The Industrial Competitiveness Enhancement Act, which is exactly what its name suggests, has come into effect with the Japan Revitalization Strategy, the third “arrow” of Abenomics as its background. The Industrial Competitiveness Enhancement Act is the basis for securely implementing this Strategy, which aims to “create new frontiers through participation by all and by bringing forth the strength of the private sector to the fullest extent.” So, who can use the support measures provided by this Act? The answer may be “any company/business.” As shown in the graphic on the left, the main feature of the Industrial Competitiveness Enhancement Act is that there is a concentrated wide variety of measures according to different business development stages. It contains measures to support businesses in their initiation period, growth period, maturation period and stagnation period in a balanced manner. Naturally, not only major companies but also small- and medium-sized enterprises as well as sole proprietors are the targets of these support measures.

While the Industrial Competitiveness Enhancement Act is comprised of various different measures, the underlying basic policy is to correct three distortions in the Japanese economy, namely, over-regulation, under-investment and delay in consolidation. In reality, one or more of these three problems cause business challenges to many companies, and the resolution of such challenges is precisely the aim of this Act. Therefore, business operators’ perspectives were prioritized when the measures were designed to ensure their ease of use of such systems. On the following pages, we will introduce some examples of utilization and assumed cases regarding business restructuring and regulatory reforms. Please take a look at these measures, while thinking about how the Industrial Competitiveness Enhancement Act can be used by your company.
Supporting positive business restructuring through a wide variety of tax incentives and financing measures

In cases where business cannot be developed as intended by the company on its own, or there are shortages and problems in terms of funds and technology, collaboration with other companies having different characteristics and strengths could be an effective measure. By fusing the management resources of one’s own company with other companies, further growth can be expected. The Industrial Competitiveness Enhancement Act supports these kinds of the positive efforts. Specifically, efforts aiming to improve productivity and to cultivate a new market by taking the business of one’s own company and consolidating it with the business of other companies will be approved as a “specified business restructuring plan.” Such efforts will be supported through measures such as tax incentives and financial support, including the tax incentive for promoting business restructuring. Further, not only measures taken by multiple companies but also the positive efforts of a single company, such as restructuring within a group, will also be supported by approving them as a business restructuring plans.

Tax incentives  
Reducing financial costs associated with business restructuring through tax incentives

- Tax incentive to promote business restructuring (Reforms for specified business restructuring investment tax)
  Business operators that receive specified business restructuring plan approval can put the loss of the investment and loans to point service corporations and others in the revenue for a loss (tax loss can be printed up to 70% of the invested or loaned value, and for ten years at most). Because corporation tax is deferred, the cash can be invested into other areas.

- Reduction of registration and license tax
  When mergers and companies splits are implemented according to the business restructuring plan even specified business restructuring plan, they become eligible for reductions in the registration and license tax. For example, for the “abolishment of a company and an increase in the amount of stated capital,” the tax is reduced from the usual 0.7% to 0.35%. This is effective in reducing the burden of the initial cost, which can also be an obstacle for business consolidation.

Financial support  
Long-term, low-interest loans and debt guarantees by the Organization for Small & Medium Enterprises and Regional innovation are also available

Long-term, low-interest loans and debt guarantees (Reserve for specified business restructuring investment loss)
  Loans for funds necessary for the implementation of a business restructuring plan will be available from the Development Bank of Japan Inc. There is also a system for debt guarantees by the Organization for Small & Medium Enterprises and Regional innovation for a certain loan ratio (90% of maximum, up to 2.5 million yen) (both should fulfill certain conditions).

Others  
Restructuring in supported also through the special provisions of the Company Act and the Civil Code

Specified Business Restructuring Plans

Cultivation of demand and the improvement of productivity are critical to gain approval!

There are several patterns within the specified business restructuring plans, including the establishment of a new company following business splits of multiple companies and mergers between wholly owned subsidiaries. The point is to cultivate new demand and to aim for significant improvements in the productivity. There are conditions imposed, such as to improve the revised return and assets (ROA), tangible fixed asset turnover, and added value per employee to a certain level within three years.

In February 2014, Mitsubishi Heavy Industries, Ltd. and Hitachi, Ltd. split their businesses related to thermal power generation and created a new company. The plan envisages sales of new products/services, which could not have been generated without the integration, to reach 4% of the total by FY2015. The new company aims to come out on top of the world in this area by taking advantage of synergy created. * Details are explained on the next page.

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A major cosmetics manufacturer supports the cosmetics business of a local brewery

A local sake brewing company (SME) develops a cosmetics product using the yeast for sake, and splits up the company to pursue the new business area. A major cosmetics manufacturer makes a financial contribution to this new company, and at the same time develops and sells the products by mainly targeting the domestic market through management support such as the introduction of sales channels and the provision of cosmetics manufacturing technologies.
How can we compete in a global market? Giving serious consideration to this question, the answer would be “through business integration.” In the thermal power generation field, where our two businesses were integrated, GE in the U.S. and Siemens in Germany are the two giants. The feeling was that “We lose out in the global market if we do nothing.” There was such a strong sense of crisis behind the establishment of Mitsubishi Hitachi Power Systems, Ltd. (MHPS), the new company. Conventional, if both companies integrated our thermal power generation businesses, we could have the power to compete in the global market. The synergy effect in terms of products, regional strategies and technical strength is immense. Aiming for the “No.1 player in the world” is the most important goal of this integration. However, this integration was decided for the convenience of the company. Therefore, we should seek a way to ensure that the integration is truly welcomed by our customers as well. I believe that we must respond to the needs of customers by taking full advantage of the effects of this synergy in terms of quality, price and services. Fortunately, MHPS was the first company approved to utilize the specified business restructuring plan under the Industrial Competitiveness Enhancement Act. There have been multiple advantages with the utilization of the system, in terms of responding to requests from the market. One of the largest advantages was the reduction of the registration and licensing tax. Deferral of corporate tax under the tax program for facilitating business restructuring is also highly effective. Basically, what is necessary for a new company to fulfill its needs and achieve growth is access to cash. There are many facets of an enterprise in which investment is necessary, including technical development and global marketing. Naturally, our company is cooperating with MHPS to develop new technologies and systems is also a possible option. The effect of having enough cash on hand is extremely large. That is common to any company seeking business restructuring. The Industrial Competitiveness Enhancement Act is expected to create a broad trend which provides opportunity for the Japanese economy to accelerate business restructuring and result in an increase in globally competitive companies. We are pleased to be playing a part in accelerating such a trend.

Creating the best practice of industrial restructuring by taking advantage of mutual strengths

Koji Tanaka
Representative Executive Officer, Executive Vice President and Executive Officer

Hitachi, Ltd.

Mitsubishi Heavy Industries, Ltd.

Aiming to become a company that can win global competition through integration welcomed by the market

Atsushi Maekawa
Member of the Board and Senior Executive Vice President

Interviews with the leaders from the company whose specified business restructuring plan was approved by METI

Koji Tanaka was born in 1952. After graduating from the Faculty of Engineering at the University of Tokyo, he joined Hitachi, Ltd. in 1974. After assuming posts such as the General Manager of Hitachi Works, Director of the Power Systems Systems Headquarters, and Head of General Machinery & Special Vehicles, he assumed the position of Member of the Board and Senior Executive Officer in 2011. He is also the President, and Chief Executive Officer of Power Systems, he became the Representative Executive Officer, Executive Vice President and Executive Officer in 2011. He is in charge of Power Systems.

The strength of Mitsubishi Hitachi Power Systems, Ltd. is its large-scale gas turbine business and its sales channels in Southeast Asia and the Middle East. A wide range of solutions can be provided by leveraging Mitsubishi’s strengths with the smaller and mid-scale gas turbine business of Hitachi, Ltd. and its sales channels in Europe and Africa. The combined business aims to achieve a 35% share of the global gas turbine market.
Supporting companies’ challenges through the clarification of regulations and special arrangements

“We are thinking of starting a new business but not sure if it is subject to regulation.” We want to introduce some of the latest equipment but the use of some of the parts is unapproved in Japan. For companies facing such issues, new systems to facilitate prompt “confirmation of the presence of regulations” or “consideration of use of special arrangements” have been created. These are the “system to remove gray zone areas” and the “system of special arrangements for corporate field tests.” It is difficult to maintain a balance between new challenges that companies face with the original objectives of regulations. Developing a business-friendly environment is one of the pillars of the growth strategy of Japan. The two newly established systems aim to carry forward regulatory reform based on the energetic proposals of individual companies. Various benefits can be expected through the use of special arrangements, not only in the form of the development of new products and services, but also the improvement of safety by using the most advanced technology allowed.}

### System to Remove Gray Zone Areas

#### Inquiry into whether or not the matter is regulated

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<thead>
<tr>
<th>Business operator</th>
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<tr>
<td><strong>Confidential</strong></td>
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<td><strong>An <strong>“action plan for the new business”</strong>, including the proposal of the special arrangement related to the regulation is formulated and submitted to the competent ministry for the business. Notification of whether the plan is approved will be given based on discussions among relevant ministries and agencies.</strong></td>
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When an inquiry is made on whether a new business is regulated or not, a confirmation is made and an answer is given between the relevant ministries, and the business operator is notified of the results.

### System of Special Arrangements for Corporate Field Tests

#### Proposal of the special arrangement related to the regulation

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### Simple blood test service using self-collected blood

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<th>Ministry of Economy, Trade and Industry</th>
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<td><strong>There was an inquiry from a blood testing company about simple blood tests using self-collected blood samples. It was confirmed that self-blood collection and notification of the result of the test and the recommendation from the business operator to seek more a detailed medical examination do not fall under the category of medical practice.</strong></td>
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Inquiry into whether or not the matter is regulated

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#### Exercise instruction based on a doctor’s advice at a gym

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<th>Ministry of Health, Labour and Welfare</th>
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#### Driving automobiles equipped with dead man devices on public roads

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### System to Remove Gray Zone Areas

It is sometimes unclear whether the existing laws and regulations will be applied to unprecedented efforts, products and services, because of their innovativeness. On such occasions, a system to remove gray zone areas will be useful.

In this system, the competent ministry for the business confirms whether the matter is regulated or not to the competent ministry of the regulation on behalf of the company. The period from application to response is within one month in general. This prompt response is one of the attractive features of the system. A minimal-risk environment will be developed for new businesses, so that the enterprises can devote themselves to technological innovation and the development of products and services with sense of security.
The system of special arrangements for corporate field tests is a system created with the intention to provide strong support for companies which face these new challenges. Under the system, relaxations of regulations that are seen as bottlenecks are considered in relation to each business individually, while ensuring safety. We endeavor to encourage flexible thinking in companies to support prompt commercialization.

What is different from conventional deregulation is that special arrangements can be applied to individual companies if safety and other requirements are satisfied. In addition to individual companies, the entities comprised of more than one company can also apply for this process. The period from application to ruling is very short: within one month as a general rule.

**System of Special Arrangements for Corporate Field Tests**

**Case 1**
Introducing an advanced inspection method for gas containers used in manufacturing semiconductors

A new inspection method to increase the efficiency of safety inspections high purity gas containers used for the production of semiconductors has become available. If innovative methods such as ultrasonic inspection can be introduced under this special arrangement, the cost and period necessary for inspection can be reduced significantly.

**Case 2**
Utilizing new models of hydrogen tanks for fuel cell forklifts

A new path has opened for the use of low-production-cost all-metal hydrogen tanks so as to accelerate the utilization of a fuel cell forklift in Japan. With increased use of fuel cell forklifts, reductions in CO2 emissions can be realized.

**Case 3**
Motor-assisted bicycles with trailers that have stronger assistance power than the standard on public roads

Delivery companies are allowed to use more powerful electric-motor-assisted bicycles. Such vehicles contribute to reducing the burden on female and elderly staff, promoting employment, and reducing CO2 emissions.