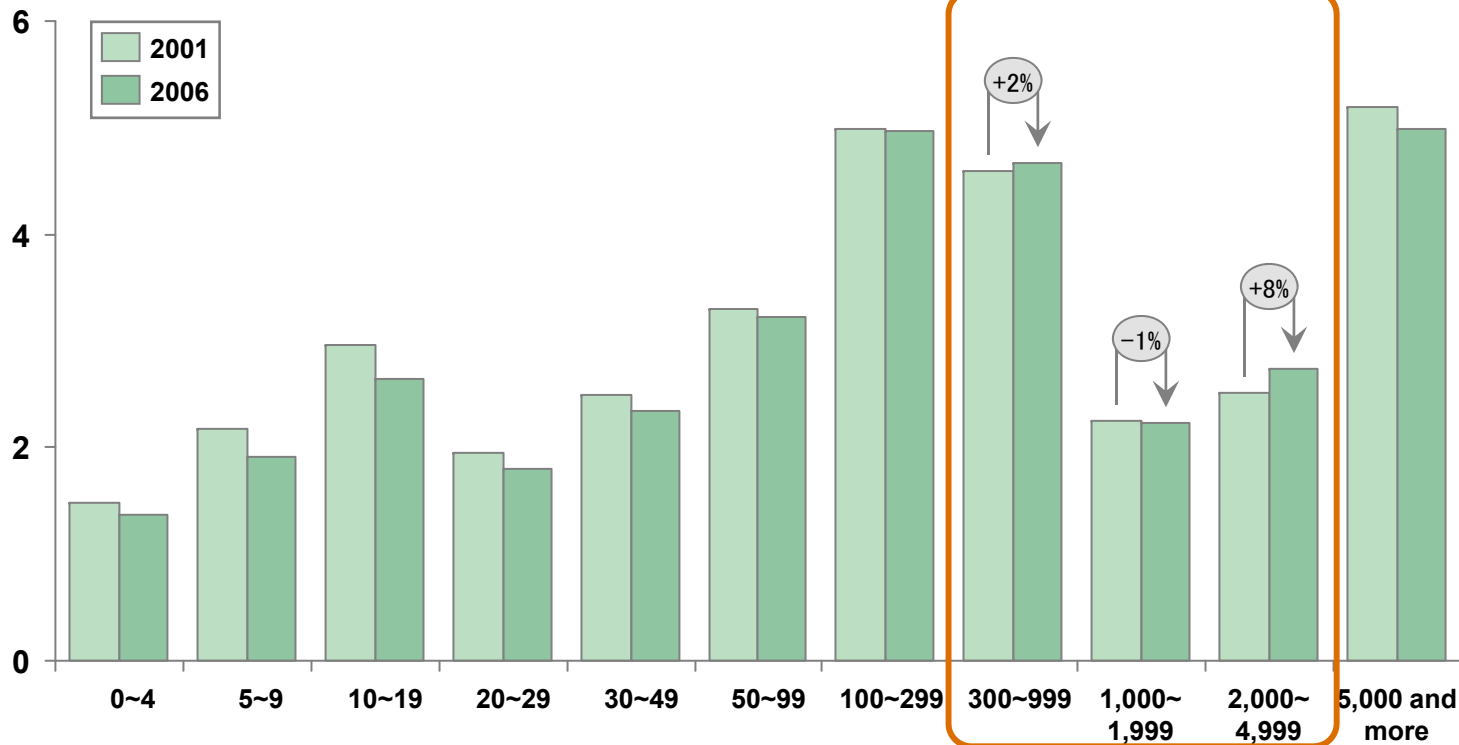


Change of business entities depending upon a kind of business



Middle-scaled enterprises are playing an important role in keeping employment. Before the Lehman Shock, they stably created employment between 2001 and 2006 when the Japan's economy showed recovery.

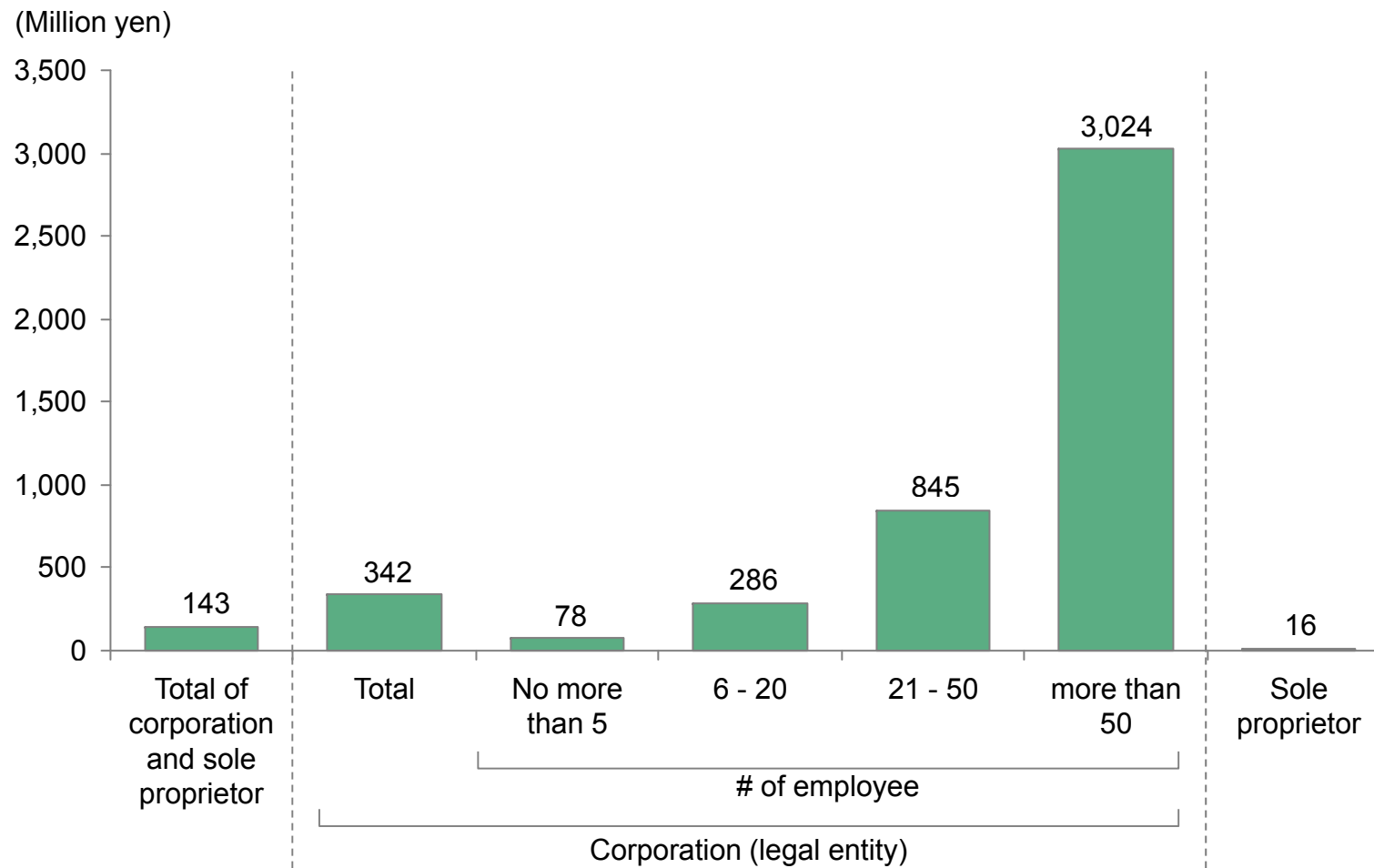
Aggregated No. of regular employees (Million)



Enterprise size by No. of regular employees

Enterprises ('000)	Enterprise size by No. of regular employees											
	In 2001	0~4	5~9	10~19	20~29	30~49	50~99	100~299	300~999	1,000~1,999	2,000~4,999	5,000 and more
In 2001	828	350	233	88	71	52	33	9.9	1.9	1.0	0.38	
In 2006	803	290	196	75	62	47	31	9.2	1.6	0.9	0.41	

One SME's annual sales according to the number of its employee (2009)

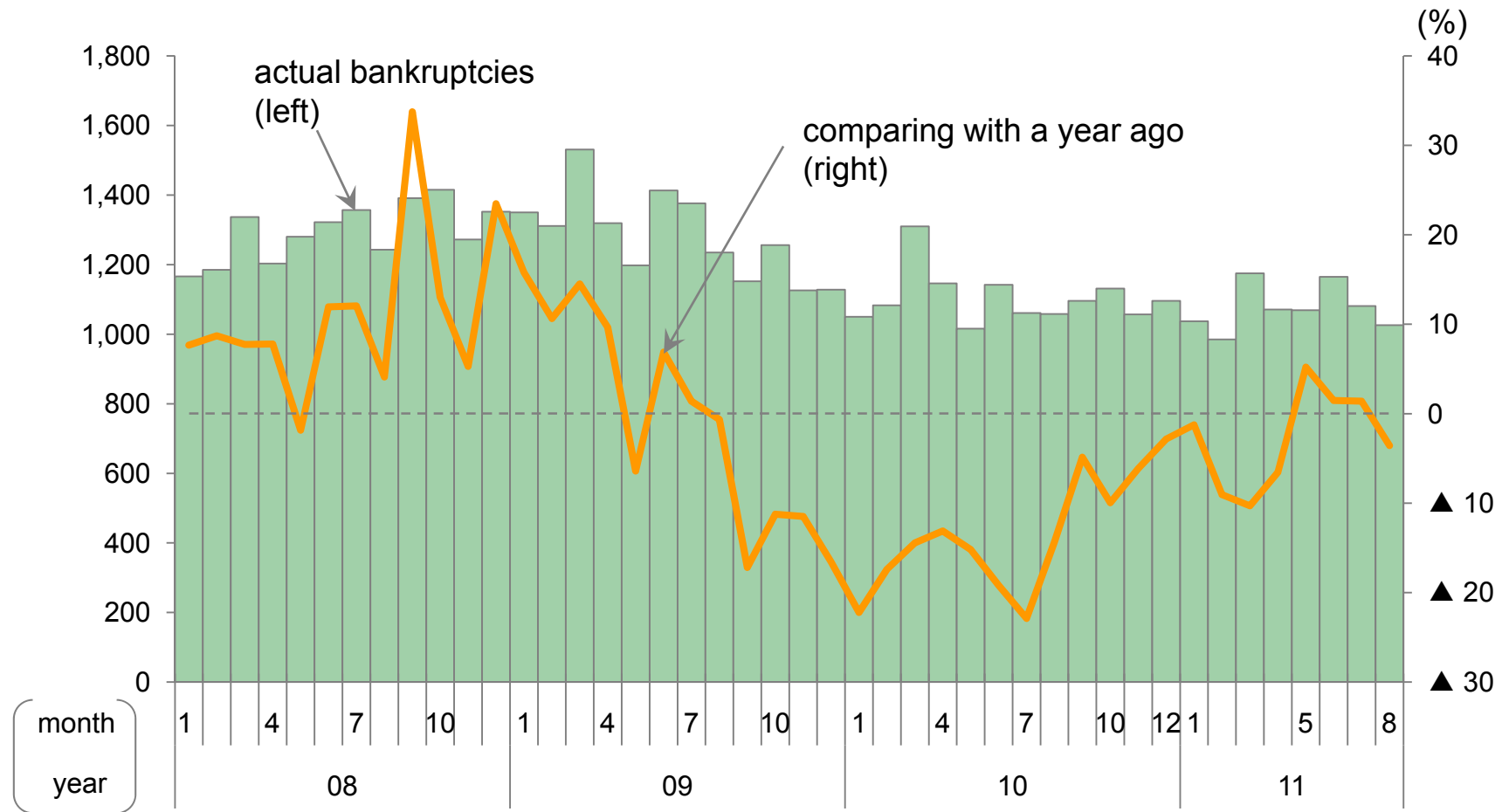


How much tax SMEs are paying?

(Million yen, number of SME (legal entity), 2008)	Capital of SME		Total
	No more than ¥100	More than ¥100	
Total paid corporate tax amount by SME	3,344,792	5,218,225	8,563,017
Number of SMEs with profit	726,325	13,950	740,275
Paid tax per each SME	4.6	374.1	11.6
<hr/>			
(Million yen, number of individuals, 2008)	Total		
Total paid income tax amount by SME (sole proprietor)	528,199		
Number of SMEs those paid income tax	1,658,22		
Paid tax per each individual	0.32		

SME's Bankruptcy

SME's bankruptcy surged September of 2008 after the Lehman Brothers' bankruptcy. At the end of 2008 calendar year and of 2008 fiscal year both of which most business have a custom to conclude payment of due amount of debt, SME's bankruptcy conspicuously increased. By pumping money-supply into SME by unusual policy measures, the government of Japan made an utmost of effort to prevent SME's bankruptcy.

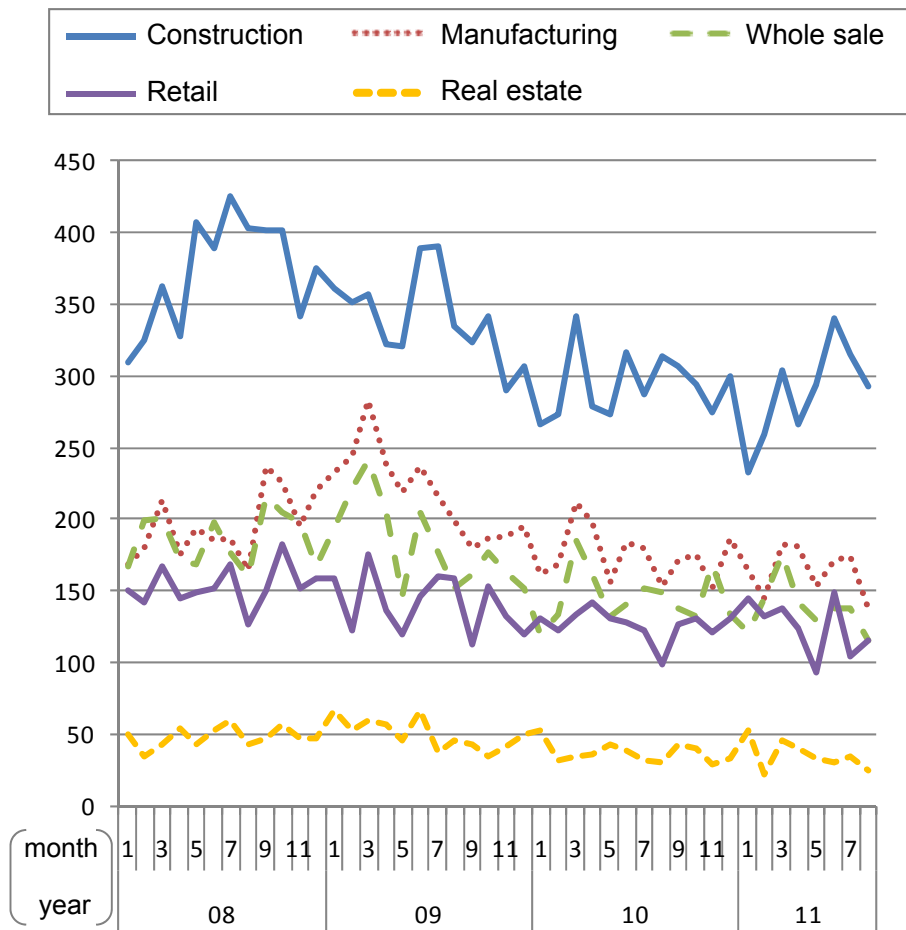


Note: Bankruptcy is here defined as bankruptcy whose debt amount exceeds 10 million yen

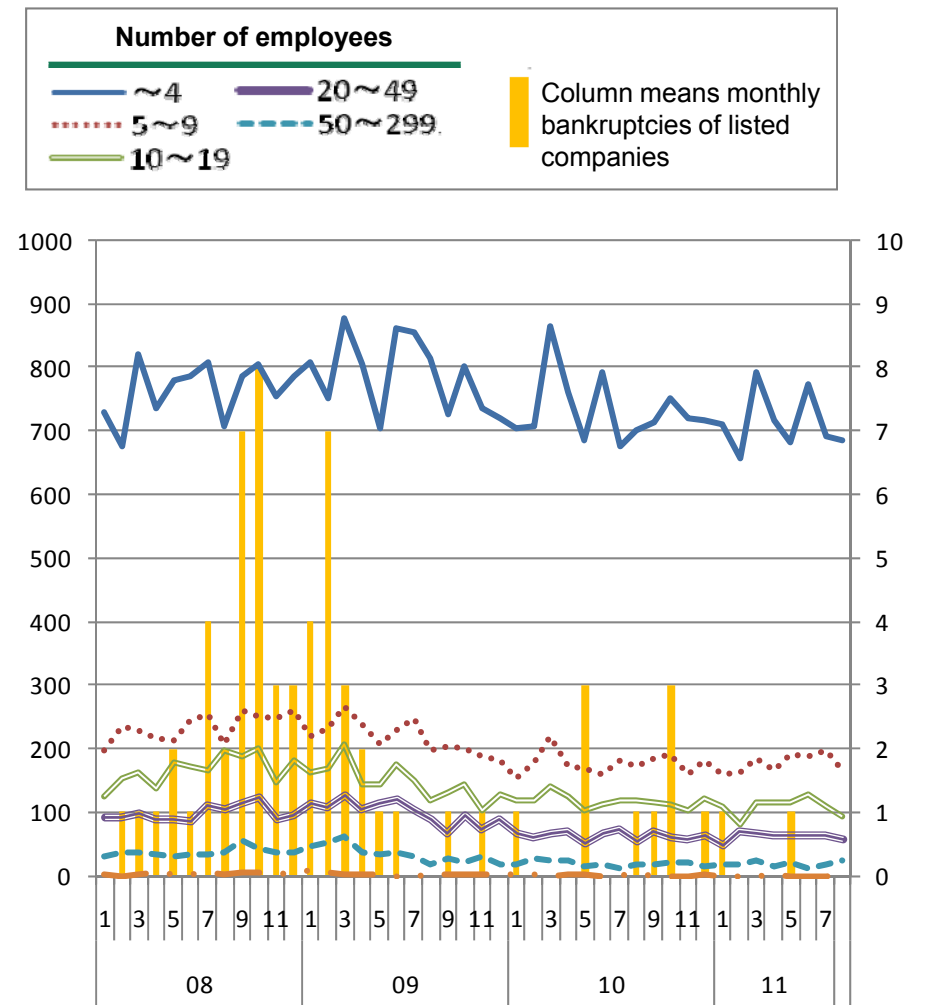
Bankruptcies of SMEs in the constructing industry and with their employees less than five have not significantly decreased

Bankruptcies of listed companies has decreased since the mid-2009

Bankruptcies in an each industry



Bankruptcies according to a number of SME's employees

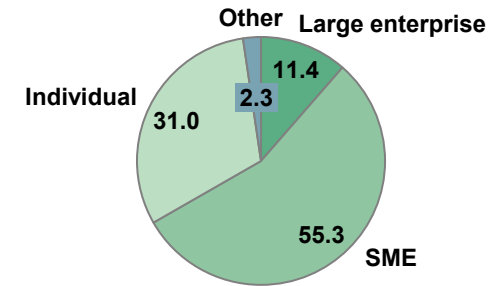
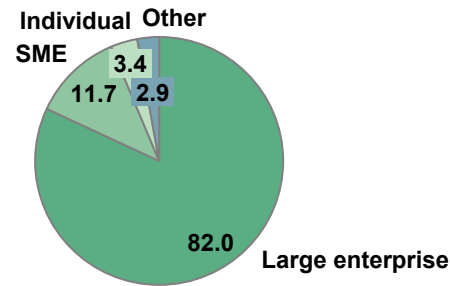


How are Japan's SMEs in the activity of patent applications and registrations?

SME's share in the total patent applications

SME's share in the total patent applicants

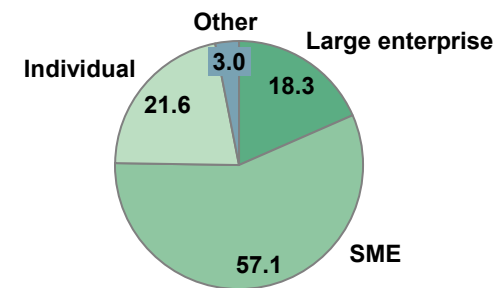
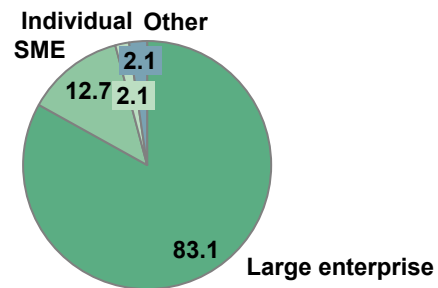
2009



SME's share in the total patent registrations

SME's share in the total patent registrants

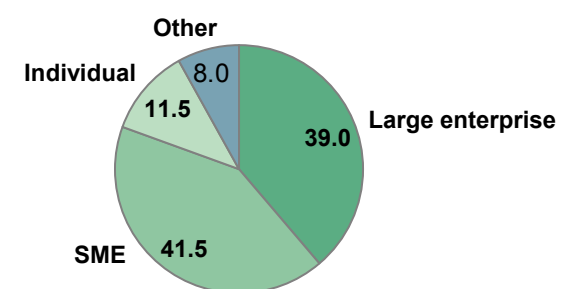
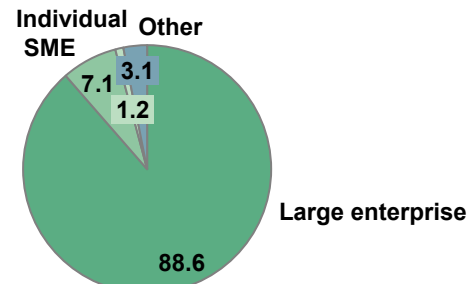
2009



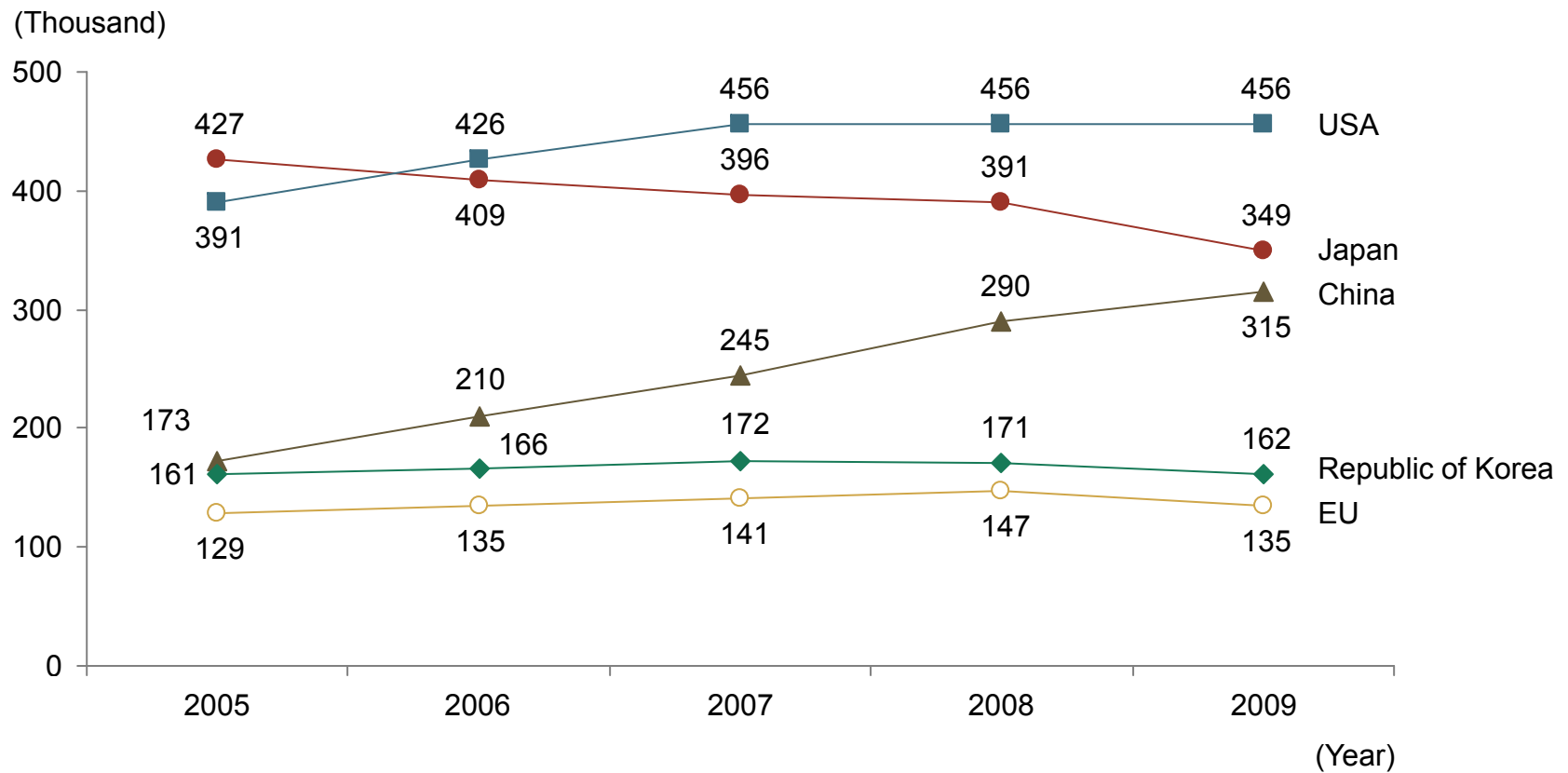
SME's share in the foreign patent applications (PCT and Paris convention combined)

SME's share in the foreign patent applicants (PCT and Paris convention combined)

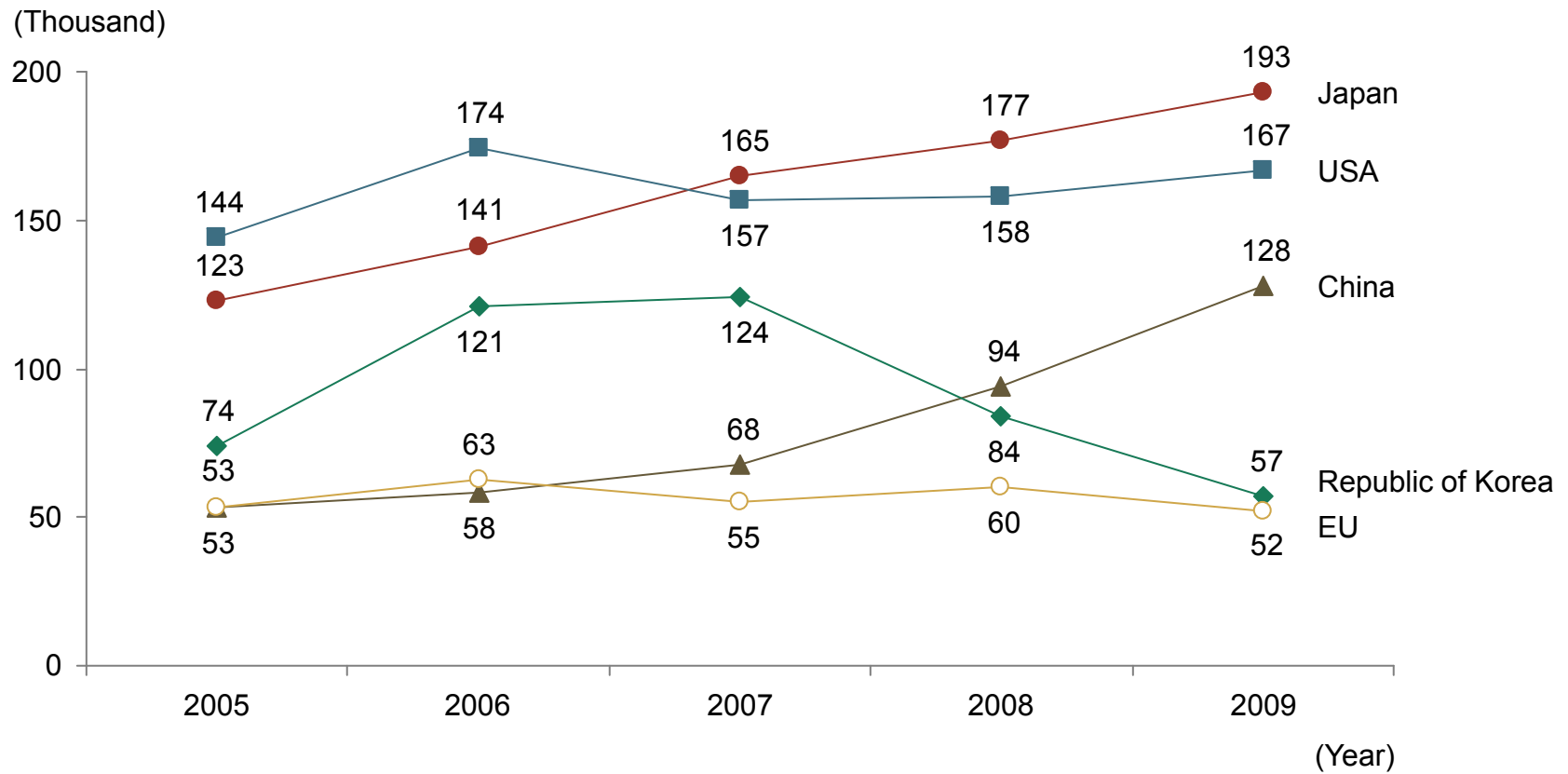
2008



Patent Application



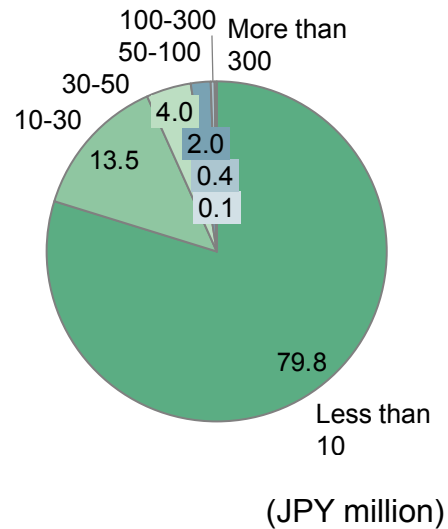
Patent Registration



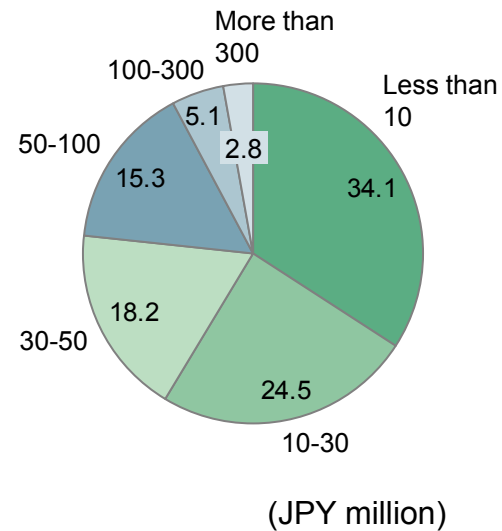
How are Japan's SMEs and their borrowing?

Amount-of-Capital-wise

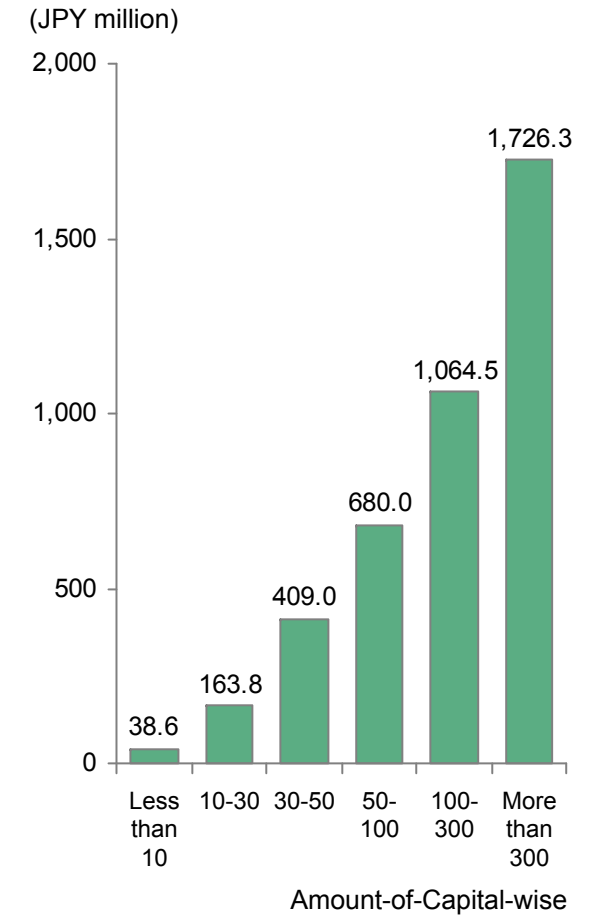
Share of enterprises



Share of their borrowing with interest



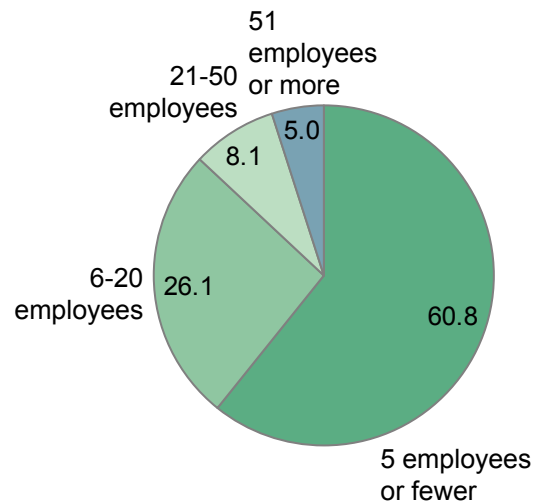
Borrowing exposure per one SME



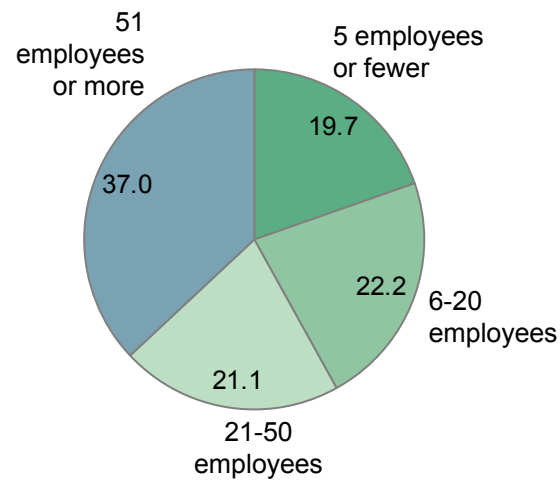
How are Japan's SMEs and their borrowing?

Number-of-employees-wise

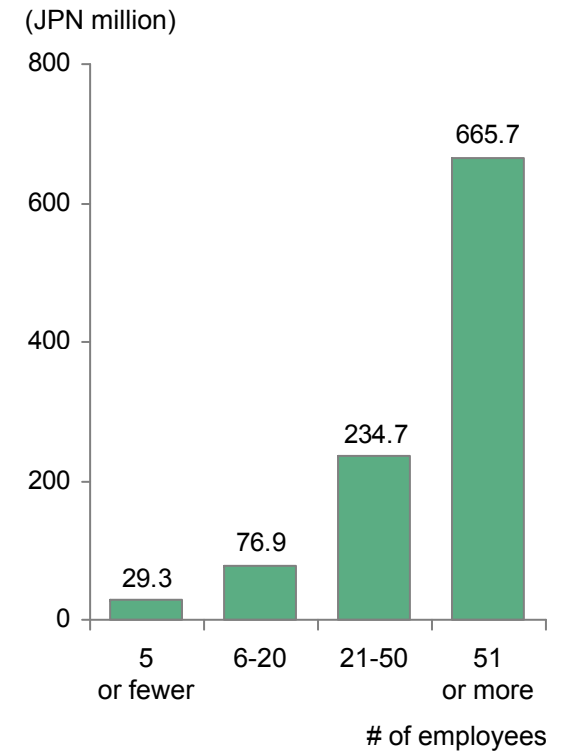
Share of enterprises



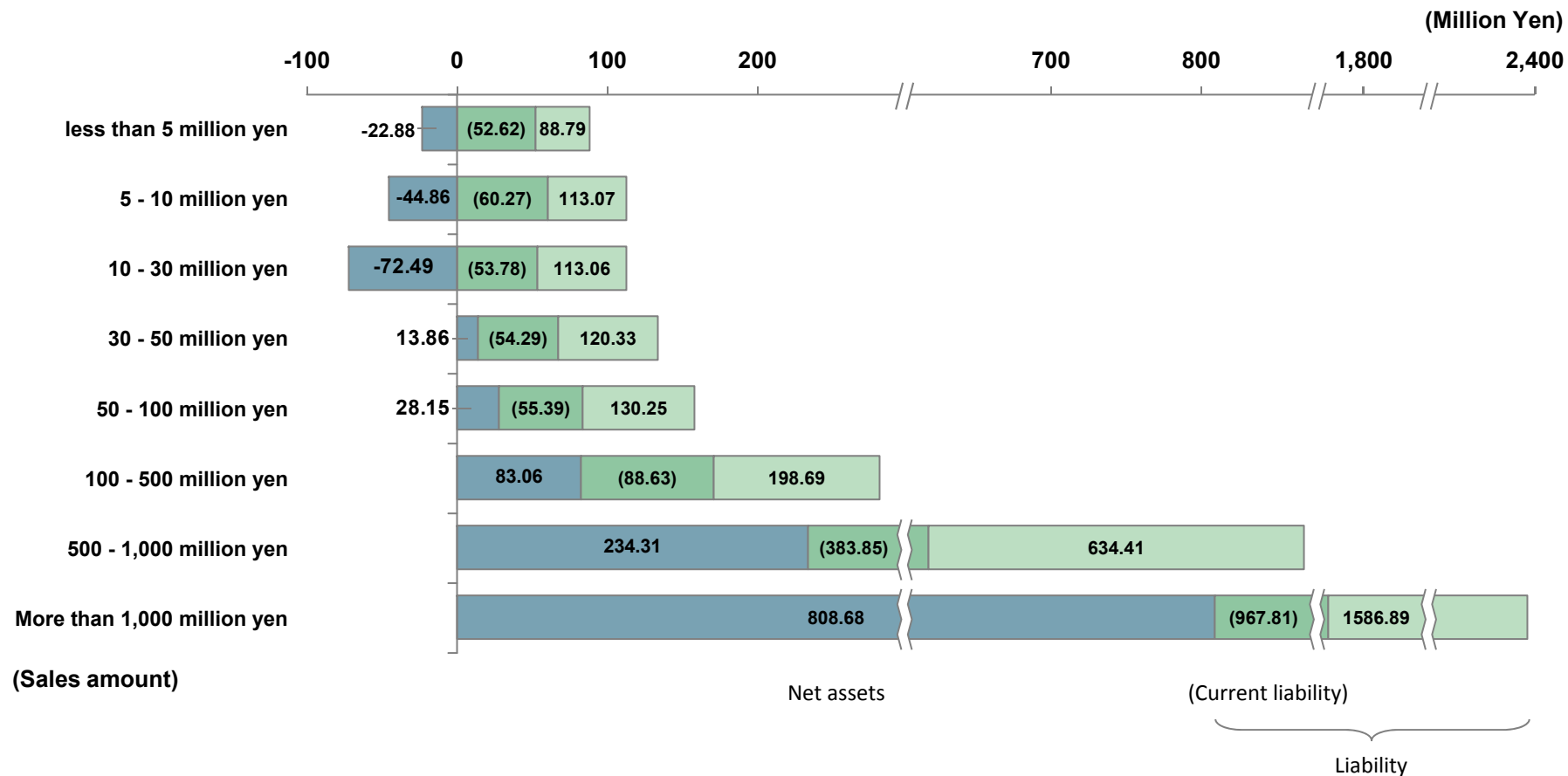
Share of their borrowing with interest



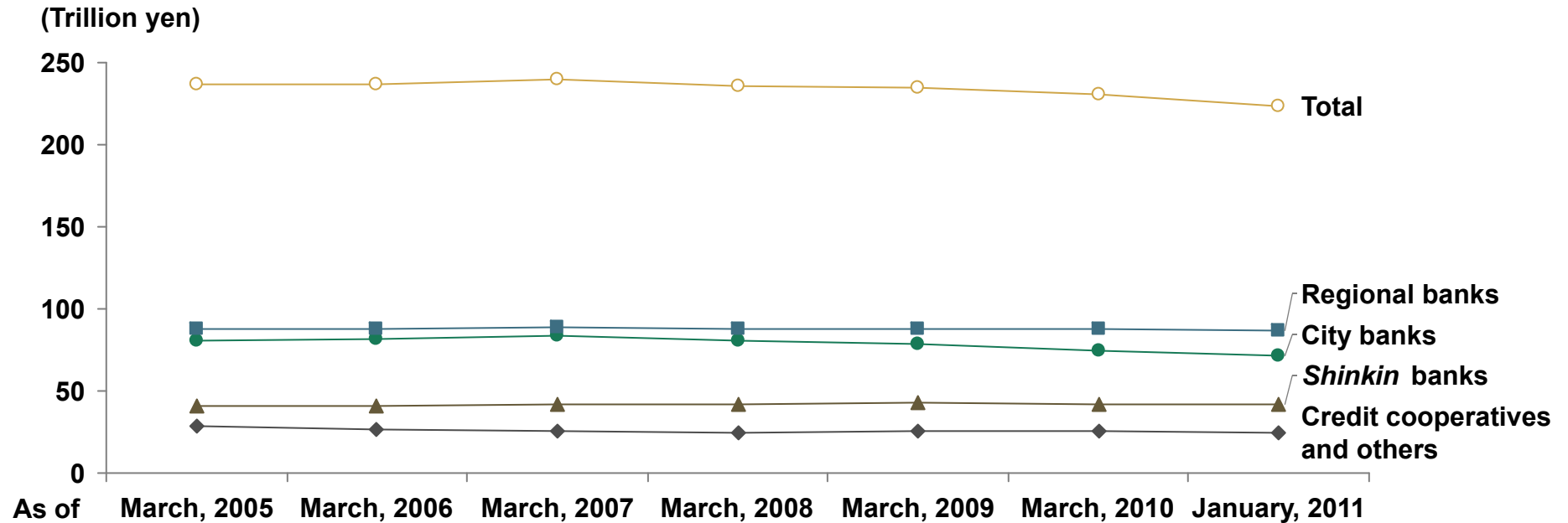
Borrowing exposure per one SME



Liability (including current liability) and net assets per one company

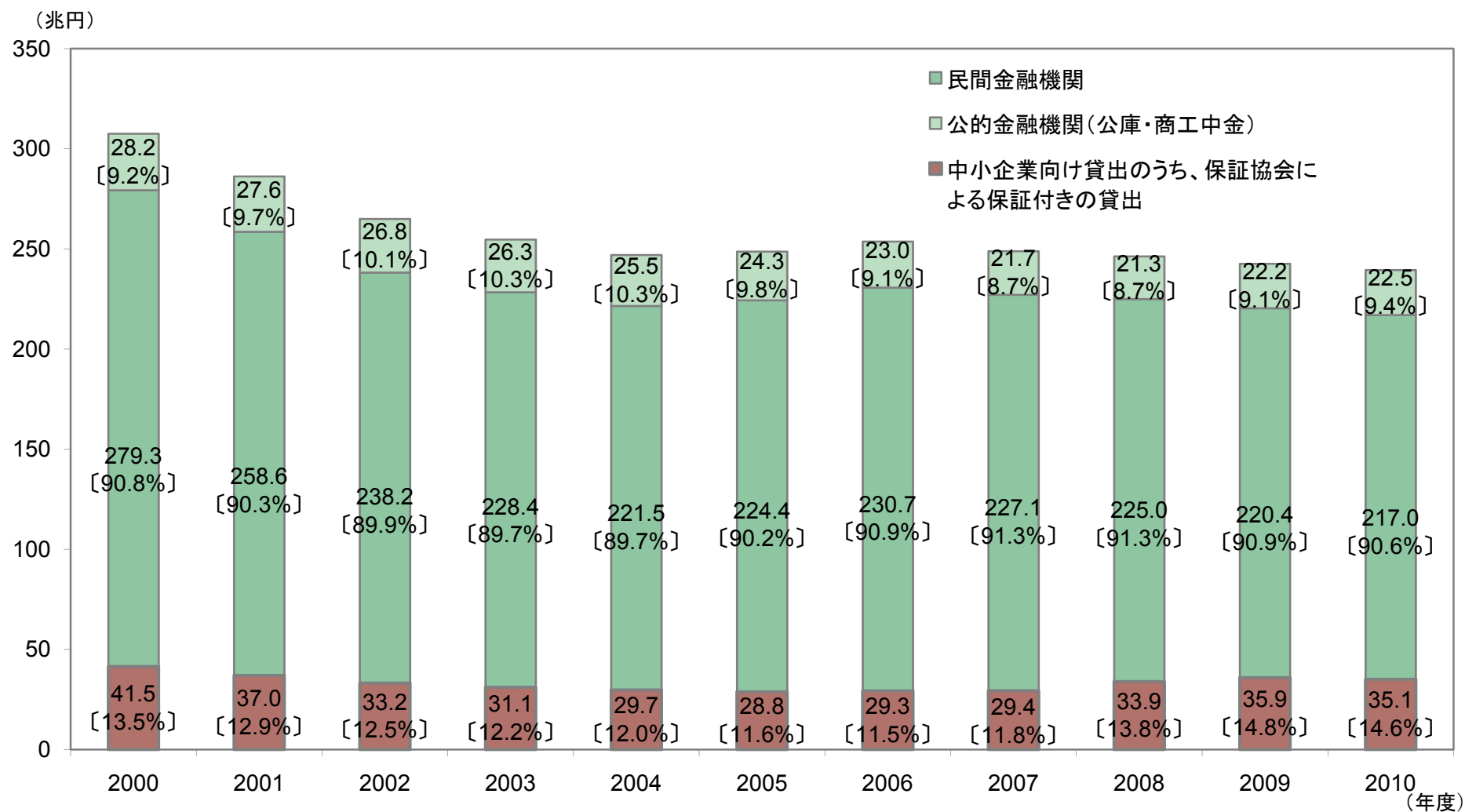


Trend of lending exposure to SMEs



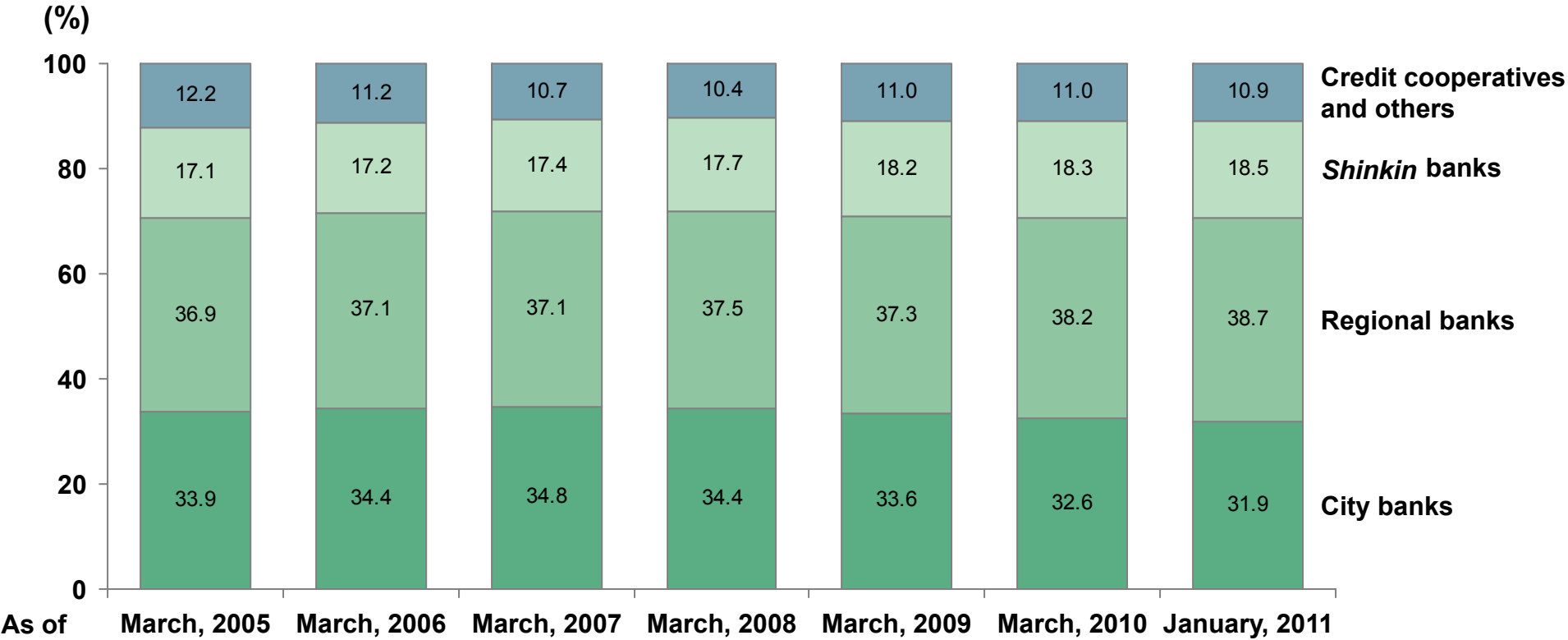
	City banks	Regional banks	Shinkin banks	Credit cooperatives and others	Total
March, 2005	802,497	872,944	404,451	287,887	2,367,779
March, 2006	814,950	877,391	407,727	265,776	2,365,844
March, 2007	836,331	891,456	416,941	258,179	2,402,907
March, 2008	809,114	882,164	416,463	245,552	2,353,293
March, 2009	788,786	876,386	427,170	257,531	2,349,873
March, 2010	749,644	878,754	420,924	253,158	2,302,480
January, 2011	713,148	864,676	413,848	243,660	2,235,332

中小企業向け貸出金の推移



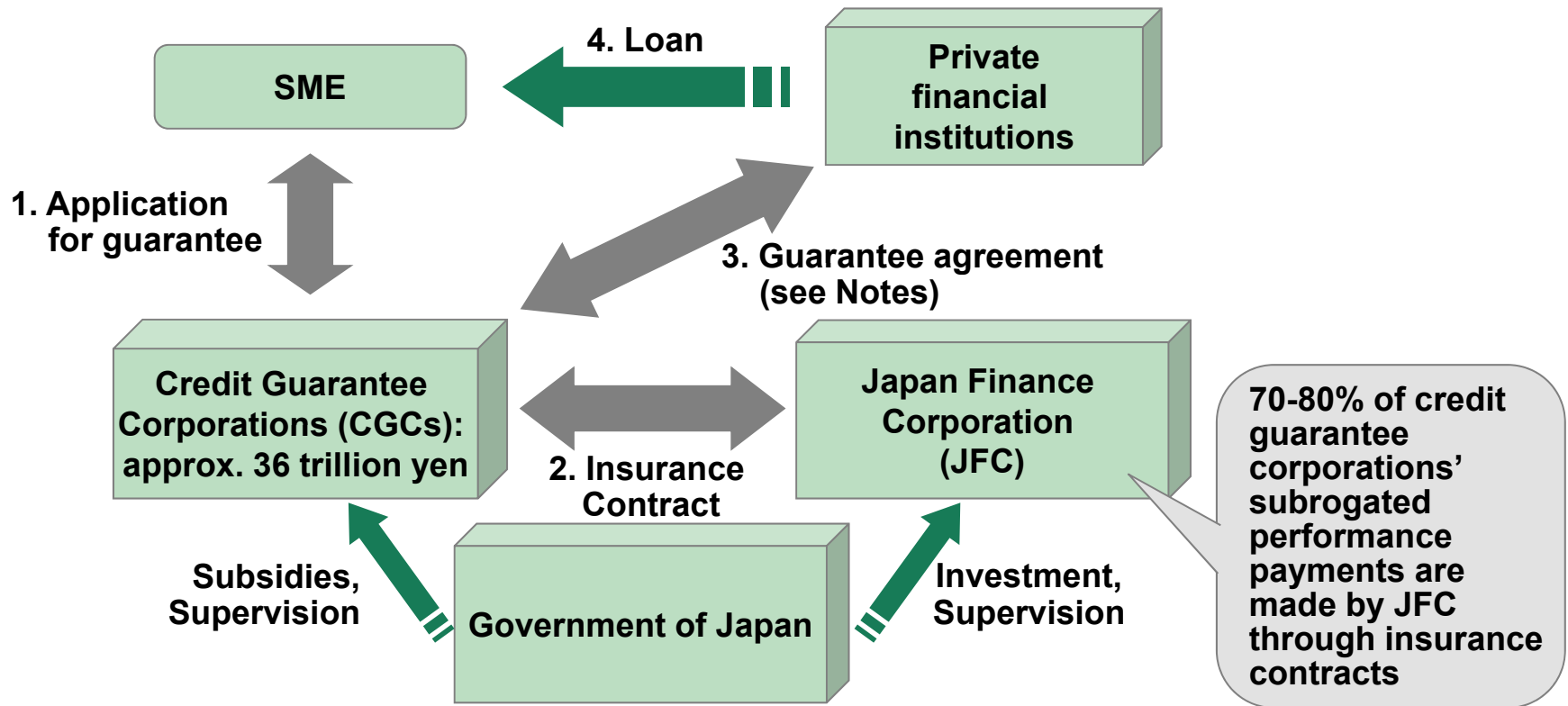
Note: 1.日銀HPデータ等より作成。2.年度末の残高を記載(左目盛)。3.[]内は構成比。3.民間金融機関とは、国内銀行及び信用金庫の合計(個人向けや地方公共団体向けの貸出は除外)。

Share of lending exposure to SMEs by private lending institutions



SME Financing Credit Guarantee

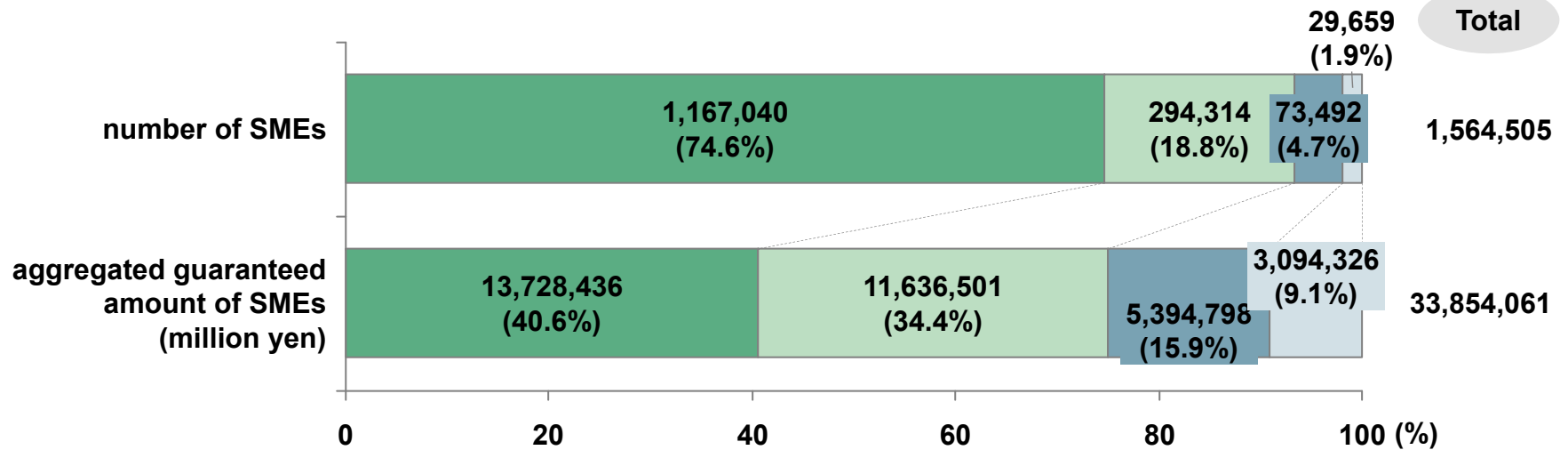
- Credit guarantee corporations (52 in Japan, every prefecture plus 5 major cities) guarantee SME's borrowed amounts to private financial institutions in order to facilitate financing to SME that lacks credit or collateral.
- If the guaranteed SME defaults, subrogated repayments are made by the credit guarantee corporations.



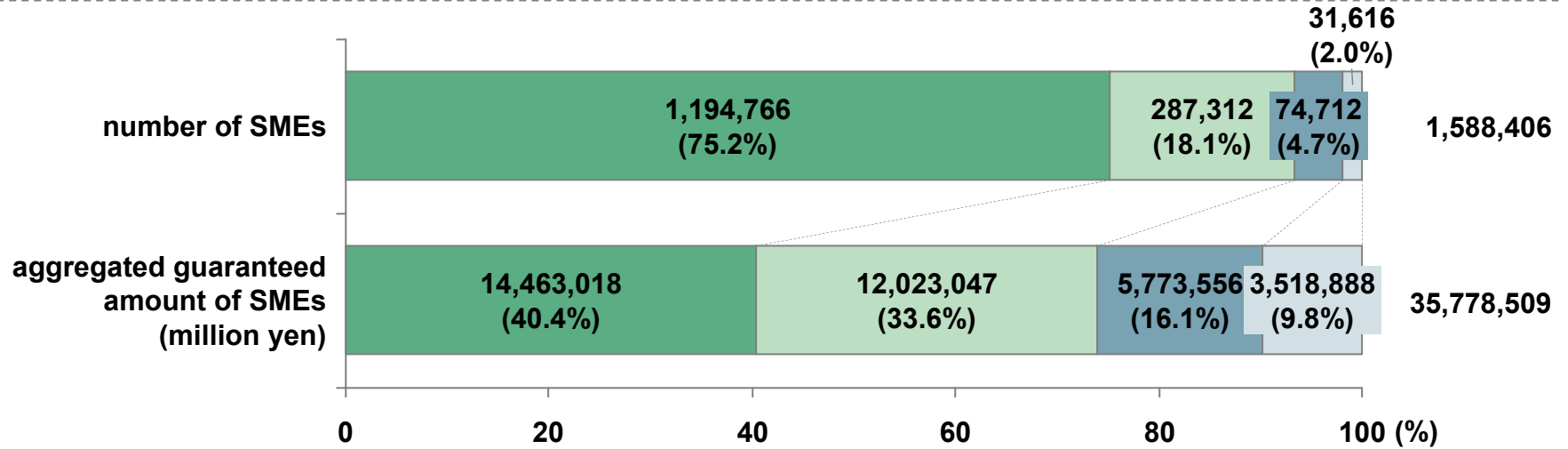
The Credit Risk Database (CRD) Association is compiling an anonymous database of more than 2.2 million cases data of SME finances gathered from the 52 credit guarantee corporations under the guidance of the SME Agency, with the aim of supporting the risk assessments of the private-sector banks.

Exposure of the SME credit guarantee by the Credit Guarantee Corporations according to each SME's number of employees (excluding guarantees extended to a SME association)

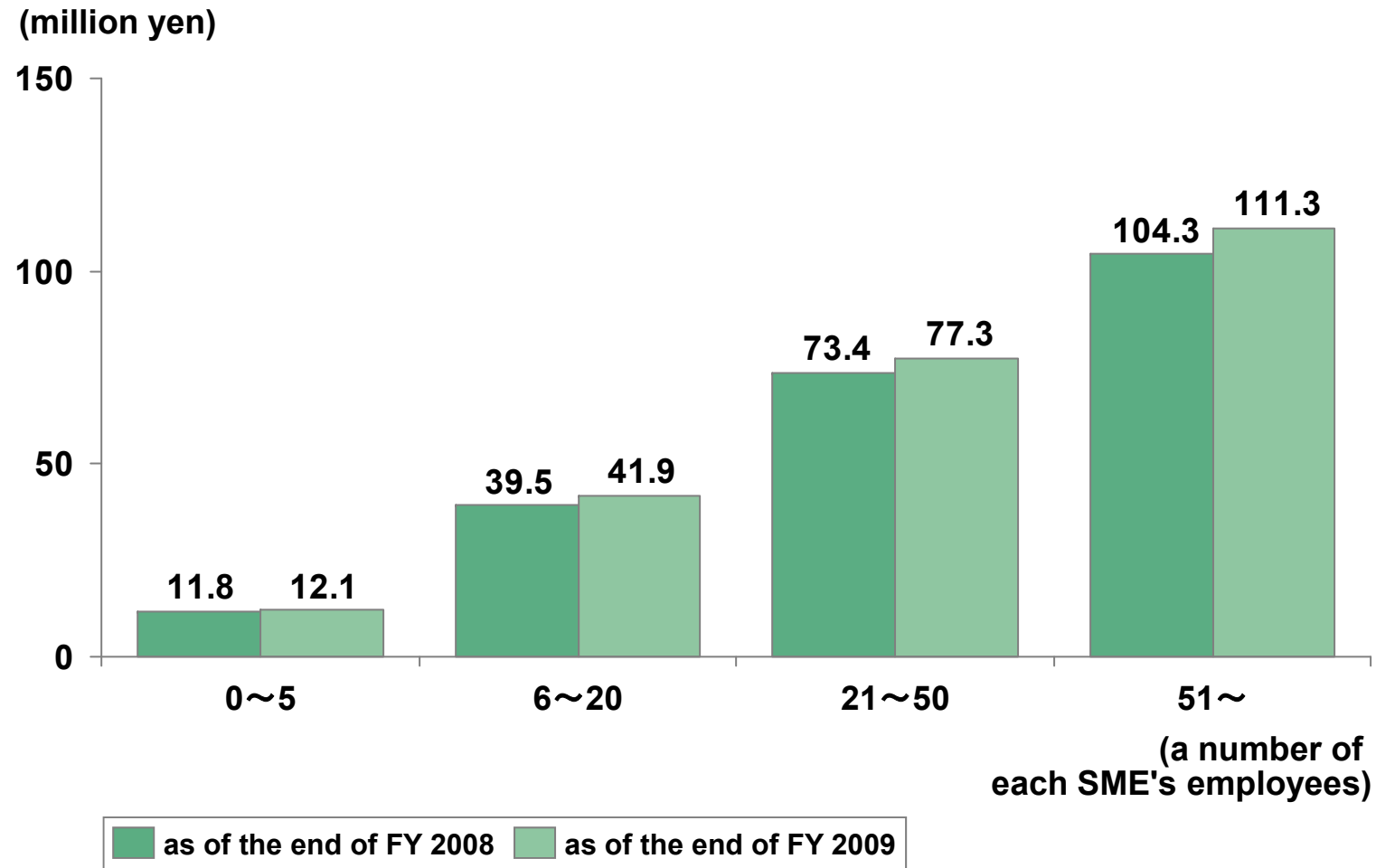
As of the end of FY 2008



As of the end of FY 2009



Exposure of the SME credit guarantee by the Credit Guarantee Corporations to one SME according to its employees



Providing equity money to qualified funds by SMRJ (1)

Background & Aim

- Promoting SME's innovation and business realignment by providing equity money
- Reducing weight of debt



What SMRJ is undertaking

- Investing as a partner with limited responsibility with no more than half of totally invested money of each investment association. SMRJ's commitment not only financially bolsters the association but is expected to invite other potential investors' commitment.
- SMRJ started providing equity money in 1998 to a "Venture fund" and, thereafter, has expanded to fund aiming at support of business resuscitation, developing a new business and business succession.
- In July 2010, investment qualified funds were reshuffled as "Business start-up support fund", "Business growth support fund" and "Business resuscitation support fund".

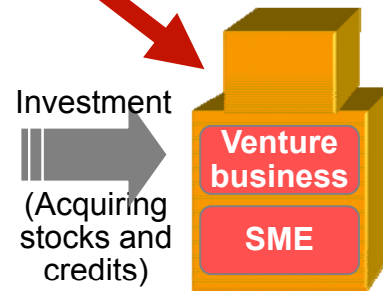
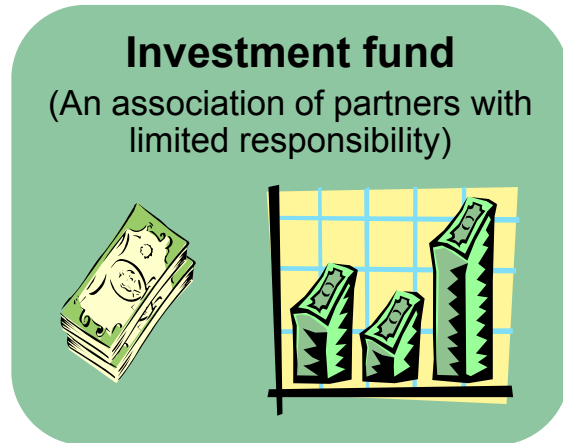
Providing equity money to qualified funds by SMRJ (2)

LP: An association of partners with limited responsibility



etc.

GP: An association of partners with unlimited responsibility



What SMRJ has actually invested (1)

(Billion yen/as of the end of January, 2011)

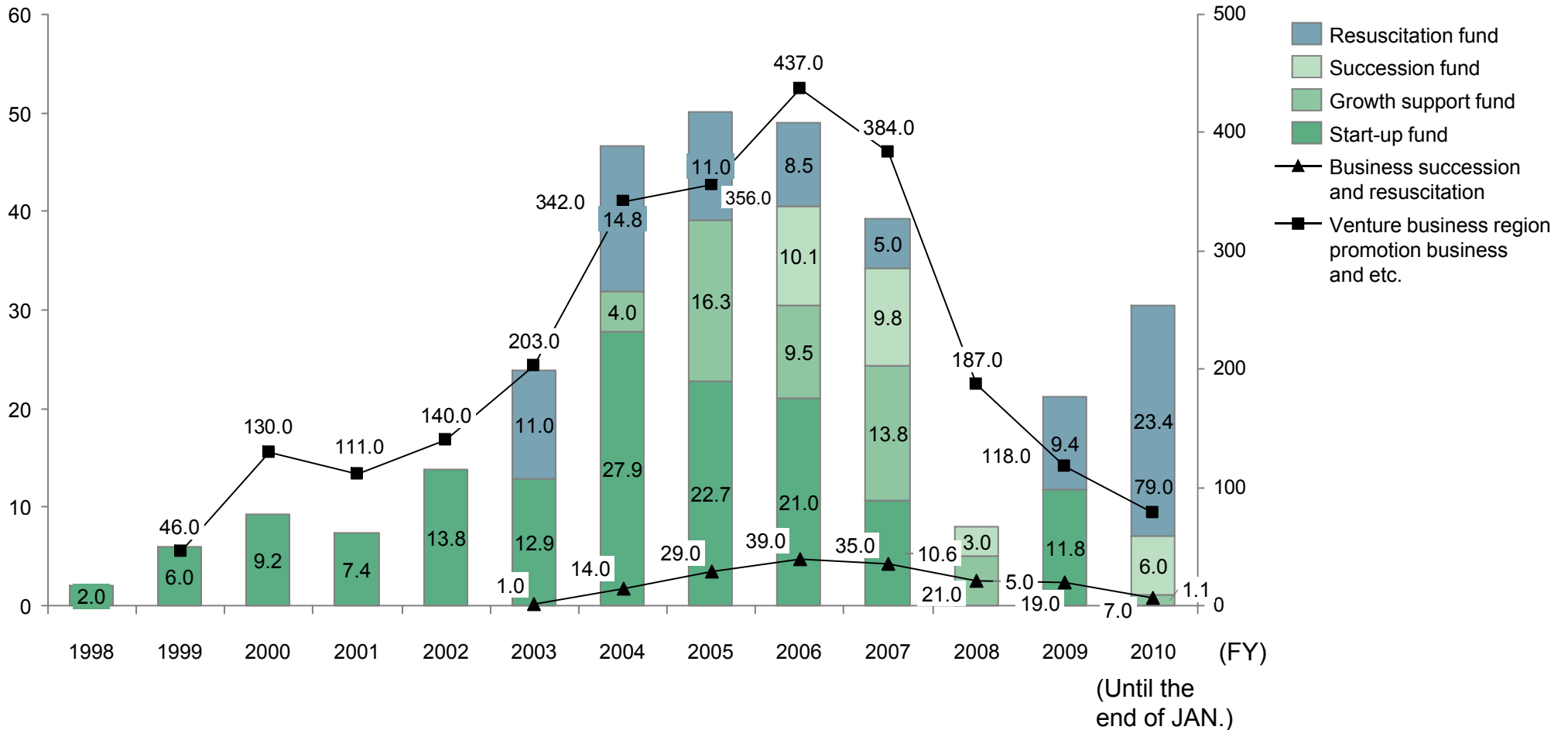
	Number of invested funds	Totally invested amount ¹⁾	SMRJ's committed amount	Number of invested companies ¹⁾	Number of invested firms which reached IPO
Business start-up support fund	85	143.5	56.7	2,150	99
Business growth support fund	35	73.9	36.4	398	3
Business resuscitation support fund	22	79.4	33.5	150	0
Total	142	296.8	126.6	2,698	98 (Net base)

1. Means as of the end of 2010

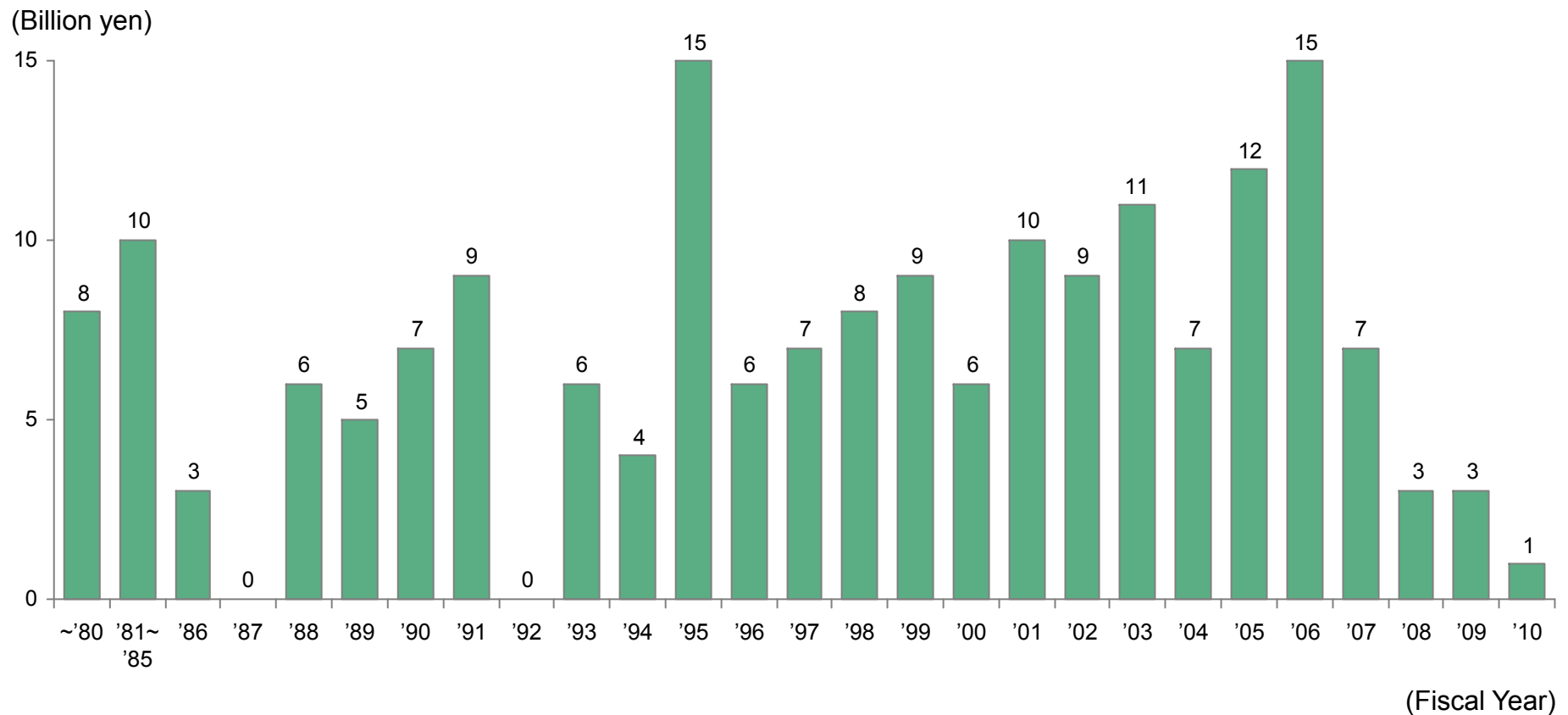
What SMRJ has actually invested (2)

An aggregated amount of increased fund
(Billion yen)

Number of invested companies



How many invested SMEs reached IPO? (As of the end of 2010)



Small and Medium Business Investment & Consultation Co., Ltd

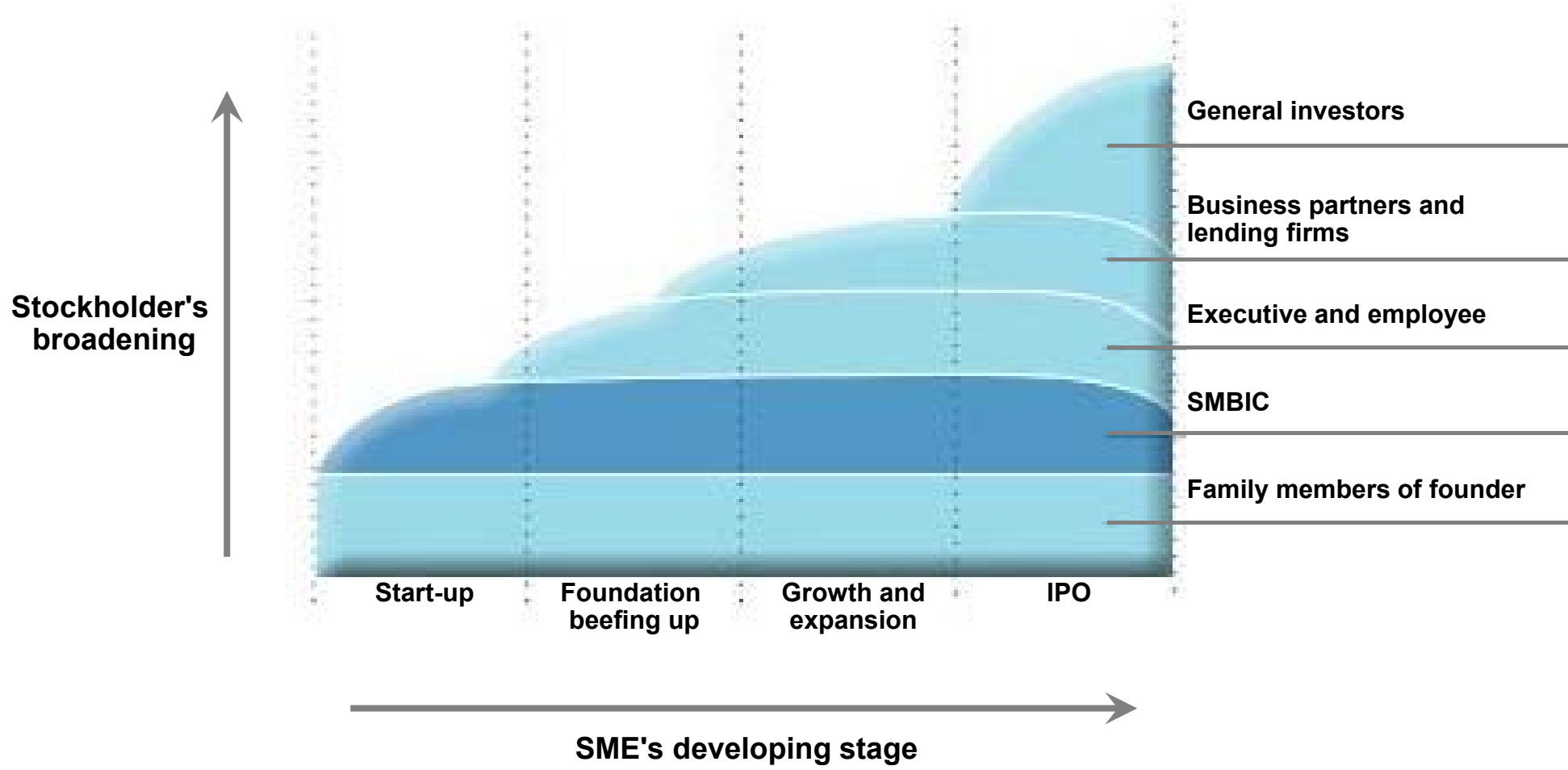
- 1963: Three corporations were founded at Tokyo, Nagoya and Osaka by "Small and Medium Business Investment and Consultation Co., Ltd. Act"
- 1986: The government of Japan divested, while local governments have kept investment

<Background and purpose>

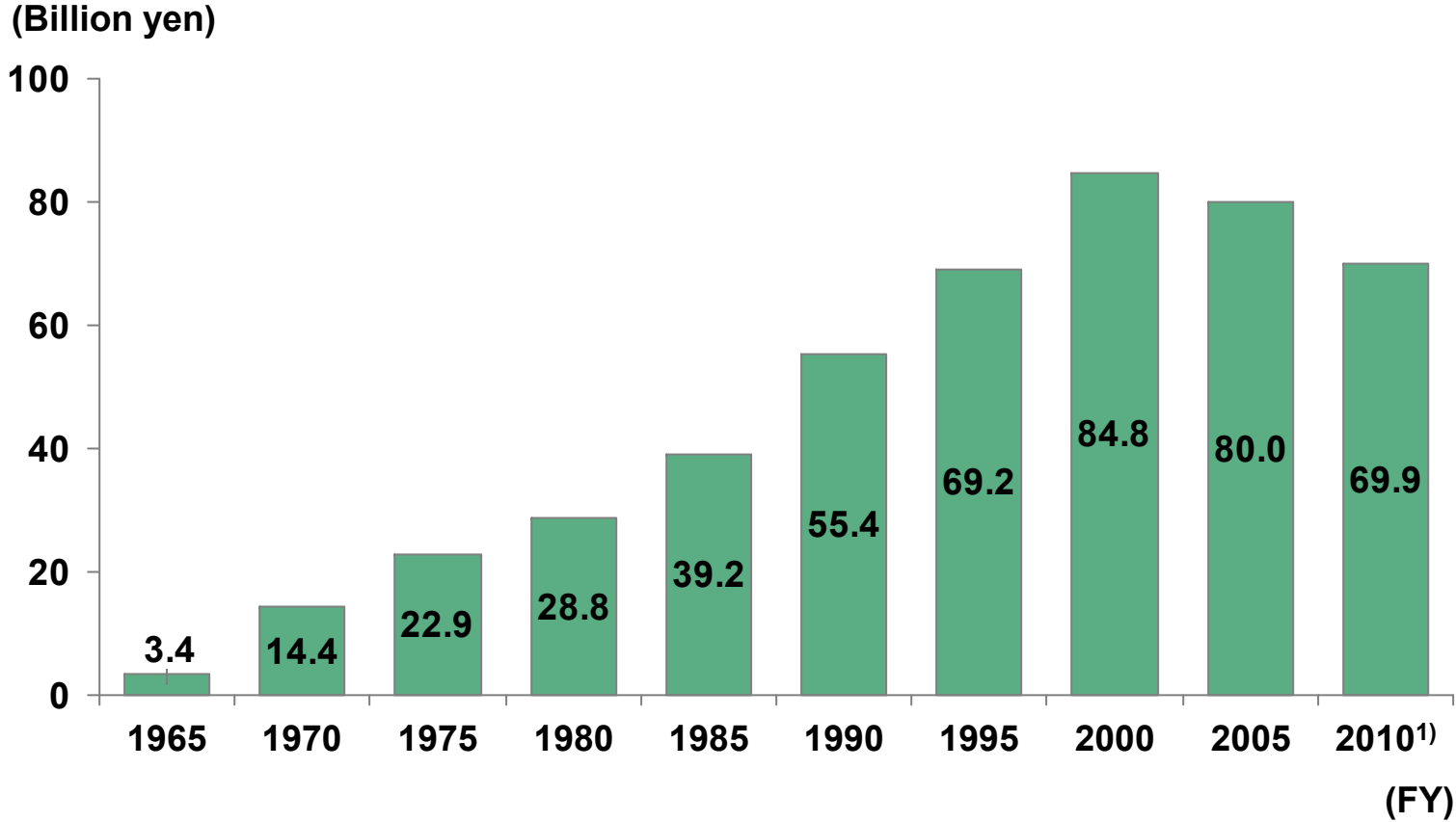
- To beef up equity base
- But, it is difficult to finance a lot of money out of intimate group of people because many SMEs are owned within family members, while to introduce stock holder publicly may invite outsiders who don't share the SME's business principle
- SMBIC provides to SME through holding its equity not only financial foundation but also business assistance until the SME would develop so much as to obtain equity by itself

A qualified SME for SMBIC to invest

- 1. The SME's total amount of capital is no more than 300 million yen before SMBIC invests. SMBIC's equity share may not exceed 50%.**
- 2. The SME is expected to pay dividend stably and IPO in future.**
- 3. Any SME whose business is contrary to public order and standards of decency, or speculative one.**



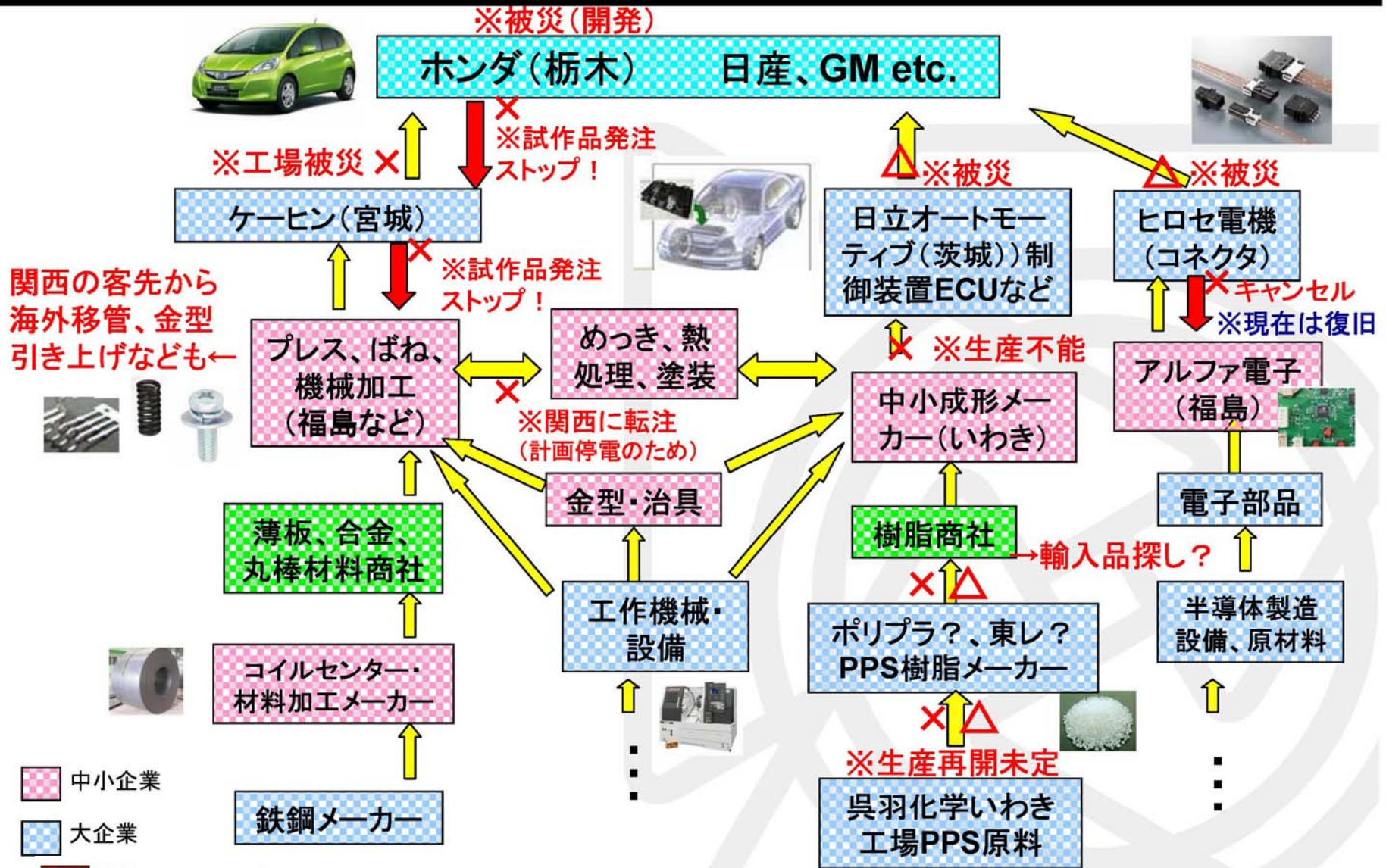
3 SMBICs investment's exposure



1. 2010 means the end of calendar year. As of the timing invested companies reached 2,234

サプライチェーン 震災エリア(一例)

※現在すでに復旧している可能性もあります。



Source: NC network 挑戦する製造業のために

What are entrepreneur skills ?

They are required for creating and running new business ventures or innovation projects in existing firms.

- ① risk assessment and warranting**
- ② strategic thinking**
- ③ self-confidence**
- ④ the ability to make the best of personal networks**
- ⑤ motivating others to achieve a common goal**
- ⑥ the ability to deal with other challenges and requirements**

"SMEs, Entrepreneurship and Innovation" OECD 2010

Collaboration may enable SME to achieve what it cannot do by itself. But,,,,,,,

Knowledge does not spill over long distance. Knowledge spillovers are particularly important for the innovation activities of SMEs, and decay with distance.

Small business have limited search patterns and will consequently co-operate only with firms located nearby. Business linkage and networks are therefore keys for the innovative endeavors of SMEs.

(OECD)

⇒ agglomeration is important. Look at Ohta-ku, Higashi-Osaka, and Hamamatsu !

2010年中小企業白書より/From 2010 White Paper on Small and Medium Enterprises 中小企業の強みを活かした連携/Partnerships leveraging SMEs' strengths (1/4)

日本語

中小企業が連携して経営資源の強みを持ち寄り、成功の可能性を高めていくことも重要である。異分野の中小企業が有機的に連携し、その経営資源を有効に組み合わせることで新事業活動を行うことにより新たな事業分野の開拓が図られ、イノベーションの創出につながり得る。

では、企業間のつながりをうまく活用して高い収益性を実現している企業は、具体的にどのような取組を行っているだろうか。取引調査の結果を用いて、企業間のつながりをうまく活用して高い収益を上げている企業（以下「つながり力のある企業¹」という）と、企業間のつながりをうまく活用できておらず収益も低迷している企業（以下「つながり力のない企業²」という）について、これらの企業がどのような取組を行っているかを見ていく。第2-1-18図は、企業の異業種交流会等への参加状況を示したものであるが、これを見ると、つながり力のある企業は、つながり力のない企業と比べて異業種交流会等に積極的に参加していることが分かる。

また、第2-1-19図は日常的に他社を訪問することで得られるメリットについて尋ねたものであるが、つながり力のある企業は、「取引先の技術・能力を的確に判断できる」、「他社との間で技術的な修正・提案が行いやすい」ことを挙げる企業が多く、つながり力のない企業と比べて、具体的な目的意識を有して、他社と交流しており、互いに強みを出し合い競争力を高める中小企業の連携が重要であることがうかがえる。

このように、つながり力のある企業はつながり力のない企業と比べて、様々な活動に参加し、取引先以外の他社とも積極的に交流を行い生産技術に関する情報を取り入れるなど、取引先の数だけでなく企業間のつながりの質を高める活動を行っていることが分かる。

英語

Pooling business resource strengths through collaboration between SMEs offers an important means of increasing potential for success, and the effective combination of business resources made possible by organic collaboration between SMEs in differing fields can assist the cultivation of new fields of business and lead to innovation.

Below, therefore, we examine the specific strategies being employed by enterprises that are making good use of their ties with other enterprises to achieve high levels of profitability. Using the results of the Transaction Surveys, we look at the strategies employed by enterprises in two categories: enterprises that generate high profits by making good use of their connections with other enterprises (referred to below as "well-connected enterprises"),¹⁷⁾ and enterprises that are unable to make good use of connections with other enterprises and whose profits are poor (referred to below as "poorly-connected enterprises").¹⁸⁾ Fig. 2-1-18 shows enterprises' state of involvement in networking opportunities such as cross-industry networking associations. From this, it is evident that well-connected enterprises participate more actively in cross-industry networking associations than poorly-connected enterprises.

The benefits experienced as a result of visiting other companies on a regular basis are shown in Fig. 2-1-19. This reveals that many well-connected enterprises cite as benefits the "ability to accurately assess business partners' technologies and capabilities" and the "ease of making technological modifications and proposals with other companies." Well-connected enterprises thus appear to pursue such interaction with clearer objectives in mind than poorly-connected enterprises, suggesting the importance of collaboration as a means of pooling mutual strengths to raise SMEs' competitiveness.

中小企業の強みを活かした連携/Partnerships leveraging SMEs' strengths (2/4)

日本語

以上、つながり力のある企業は、つながり力のない企業と比較して幅広い交流に積極的であること、日常的に他社と交換する情報の中でも、特に生産技術に関する情報を得るなど、目的意識を有して交流していることが分かった。この点に関して、中小企業庁では異分野の中小企業が有機的に連携し、技術やノウハウなどの緊密な摺り合わせを通じて、新製品や新サービスの開発等を創出しようとする新事業活動（以下「新連携」という）を支援している。

英語

It can thus be seen that, in comparison with poorly-connected enterprises, well-connected enterprises engage more actively in activities that raise the quality of their connections, as well as simply the number of enterprises with which they do business: they engage in a greater variety of activities, interact more actively with enterprises other than those with which they do business, and gain greater access to information on things such as production technologies.

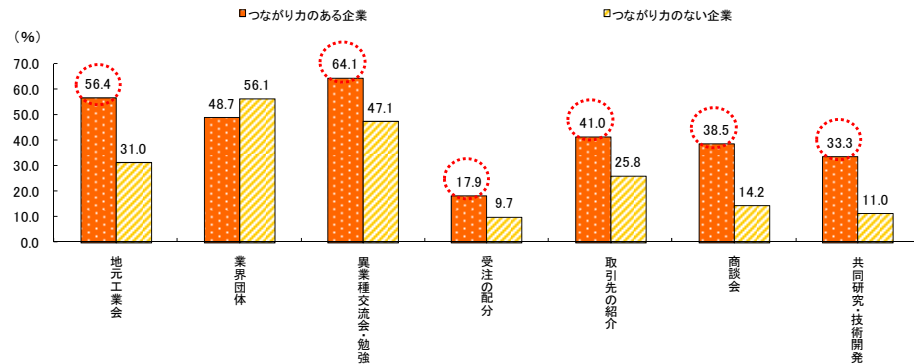
Compared with poorly-connected enterprises, then, well-connected enterprises engage more actively in a wider range of interaction, and interact with a clearer sense of purpose (especially in order to learn about production technologies through their sharing of information with other companies on a regular basis). The SME Agency supports new business activities pursued through organic partnerships between SMEs in different fields that are designed to enable them to make closely coordinated use of each other's technologies and expertise to develop new products and services (referred to below as "new partnerships").

中小企業の強みを活かした連携/Partnerships leveraging SMEs' strengths (3/4)

日本語

第2-1-18図 企業の交流活動等の状況

～つながり力のある企業の方が、つながり力のない企業よりも幅広い交流に積極的である～

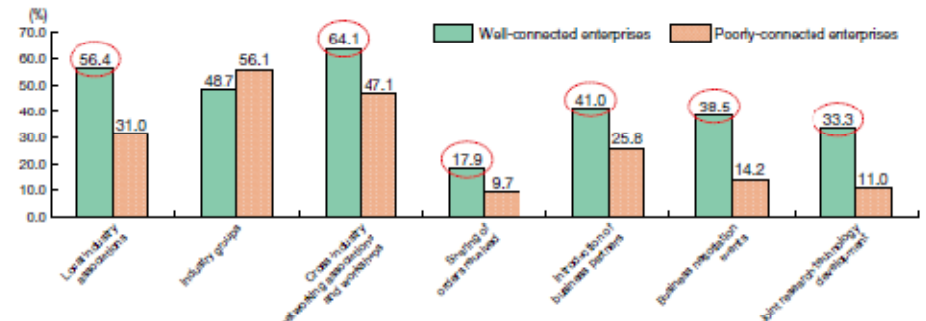


資料：中小企業庁委託「取引ネットワークに関する実態調査」(2009年12月、(株)三菱総合研究所)、国立大学法人一橋大学産業・金融ネットワーク研究センター「取引ネットワークに関する実態調査」(2009年12月、(株)帝国データバンク)
 (注) 1. 「つながり力のある企業(販売・受注先)」とは、過去3年間の営業利益について「増加」、「やや増加」と答え、かつ、最近10年間の継続的な取引先数(販売・受注先)の変化について「増加」、「やや増加」と答えた企業を指す。
 2. 「つながり力のない企業(販売・受注先)」とは、過去3年間の営業利益について「減少」、「やや減少」と答え、かつ、最近10年間の継続的な取引先数(販売・受注先)の変化について「減少」、「やや減少」と答えた企業を指す。
 3. 複数回答可であるため、合計は100を超える。

英語

Fig. 2-1-18 Enterprises' state of involvement in exchange activities

Well-connected enterprises are more actively involved in cross-industry networking associations than poorly-connected enterprises.



Sources: MRI, Survey of Networks of Transactions (December 2009), commissioned by SME Agency; Teikoku Databank, Ltd., Survey of Networks of Transactions (December 2009), commissioned by Hitotsubashi University Research Center for Interfirm Network.

Notes: 1. "Well-connected enterprises" are here defined as enterprises that responded both that operating profit had "increased considerably" or "increased somewhat" over the past three years, and that their number of customers had "increased considerably" or "increased somewhat" over the past 10 years.
 2. "Poorly-connected enterprises" are here defined as enterprises that responded both that operating profit had "decreased considerably" or "decreased somewhat" over the past three years, and that their number of customers had "decreased considerably" or "decreased somewhat" over the past 10 years.
 3. Totals do not necessarily sum to 100 due to multiple responses.

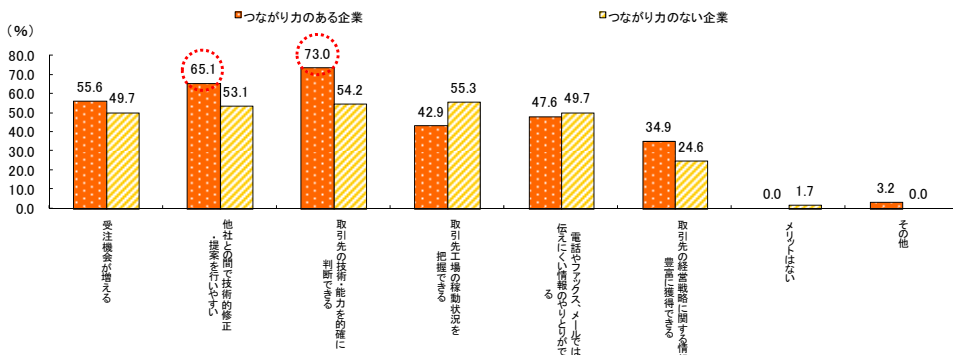
[Click HERE for Excel file](#)

中小企業の強みを活かした連携/Partnerships leveraging SMEs' strengths (4/4)

日本語

第2-1-19図 日常的に他社を訪問することで得られるメリット

～つながり力のある企業はつながり力のない企業と比べて、「他社との間で技術的修正・提案を行いやすい」、「取引先の技術・能力を的確に判断できる」等の具体的な目的意識を有している～



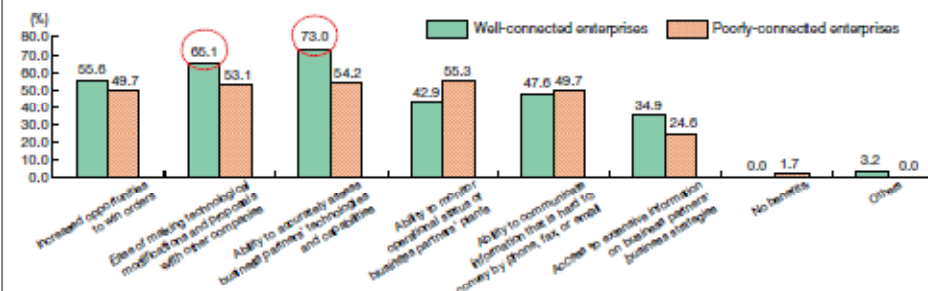
資料：中小企業庁委託「取引ネットワークに関する実態調査」(2009年12月、(株)三菱総合研究所)、国立大学法人一橋大学産業・金融ネットワーク研究センター「取引ネットワークに関する実態調査」(2009年12月、(株)帝国データバンク)

- (注) 1. 「つながり力のある企業(販売・受注先)」とは、過去3年間の営業利益について「増加」、「やや増加」と答え、かつ、最近10年間の継続的な取引先数(販売・受注先)の変化について「増加」、「やや増加」と答えたと答えた企業を指す。
 2. 「つながり力のない企業(販売・受注先)」とは、過去3年間の営業利益について「減少」、「やや減少」と答え、かつ、最近10年間の継続的な取引先数(販売・受注先)の変化について「減少」、「やや減少」と答えたと答えた企業を指す。
 3. 複数回答可であるため、合計は100を超える。

英語

Fig. 2-1-19 Benefits of regularly visiting other companies

Well-connected enterprises are more likely than poorly-connected ones to have a specific objective in mind, such as "ability to accurately assess business partners' technologies and capabilities" and "ease of making technological modifications and proposals with other companies."



Sources: MRI, Survey of Networks of Transactions (December 2009), commissioned by SME Agency; Teikoku Databank, Ltd., Survey of Networks of Transactions (December 2009), commissioned by Hitotsubashi University Research Center for Interfirm Network.

- Notes: 1. "Well-connected enterprises" are here defined as enterprises that responded both that operating profit had "increased considerably" or "increased somewhat" over the past three years, and that their number of customers had "increased considerably" or "increased somewhat" over the past 10 years.
 2. "Poorly-connected enterprises" are here defined as enterprises that responded both that operating profit had "decreased considerably" or "decreased somewhat" over the past three years, and that their number of customers had "decreased considerably" or "decreased somewhat" over the past 10 years.
 3. Totals do not necessarily sum to 100 due to multiple responses.

[Click HERE for Excel file](#)

事例2-1-4: 株式会社中農製作所/Case 2-1-4: Nakano Manufacturing Co., Ltd.

「地元企業160社とのネットワークを活かし、柔軟な受注体制の構築に成功した企業」/

Using contacts with 160 local enterprises to build a flexible order-receiving system

日本語

大阪府東大阪市の株式会社中農製作所（従業員50名、資本金1,200万円）は、1949年の創業以来、切削加工を行う企業である。

同社は、東大阪市という地の利を活かし、160社の企業とネットワークによって、素材調達、精密機械加工、熱処理、表面処理、組立まで一貫した受注生産を可能にしている。また、同社は、固有技術、生産技術により多品種少量生産から類似多量品の生産まで幅広い生産体制を築いている。

顧客の需要が多様化する中、自社単独で対応できない技術や納期等の注文に対応するため、広げてきた取引先とのネットワークを用いて、他社の協力を得ている。

同社の中農康久社長は、「東大阪市では、多くの企業が営業部門を持たず、来る仕事をこなしている状況であり、東大阪市としてPRや営業力を高めていかないといけない。そのためには、当社のように自社で営業部門を独自に確保できるような規模の企業を、コア企業として受注力を高め、受注した案件を営業力のない小規模零細の企業に割り振るといような仕組みを充実させることが重要ではないか。」と語る。

英語

Based in Higashiosaka City, Osaka Prefecture, with a workforce of 50 and capital of ¥12 million, Nakano Manufacturing Co., Ltd. has been providing cutting services ever since its foundation in 1949.

Taking advantage of the benefits offered by its location in Higashiosaka, it uses its contacts with 160 enterprises to provide end-to-end build-to-order production services extending from procurement of materials to precision machining, heat and surface treatment, and assembly. It has also developed the manufacturing capability to produce products ranging from the custom made to the general purpose applying a combination of proprietary technologies and production technologies.

With customer demand diversifying, it uses its broadened network of business contacts to obtain other companies' assistance in accommodating orders involving technologies, delivery times, and other requirements that it would not be able to meet acting alone.

President Yasuhisa Nakano says: "As many enterprises in Higashiosaka do work that comes to them without having dedicated front-office operations, we feel it necessary to raise Higashiosaka's profile and develop its sales and marketing capabilities. I therefore think it's important that we develop our ability to take orders building around a core of enterprises, such as our own, that are of sufficient size to have their own front-office operations and can share out the projects that they win to small micro enterprises that don't have such resources."

4 kinds of "Industrial Properties"

Patent (to invention): filed annually 350 thousands

- Highly advanced technological creation of industrially applicable products or processes
- Duration: 20 years from the application date

Utility Model (to device): filed annually 10 thousands

- Creation of technical ideas on shape or structure of products
- Duration: 10 years from the application date

Design (to industrial design): filed annually 30 thousands

- A shape or pattern of product with novelty and creativity inspiring a visually aesthetic impression
- Duration: 20 years from the registration date

Trademark (to brandname, sign etc): filed annually 110 thousands

- A mark of goods or service that specifies its provider
- Duration: 10 years from registration date (renewable at every expiration)

<Examples on a mobile phone>

Patent

Ex: Invention of the compact and lightweight lithium-ion battery that provides longer-life

Utility Model

Ex: Idea on the antenna structure without impairing the reception performance even when being stored

Design

Ex: Design of the shape that makes its image smart

Trademark

Ex: a Mark on a phone labeled by the phone-maker for identifying its supply source



Unfair Competition Prevention Act protects an intellectual property such as unregistered trade secret.

Where and how a new technology is created ?

(new opportunities caused by inefficiencies or the emergence of technologies)

+

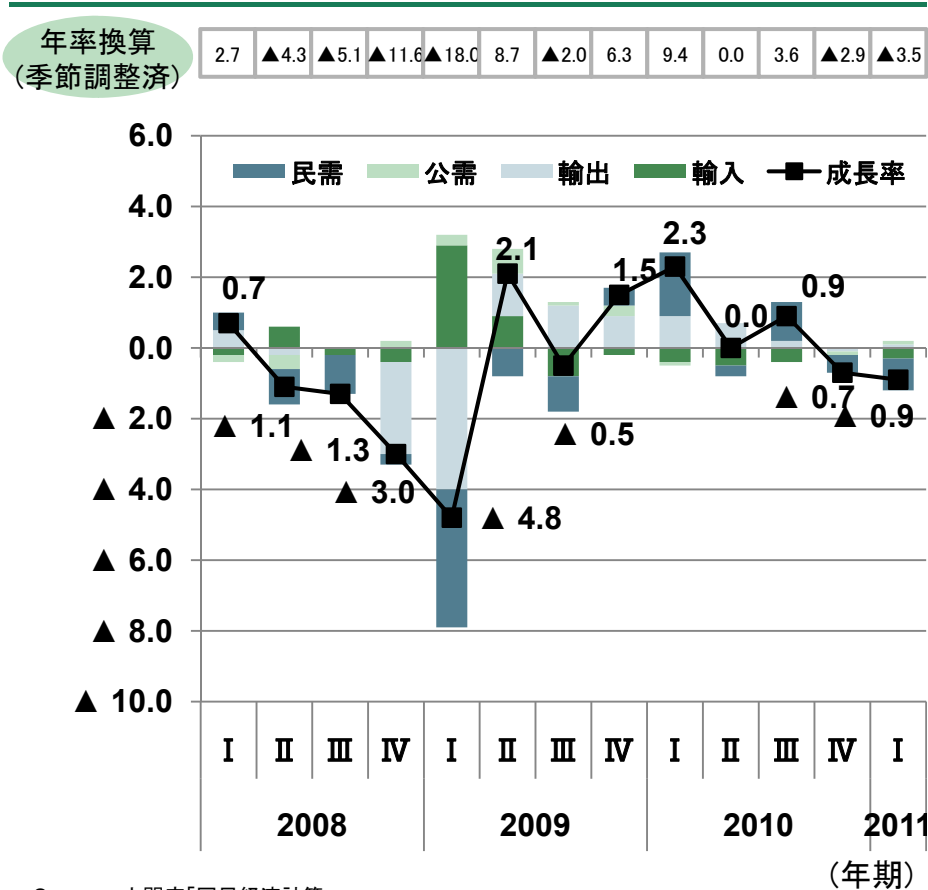
(the prior knowledge of individuals----which may originate from educational background as well as past work or market experience.)

- **Past experience provides an understanding of customer and market functioning.**
- **Empirical evidence indicates that SMEs particularly benefit from knowledge spillovers arising from business-to-business networks and from public research organizations.**
- **invent vs. commercialize**
- **product innovation vs. process innovation---Absorbing ability is important.**

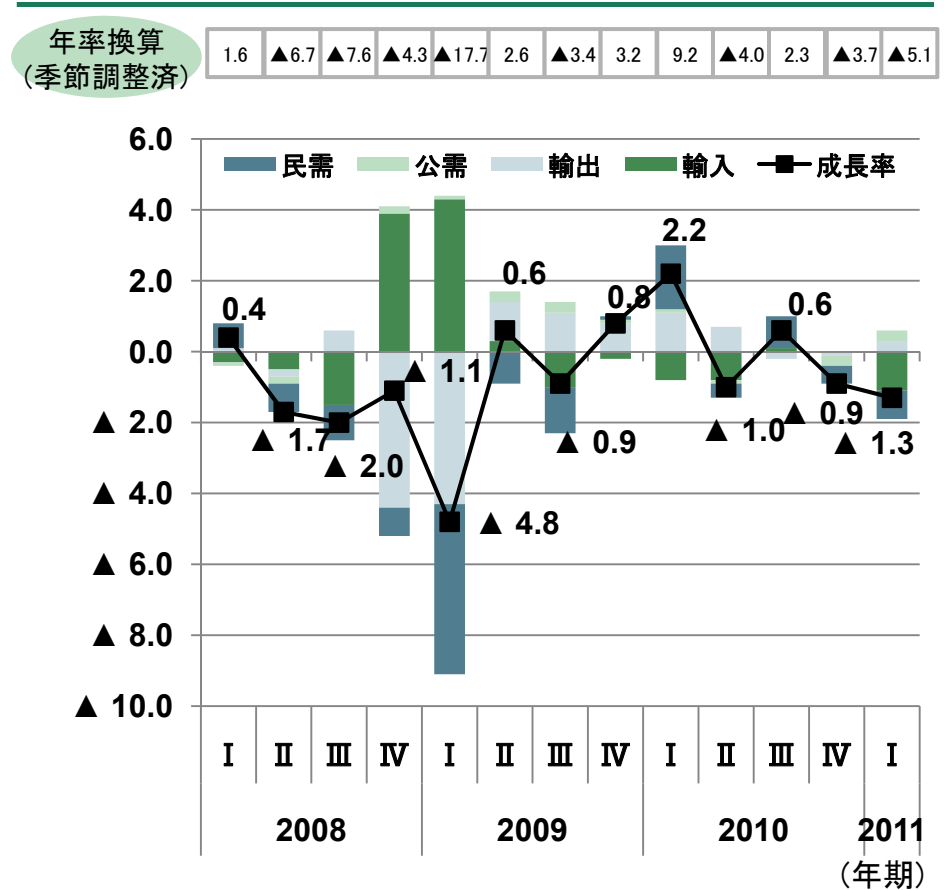
GDP成長率

国内経済が伸び悩む中で、日本経済は、アジアや新興国など海外の経済成長に依存。
リーマンショックでマイナスに転ずるが、その後も、輸出に依って、回復。

実質GDP成長率(前期比)



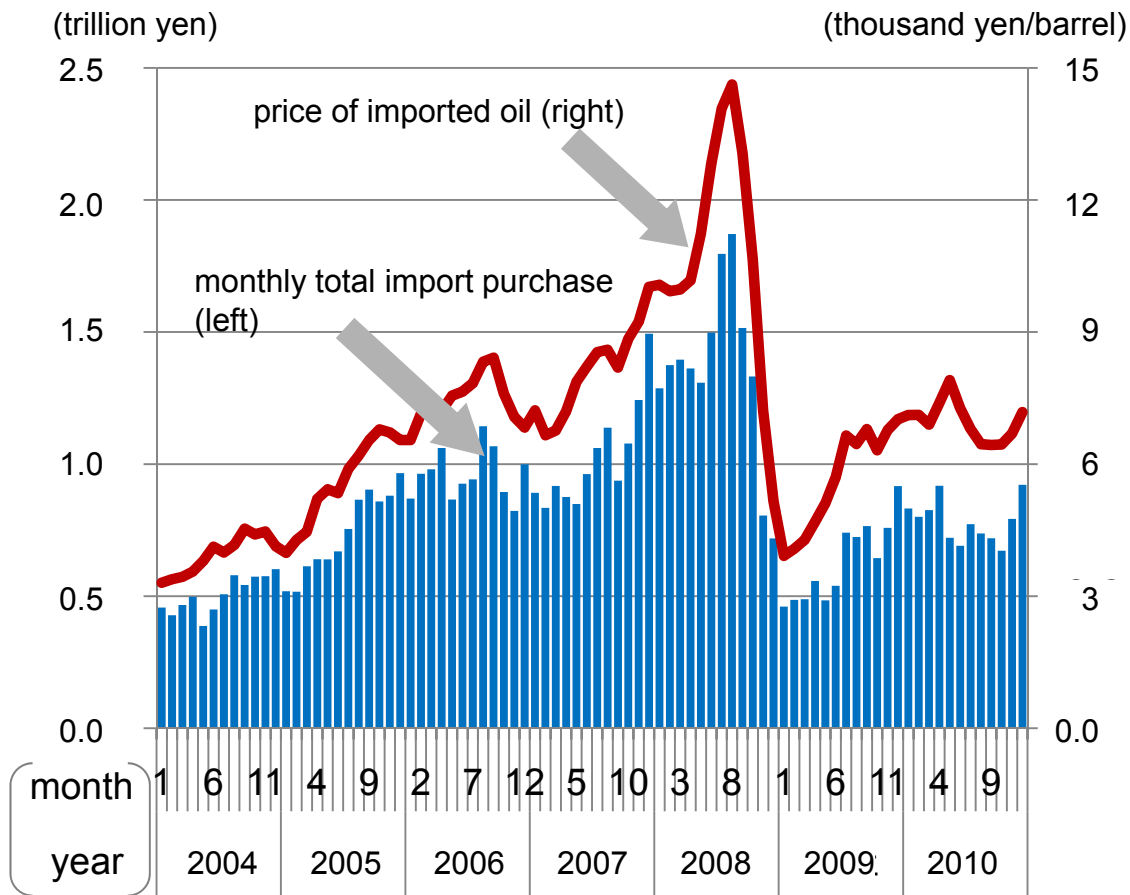
名目GDP成長率(前期比)



Source: 内閣府「国民経済計算」

How heavy burden Japan kept bearing even before the Lehman shock. ...Revisit?

Until July 2008, the price of petroleum and other major resource kept conspicuously hiking since 2004. This unhistorically high price raised price of lots of materials. Due to deflated economy, business, notably SMEs, could not smoothly transfer this additional burden, and thus had to accept razor-thin margin. The economy of Japan as a whole had to pay more for resource purchase year after year and became vulnerable. Since the later 2009, petroleum price has swung back, and exacerbated inflation in the newly developing countries and other Asian countries. The impact on Japan, due to yen's appreciation, has ironically been cushioned.

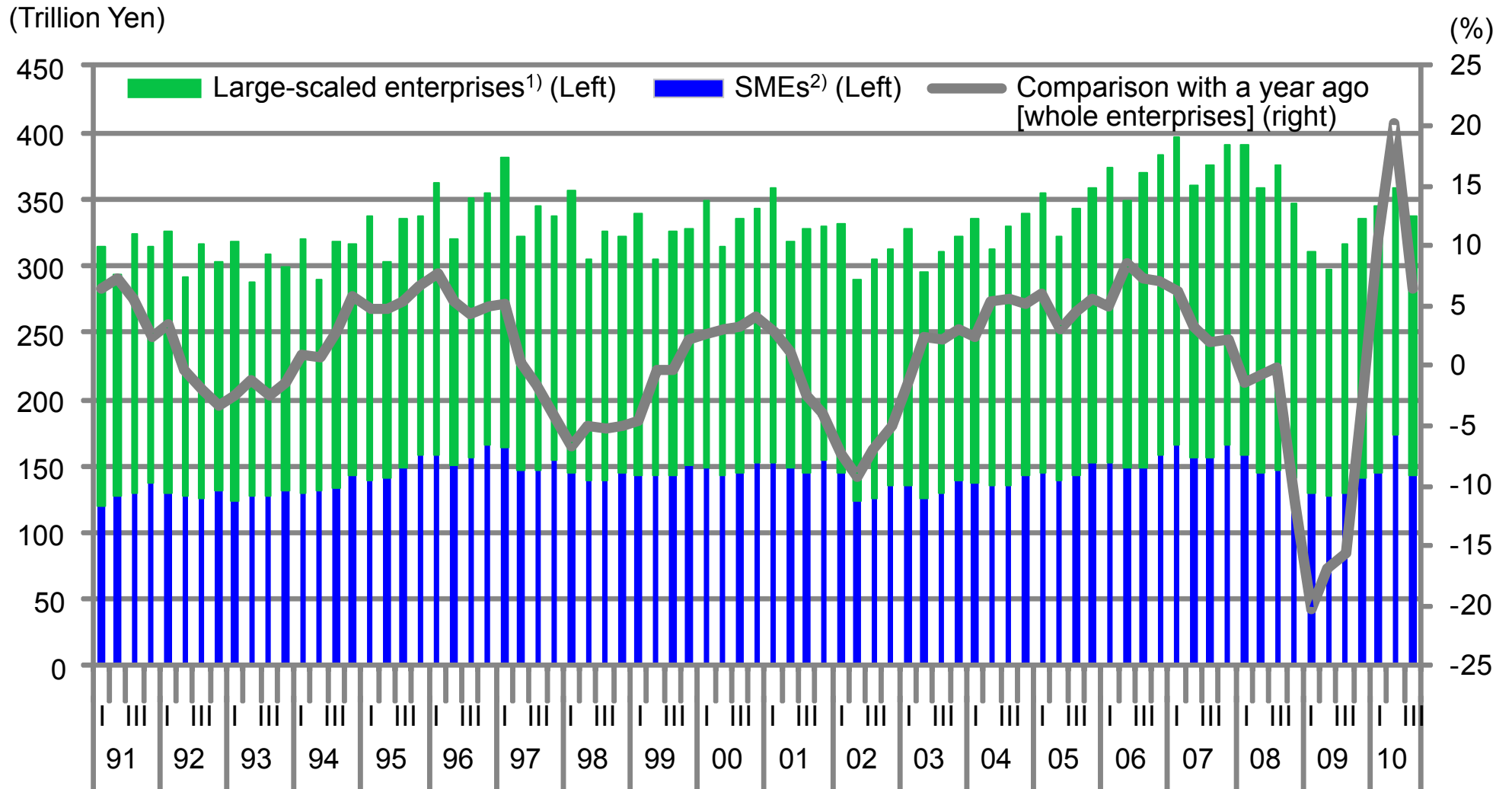


Japan's annual imported purchases of major natural resources (trillion yen)

(year)	'04	'05	'06	'07	'08	'09	'10
oil (difference with a year ago)	6.1 (-)	8.8 (+ 2.7)	11.5 (2.7)	12.3 (+ 0.8)	16.3 (+ 4.0)	7.6 (- 8.7)	9.4 (+ 1.8)
coal (difference with a year ago)	1.1 (-)	1.5 (+ 0.4)	1.6 (+ 0.1)	1.7 (+ 0.1)	3.1 (+ 1.5)	2.1 (- 1.0)	2.1 (+ 0.0)
iron ore (difference with a year ago)	0.4 (-)	0.6 (+ 0.2)	0.8 (+ 0.2)	1.0 (0.2)	1.4 (+ 0.4)	0.8 (- 0.6)	1.3 (+ 0.5)
natural gas (difference with a year ago)	1.6 (-)	2.0 (+ 0.4)	2.7 (+ 0.7)	3.1 (+ 0.4)	4.7 (+ 1.6)	2.8 (- 1.9)	3.5 (+ 0.7)
total (difference with a year ago)	7.6 (-)	11.0 (+ 3.4)	14.0 (+ 3.0)	15.1 (+ 1.1)	20.7 (+ 5.6)	10.4 (- 10.2)	12.8 (+ 2.4)

Whenever the petroleum price hikes 1 dollar/barrel, Japan payment would increase 111 billion yen (\$1 = 83 yen)

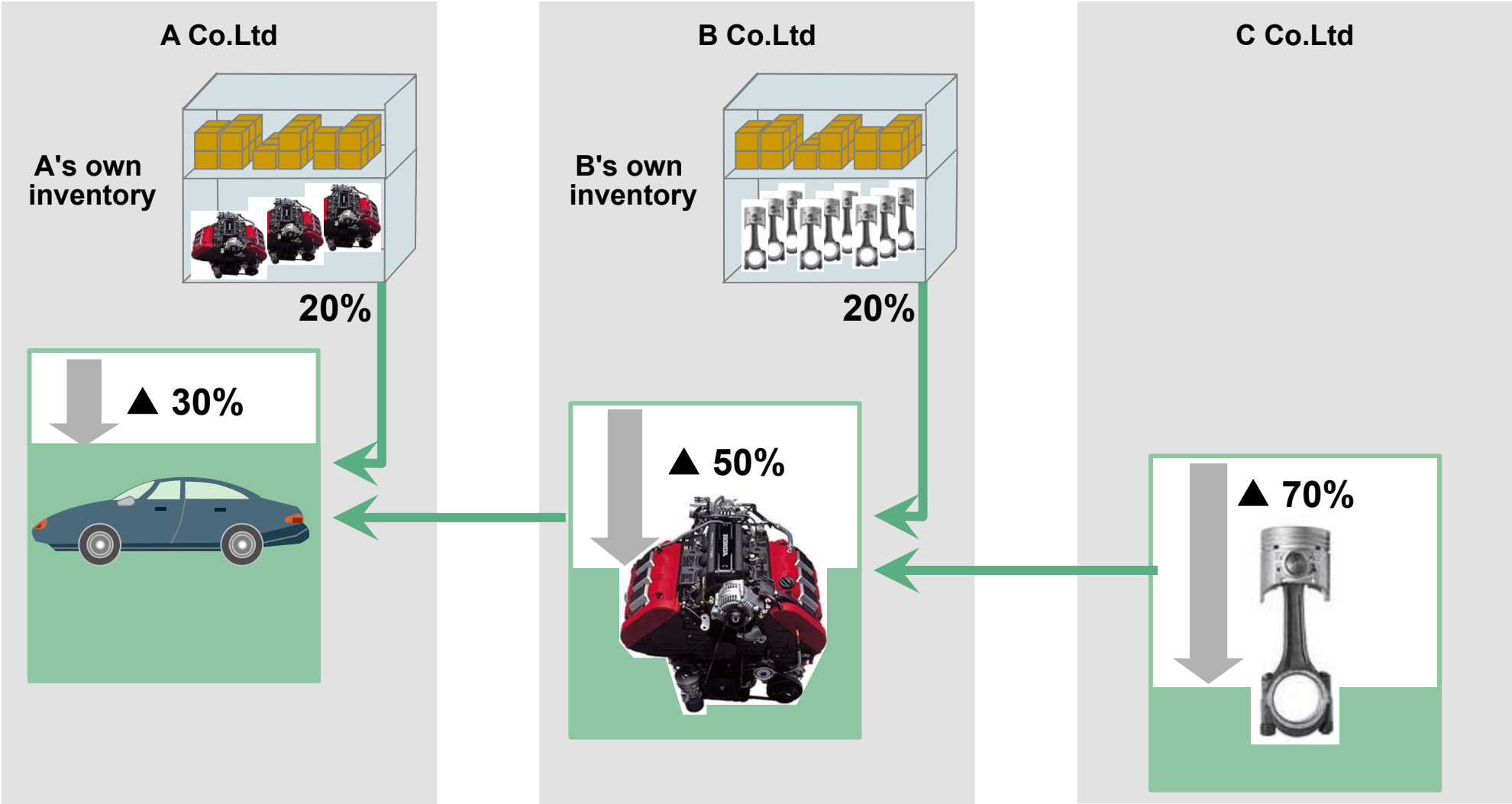
Quarterly Sales



1. Large-scaled enterprises mean firms whose capital is no less than 100 mil. yen.
 2. SMEs mean firms whose capital is between no less than 10 mil. yen and less than 100 mil. yen.

Why the business shrank within a short period after the Lehman Brothers' bankruptcy had broken out?

Now that interbanking transactions got into turmoil, everybody worked hard to reserve cash-flow at hand



How to resuscitate an over-borrowed project ?

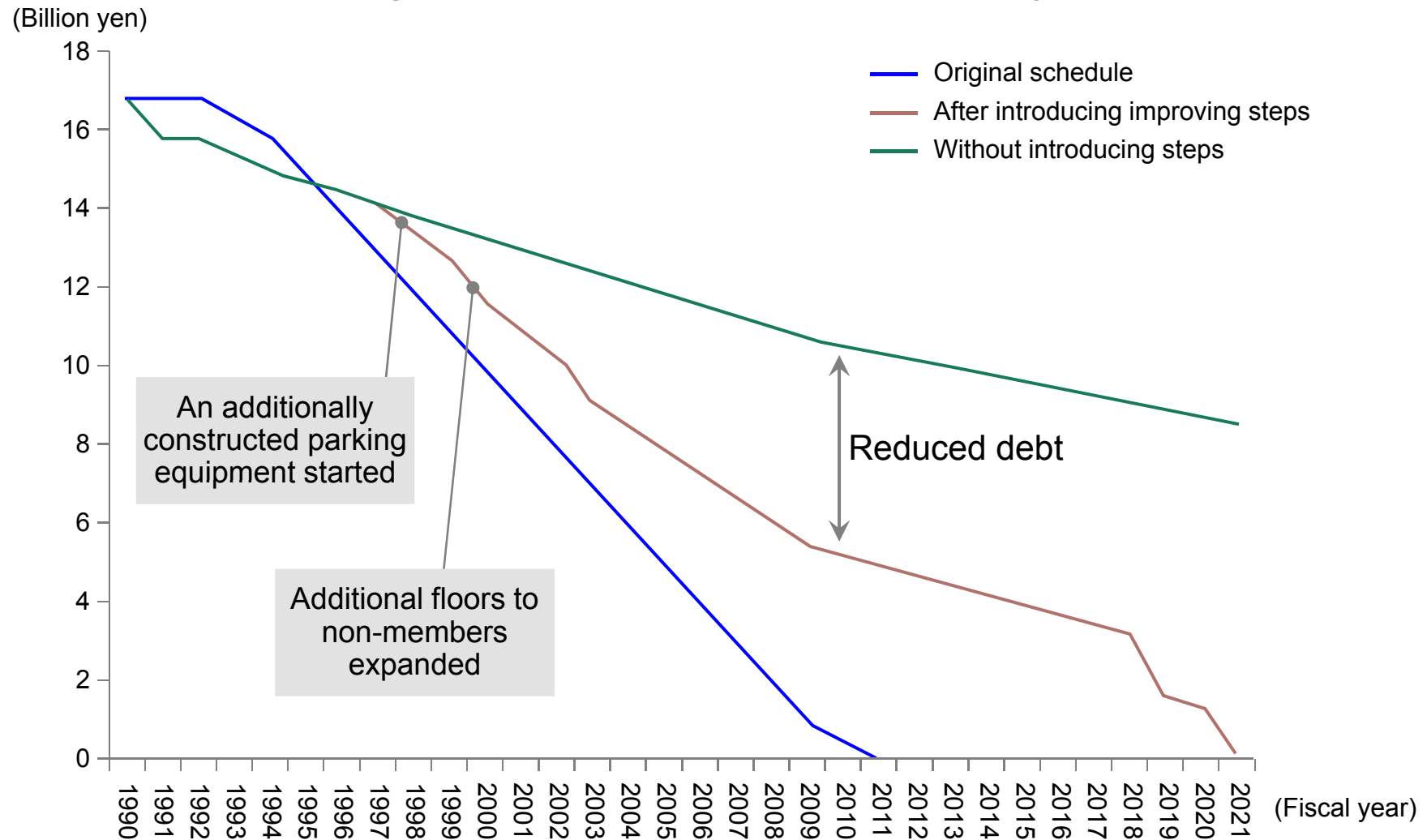
- 1. The concerned SME association constructed a new business building at an entrance of Tokyo metropolitan area where highways converged. Its function comprise wholesale offices and a truck terminal for distribution and dispatch of goods and materials gathering there. Since the association's most members were locating in a more central part of Tokyo, the building had been expected to save their transporting time and to contribute to reducing traffics into the central part**
- 2. The association borrowed public fund in 1990 with 20 years duration amounting approximately 17 billion yen both from SMRJ and from Tokyo Metropolitan Government. Except for first several years, repayment started lagging behind the due schedule from 1995 when the economy recessed due to bursting of the "Bubble Economy", and , therefore, the exposure looked growing exponentially without introducing drastic steps**
- 3. One requested to lenders to defer repayment schedule without charging further interest than the original contract had defined, namely additional interest-free deferral. Another requested SMRJ through the Metropolitan Gov. to reduce some of the due amount so that the association would not force to be bankrupted and could afford to repay even a portion of originally borrowing amount. If SMRJ had accepted this request, the Metropolitan Gov. could also reduce its lent amount with a consent of the Tokyo's Assembly**

Steps to be introduced ?

- **Without further borrowing, how could the association augment cash income ?**
- **If it had earned more income than the due amount of interest each period (usually 6 months), the capital would never rise and could decrease. Therefore, the debt would eventually disappear**
- **In order to fully utilize the value of the building and land where it constructed, could deregulatory steps be introduced properly ? If yes, what step ?**

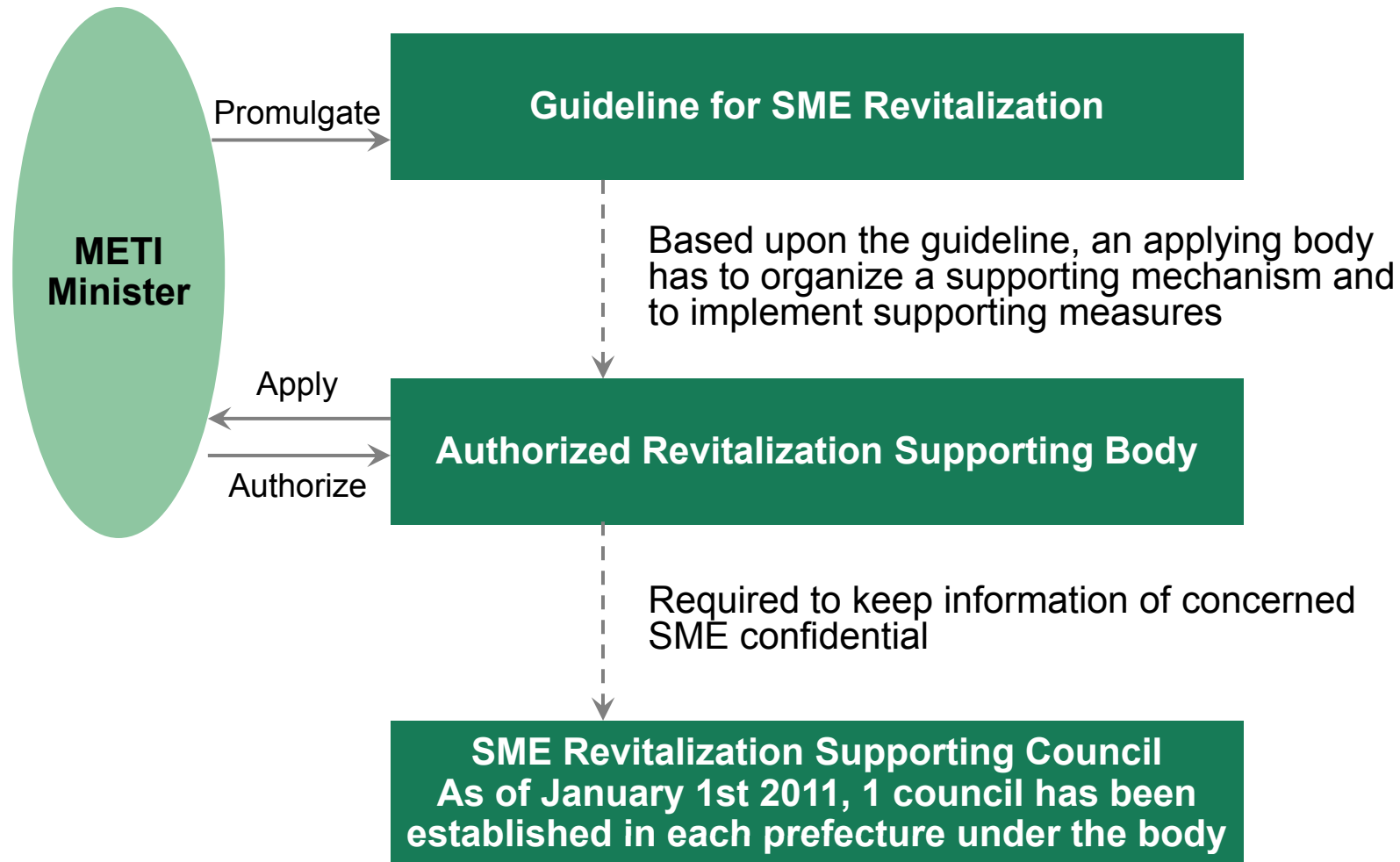
How to re-engineer a SME project without injecting additional government money

Standing exposure as of the end of each fiscal year





SME Revitalization Support Council



How an applied SME's turnaround is proceeding at SME Revitalization Support Council

The first stage By SME Turnaround Supporting Committee

- Sorting out problems and what to do
- Advice for solving them
- Orientating appropriate supporting bodies and policy measures



If the committee considers it necessary to hammer out the plan and to coordinate with lending firms

The second stage Assisting a turnaround plan hammering out

- Who are hammering out? ... An assisting team would be individually organized by an attorney-at-law, a C.P.A, a licensed tax accountant, a SME management consultant and so on
- Coordination with concerned parties including lending firms

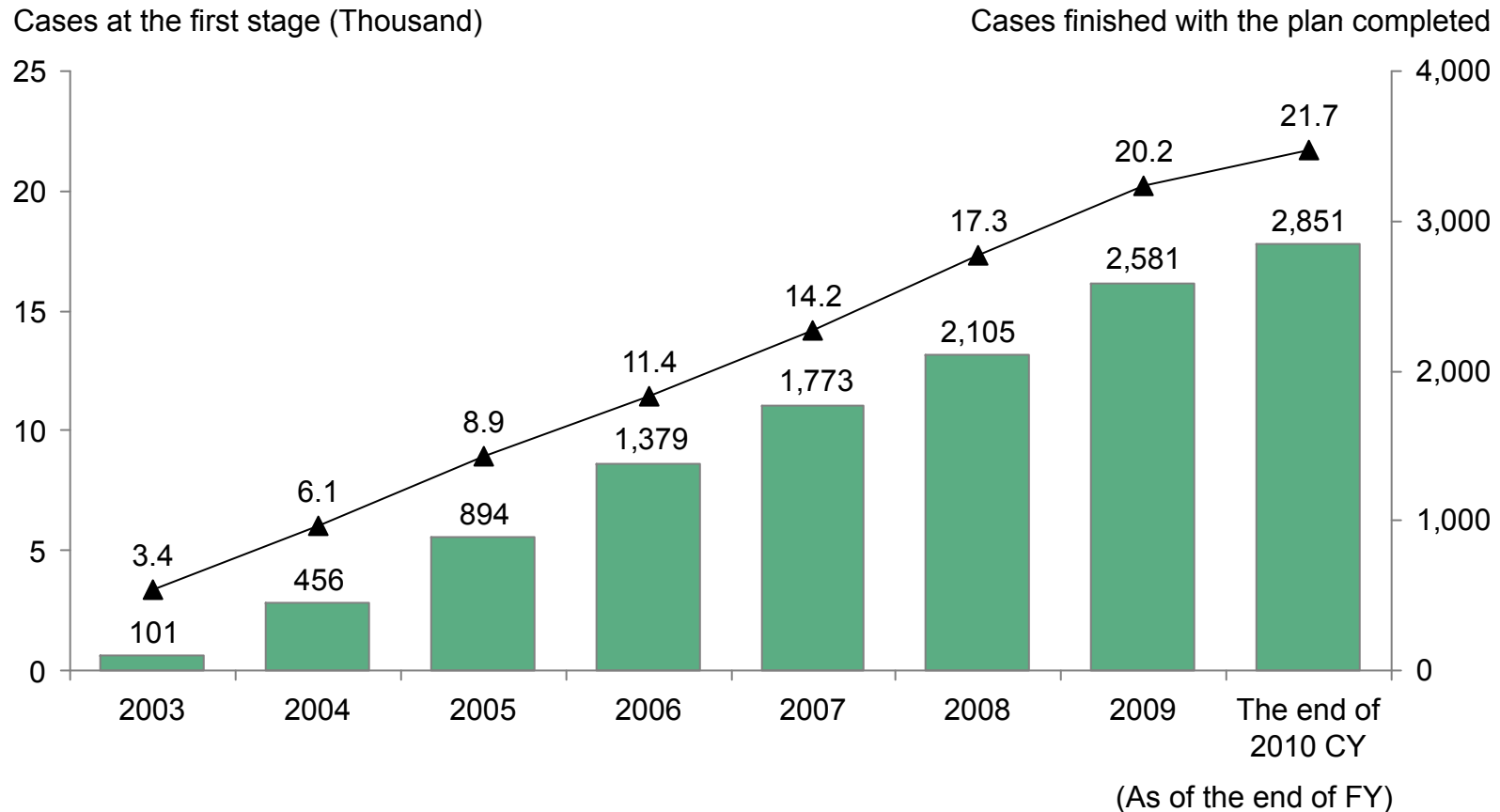


Following-up

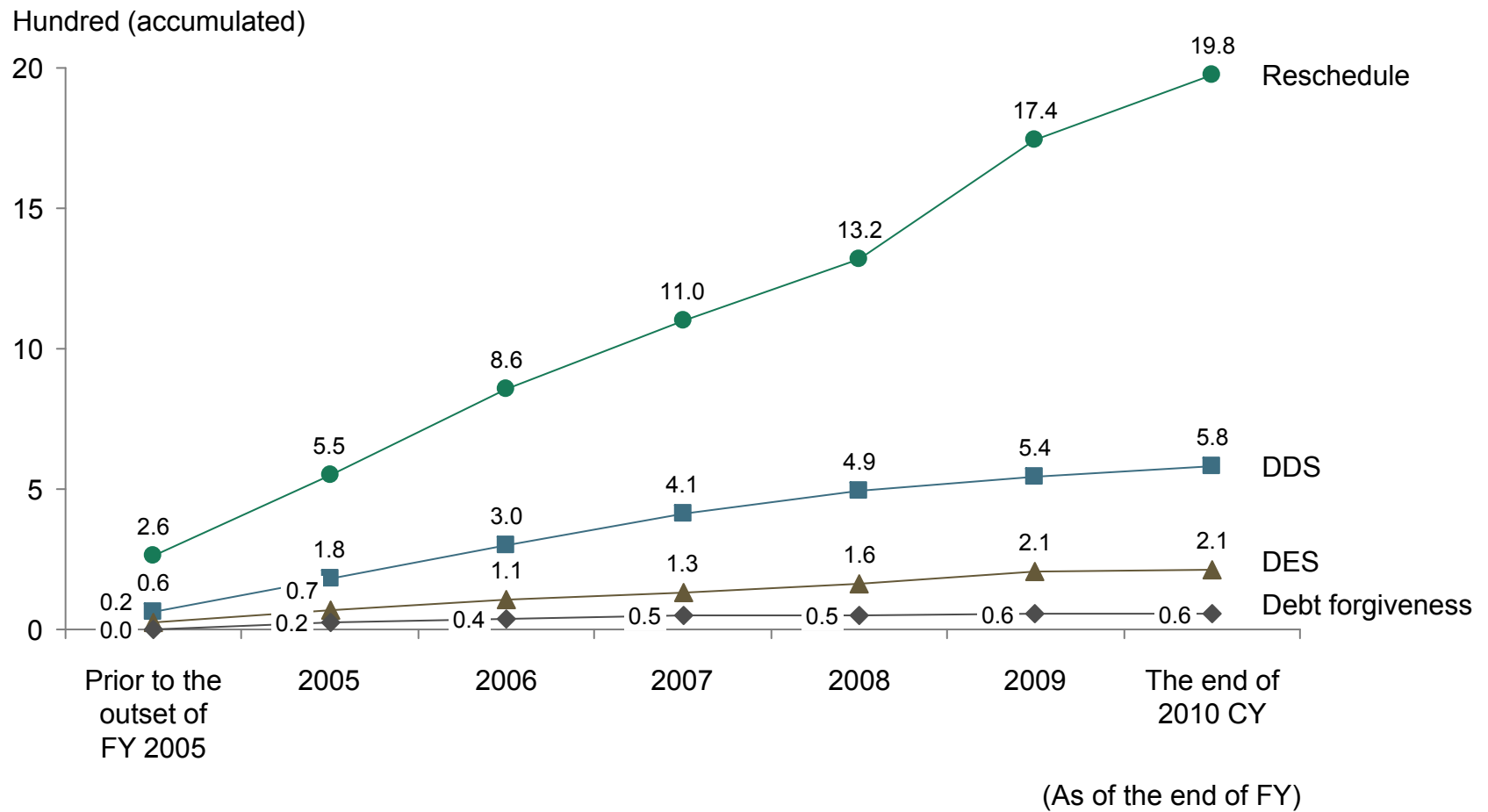
After completing the plan, the team periodically conducts following-up and provides a necessary advice

What SME Revitalization Support Council has achieved

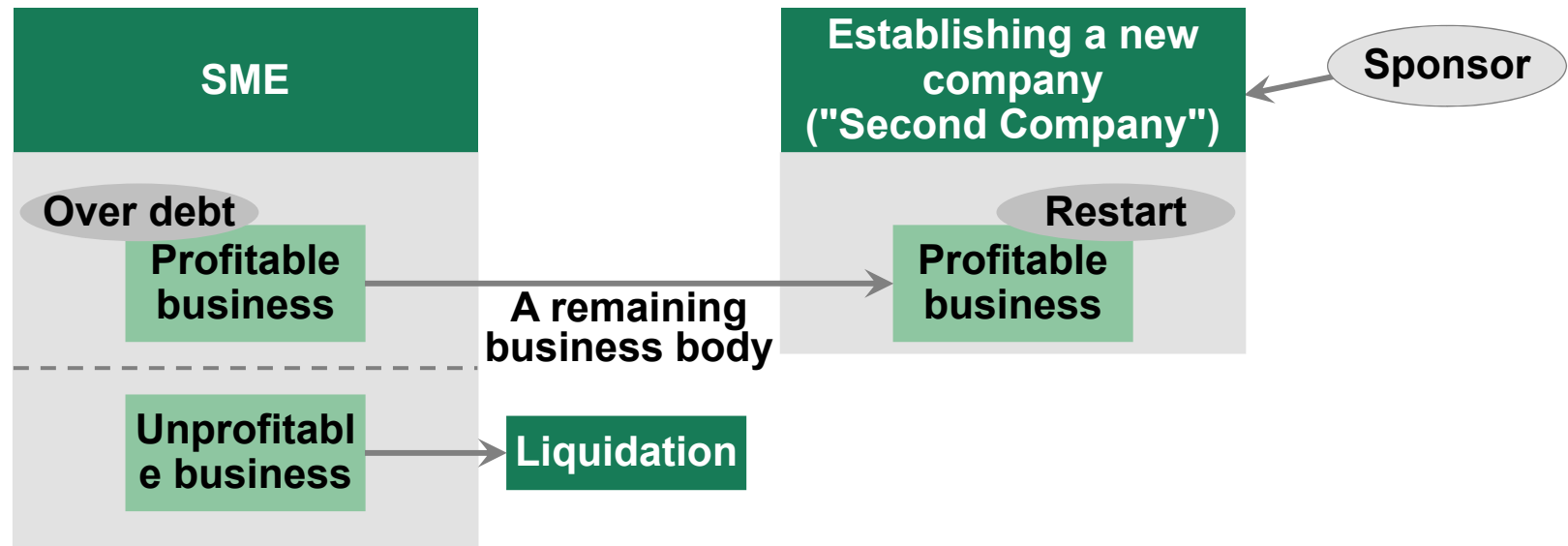
- Total cases applied were 21,694 (as of the end of 2010). 58 percent of them finished at the first stage
- Out of what reached the second stage, 2,851 cases finished with a revitalization plan completed



- A number of cases categorized according to a way of financial assistance



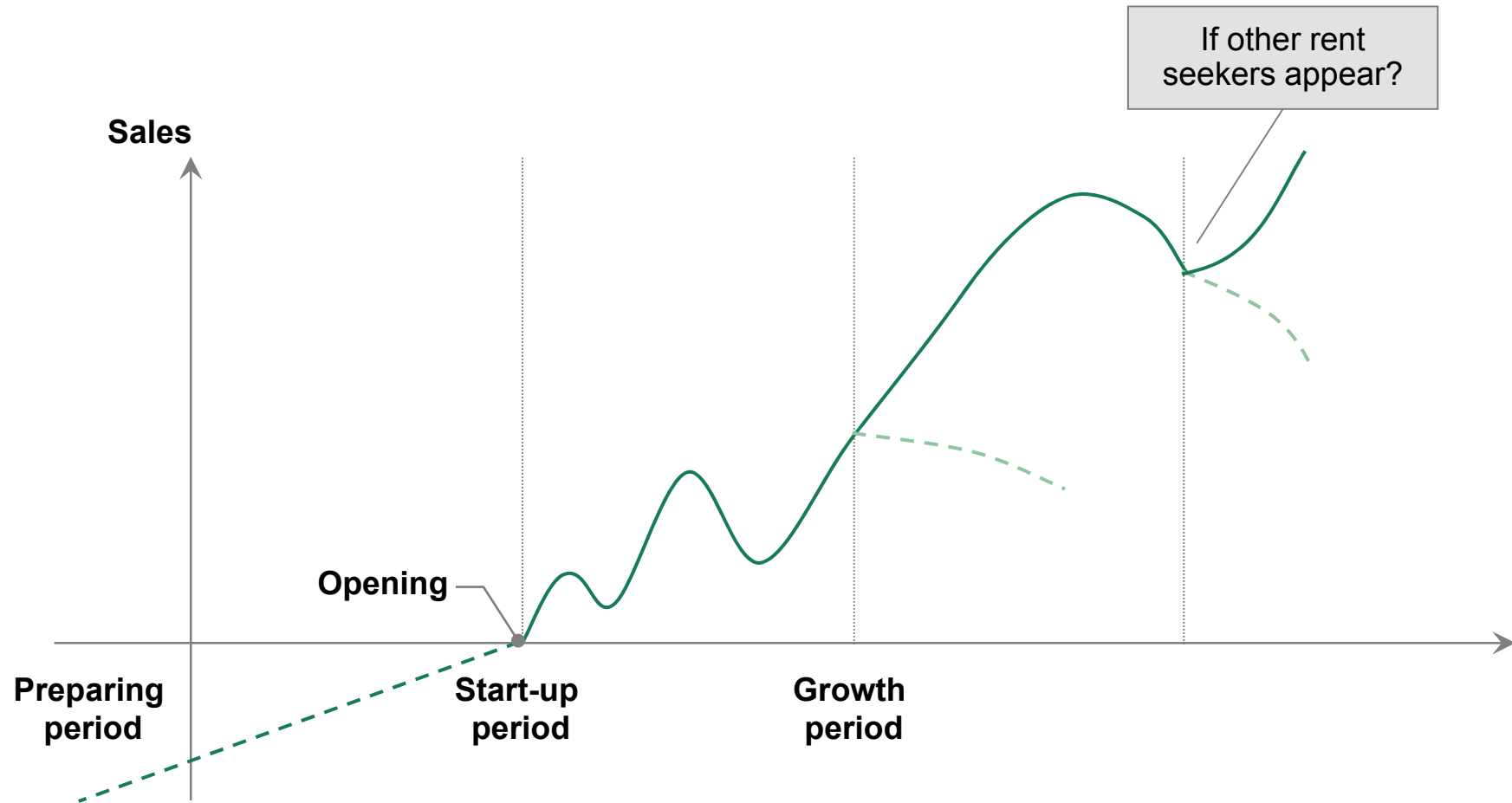
Establishing a "Second Company"



Assistance programs to a second company

- ① Taking over a license of an original company
- ② Reducing tax
- ③ Providing loans or financial guarantee by the government sponsoring agency

How a start-up enterprise would develop



Education on Entrepreneurship is important !

The European Commission Small Business Act invites EU Member States to;

- Introduce entrepreneurship as a key competence in school curricula,**
- Ensure that the importance of entrepreneurship is reflected in teacher training,**
- AND Step up co-operation with the business community for entrepreneurship education at all levels.**

Entrepreneurship;

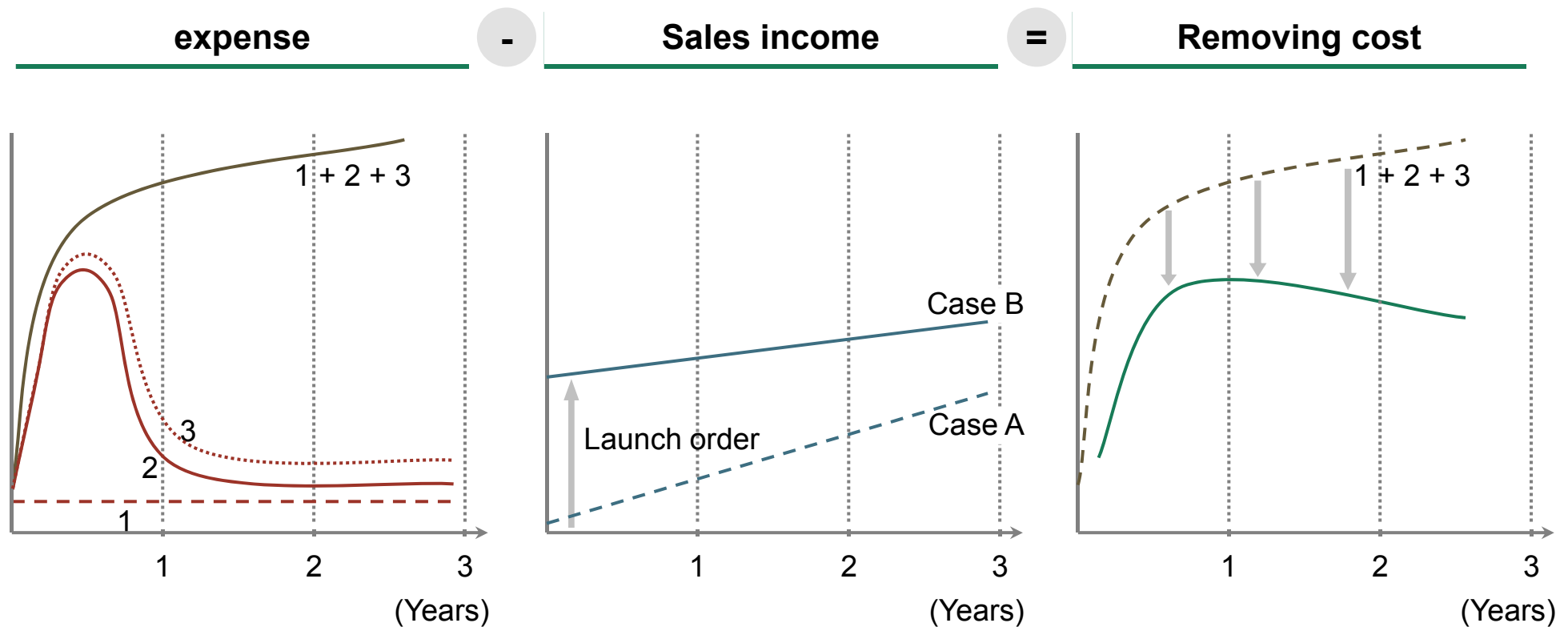
The phenomenon associated with entrepreneurial activity, namely enterprising human action in pursuit of the generation of value through the creation or expansion of economic activity by identifying and exploiting new products, processes of markets. It may occur through new business creation or within SMEs,

large firms and the public and non-profit sectors.

(SMEs, Entrepreneur and Innovation, OECD 2010)

Launch order

Launch order offsets expense for initial investment, helps cash flow and prevents interest payment from growing



- 1. Office renting personnel, etc
- 2. Equipment
- 3. Raw material and other prime cost

THE BOSTON CONSULTING GROUP