

JAPANESE INDUSTRY AND POLICY NEWS

February 2019

LEGISLATION AND POLICY NEWS

METI to Launch an Expert Group on Electricity Resilience towards a Decarbonized Society

The Ministry of Economy, Trade and Industry (METI) announced on February 14 that it had decided to launch a new study group of experts named the “Subcommittee on Electricity Resilience toward Decarbonized Society” under the Electricity and Gas Industry Committee of the Advisory Committee for Natural Resources and Energy. This subcommittee aims to study approaches to enhancing the resilience of electricity infrastructures and establishing sustainable, steady electricity supply systems in which new technologies are incorporated so as to realize a decarbonized society in the future, in parallel to placing eyes on changes in environments surrounding the electricity policies in Japan.

Global society is facing the need for further enrichment of countermeasures against climate change which is motivated by the conclusion of the Paris Agreement. Against this backdrop, in July 2018, the Cabinet approved the Fifth Strategic Energy Plan, and under this plan, Japan should seek all options to realize a decarbonized society in the future. In this context, in particular, the Subcommittee on Mass Introduction of Renewable Energy and Next-Generation Electricity Networks of METI has been advancing discussions on measures mainly for maximum utilization of the existing power grids, aiming to overcome restrictions imposed on such power grids, a challenge in achieving the mass introduction of renewable energy.

Placing eyes on such changes in environments surrounding the electricity policies in Japan, METI considers it significant to study approaches to enhancing the resilience of electricity infrastructure and establishing sustainable, steady electricity supply systems in which new technologies are incorporated so as to realize a decarbonized society.

http://www.meti.go.jp/english/press/2019/0214_002.html

METI Revises the Plan for the Development of Marine Energy and Mineral Resources

On February 15, the Ministry of Economy, Trade and Industry (METI) revised the

Plan for the Development of Marine Energy and Mineral Resources (the “development plan”). The development plan stipulates a specific future plan for development of marine energy and mineral resources centering around methane hydrates and oil and natural gas. METI is responsible for the formulation of the development plan under the Basic Plan on Ocean Policy for this purpose.

The revised development plan specifically defines: approaches to research and development from the first step to goal achievement by type of mineral for marine energy and mineral resources and technical development and other necessary related elements; and it also defines the future direction of plans for developing such resources for the coming five years or so.

Resource Research Vessel “SHIGEN” (Resources)



(Photo from METI report)

http://www.meti.go.jp/english/press/2019/0215_004.html

METI Formulates Guidance for Integrated Corporate Disclosure Concerning Industrial and Product Safety

The Ministry of Economy, Trade and Industry (METI) considers it important for companies to enhance their corporate value by accelerating information disclosure concerning their efforts that focus on industrial and product safety to allow for appropriate evaluations by investors, banks and other financial institutions. To this end, METI released on February 27 the Guidance for Integrated Corporate Disclosure Concerning Industrial and Product Safety

according to which companies are recommended to promote disclosure of information on their safety-related efforts.

Part I of the guidance aims to encourage companies to enrich their understanding of integrated thinking, an important concept in this guideline, and to this end, examines case examples, in a specific manner, of two outstanding, leading companies whose information disclosure based on integrated thinking (integrated corporate disclosure) are highly recognized, in particular.

Based on this examination, Part II focuses on safety concerning the items presented in the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation, (i.e., value, business models, sustainability and growth, strategies, performance and KPIs and governance).

The guidance shows the first steps that companies should take in: disclosing information on safety-related efforts, improving corporate value backed by investors' appropriate assessment of companies through company-investor dialogues and contributing to improving public safety through these efforts.

http://www.meti.go.jp/english/press/2019/0227_001.html

SURVEY AND BUSINESS DATA

Census of Industry Indicates Manufacturing Sector Being Stable

According to the preliminary result of the Census of Industry that the Ministry of Economy, Trade and Industry (METI) published on February 28, the number of business entities in industrial sector was 187,000, as of June 1, 2018. Total employment in the sector actually engaging in the manufacturing activities was 7.6 million people and the shipment of manufactured products reached 317 trillion yen.

By sector, metal product manufacturers were the most numerous with 25,231 entities, followed by food processing companies (24,747 entities). It was the food processing companies who employ the most with 1.13 million people, followed by the transportation equipment manufacturers (1.07 million people). As for the shipment, transportation equipment manufacturing was the biggest (67.9 trillion yen) and the food processing came in the second (28.8 trillion yen). Most of the figures remain stable from a year earlier.

<http://www.meti.go.jp/press/2018/02/20190228003/20190228003.html>

(in Japanese)

Environment-related Business Prospect Remains Favorable

Ministry of the Environment published a result of bi-annual business condition survey on February 22, in which opinions expressed in environment-related business sector stay favorable. Diffusion index which is the difference between brighter and gloomy future prospects was 24% point in December 2018, stayed almost the same as 25% point registered in an earlier study in June. It is a result of a questionnaire survey answered by a total of 4,730 companies.

By sector, prospect of the “counter-measure activities against global warming” sector was the highest at 27% point. As for the current development situation, “energy-efficient automobile” was indicated as the most promising. As for the possibility of future engagement, “renewable energy” was the most popular field of activities.

<http://www.env.go.jp/press/106474.html> (in Japanese)

COMPANY NEWS

Tokyo Gas Acquired a Photovoltaic Power Plant from Lixil

Tokyo Gas Co., Ltd. announced on February 1 that its 100% subsidiary Prominet Power Co., Ltd. acquired a photovoltaic power plant in Ayabe, Kyoto Prefecture from Lixil Corporation. Power generation capacity of Ayabe plant which was constructed in the former manufacturing site of Lixil is 4,872KW.

Tokyo Gas aims to secure a total of 400,000KW of renewable energy.

<https://www.tokyo-gas.co.jp/Press/20190201-01.html> (in Japanese)

Genkai Nuclear Power Unit No.2 is to be Decommissioned

Kyushu Electric Power Company Inc. announced on February 13 that it had decided to decommission the Genkai Nuclear Power Unit No.2. Genkai No.2 will reach the end of its operation period in March 2021. As a result of this decision, Kyushu Electric’s operational nuclear power plants will be 4 units, i.e. Genkai No.3, 4 and Sendai No.1, 2.

Kyushu Electric said that it would aim to continue the operation of 4 remaining nuclear units as nuclear energy is regarded as an important base load power source in the government's Strategic Energy Plan and in view of such factors as energy security and preventing global warming.

Overview of Genkai Nuclear Power Unit No.2 is as follows.

- (1) Place of installation: Genkai-cho, Higashimatuura-gun, Saga Prefecture
- (2) Reactor type: Pressurized light-water reactor
- (3) Power generation capacity: 559,000 KW
- (4) Commercial operation started: March 30, 1981

http://www.kyuden.co.jp/en_press_190213-1.html

No New Coal-fired Power Generation Business for ITOCHU

ITOCHU Corporation announced on February 14 that it would neither develop any new coal-fired power generation business nor to acquire any new thermal coal mining interest. ITOCHU also announced that they have sold their interest in the Rolleston thermal coal mine held through its wholly-owned subsidiary in Australia. This was the second such sale by ITOCHU of one of our thermal coal mine interests in recent years.

In May 2018, ITOCHU announced that it would strive to adapt to the impact of climate change on business while working to promote business activities aimed at contributing to realization of low-carbon society and reduce greenhouse gas emissions. Based on this principle, ITOCHU has already announced its sustainability action plans. They recognize that, among other things, their coal-related business must be one of the issues which they have to promptly address as its impact on their business and their surrounding stakeholders will be significant.

Regarding the existing thermal coal mining business, ITOCHU will continue to review it and contribute to the development of a sustainable society while responding to the social demands of stable supply of energy to domestic and overseas customers, they said.

<https://www.itochu.co.jp/en/csr/news/2019/190214.html>

Mitsubishi Corporation to Invest in the UK Energy Technology Company OVO Group

Mitsubishi Corporation (MC) announced on February 15 that it had decided to invest in UK-based innovative energy service provider OVO Group Limited (OVO). MC will obtain 20% of shares in OVO and will dispatch a director to join OVO's management team.

Established in 2009, OVO entered the UK's energy market by providing a customer centric service through utilization of digital technology such as AI and

IoT. OVO currently supplies energy to 1.5 million customers, having grown to become the largest independent supplier in the UK.

MC has been active for some time now in the renewables business in Europe, including offshore wind power generation. This investment in OVO is not only an opportunity for MC to contribute to developments in the industry by establishing a new type of energy business that makes use of digital technology; it also stands to stimulate more growth in what is currently a very stable business portfolio by strengthening its operations in the services sector and in downstream business, as stated in MC's "Midterm Corporate Strategy 2021".
<https://www.mitsubishicorp.com/jp/en/pr/archive/2019/html/0000036832.html>

JERA and TEPCO to Participate in the Battery Storage Business in the U.K.

JERA Co., Inc (JERA) and TEPCO Power Grid, Inc. (TEPCO PG) announced on February 19 that they had agreed to invest up to 25 million pounds of money in Zenobe Energy Limited, a battery storage company based in the United Kingdom. Zenobe Energy supplies, finances, owns and operates battery storage assets. Zenobe Energy is currently focused on providing frequency balancing and reserve power for National Grid in the U.K. The company is expanding into other new business areas, such as enabling the charging of commercial electric vehicles, and supporting commercial and industrial companies and other utilities.

Zenobe Energy owns and operates a portfolio of batteries with capacity of approximately 73MW. The company started operating in 2017 and is one of the largest owners and operators of battery storage in the U.K.

The investment in Zenobe Energy will enable JERA to increase its knowledge of how batteries can respond to variances in supply and demand caused by the changing energy generation mix. JERA will also seek to improve operational efficiency of its domestic thermal power plants by installing battery storage in these sites. TEPCO PG will gain access to a wide range of new solutions including ancillary service, which it will be able to implement in Japan and abroad.

Battery storage system owned by Zenobe Energy:

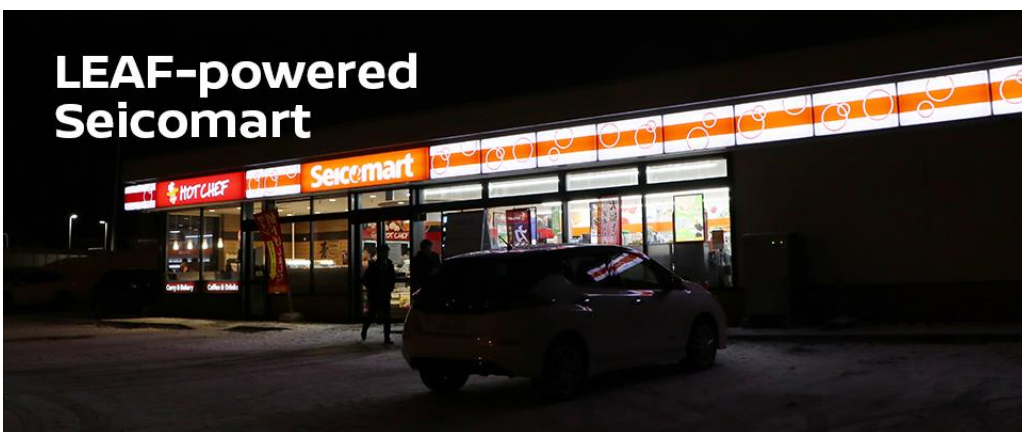


(Source: Zenobe Energy)

http://www.jera.co.jp/english/information/20190219_251.html

Nissan Motor to Help Convenience Store Chain by Supplying EV Power in Emergency

Secoma Co., Ltd., Nissan Motor Corporation and its seven sales companies in Hokkaido region announced on February 27 that they had concluded an agreement for cooperation on electricity supply in emergency. Secoma runs convenience store chain called Seicomart mainly in Hokkaido region. According to the agreement, Secoma uses Nissan's electric vehicles (EVs) which they own or Nissan lend at a time of emergency for securing power supply using the "Vehicle to Home" equipment at the stores to keep on their operation for providing food and daily products to consumers.



(Photo from the website of Nissan Motor)

Secoma already used EVs as sources of power supply at a time of blackout caused by a big earthquake in Hokkaido in September 2018. Electric power

obtained through cigarette lighter ports of EVs served for maintaining cash registers function at a total of 1050 Seicomart stores located in Hokkaido but it was not enough to keep refrigerators, for example to work.

<https://newsroom.nissan-global.com/releases/release-41181d20da4d17b77ed88d700816821f-190227-01-j?lang=ja-JP>

(in Japanese)

Osaka Gas to Embark on Biomass Power Generation Business in Tokushima City

Osaka Gas Co., Ltd. (Daigas) announced on February 25 that it had decided to invest in Tokushima Tsuda Biomass Power Plant and to take part in the construction and operation of a biomass-fired power plant with an electricity generation capacity of 74,800 KW in Tokushima City, Tokushima Prefecture. This project is the sixth biomass power generation business that the Daigas Group has participated in.

For this project, Daigas will collaborate with RENOVA, Inc. by combining their knowledge of biomass power generation with and to ensure stable operation of the business in close cooperation with other local partners. The Daigas Group aims to secure approximately 1,000 MW of renewable energy-based electricity supply capacity in Japan and abroad by around 2030.

Rendered image of Tokushima Tsuda Biomass Power Plant



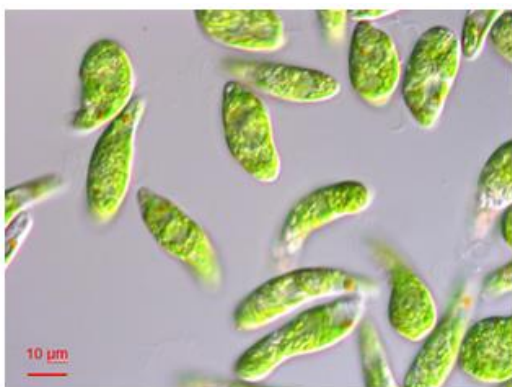
http://www.osakagas.co.jp/en/whatsnew/_icsFiles/afieldfile/2019/03/04/190225.pdf

Euglena and Denso to Tie-up in Microalgae Business

Euglena Co., Ltd. and Denso Corporation announced on February 19 that they would go into a comprehensive tie-up in developing microalgae business.

Their field of cooperation includes the followings.

- (1) Development of bio fuel
- (2) Research and development of microalgae culture technology
- (3) Development of food and cosmetics derived from algae



Examples of microalgae

<https://www.denso.com/jp/ja/news/news-releases/2018/20190220-01/>

ADDITIONAL TOPICS

New Office for Carbon Recycling Promotion Established in ANRE

The Agency for Natural Resources and Energy (ANRE) established a new office named the “Carbon Recycling Promotion Office” on February 1, aiming to promote technological innovations involving capture, storage and utilization of carbon dioxide.

http://www.meti.go.jp/english/press/2019/0201_004.html

2018 METI Minister’s Award for Corporate Governance Went to OMRON

The Corporate Governance of the Year is an award program organized by the Japan Association of Corporate Directors (JACD) and supported by the Ministry of Economy, Trade and Industry (METI), the Financial Services Agency, the

Ministry of Justice, the Tokyo Metropolitan Government and the Japan Exchange Group, Inc.

METI announced on February 1 that the 2018 METI Minister's Award for Corporate Governance had been accorded to OMRON Corporation.

The METI Minister's Award is presented to companies recognized as having established a successful model of an independent nominating committee and other organizations effectively supervise their plans concerning, in particular, the selection and succession of presidents and CEOs, the planning of which is fundamental for corporate governance.

http://www.meti.go.jp/english/press/2019/0201_003.html

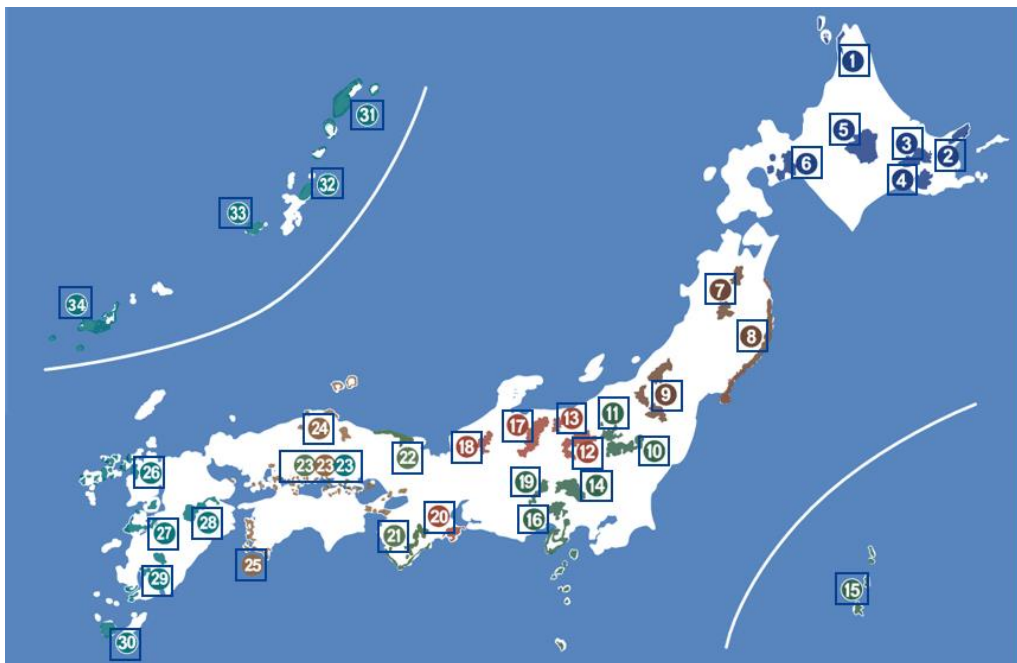
<https://www.omron.com/media/2019/02/c0222-2.html>

New English/Japanese Website on National Parks Launched

Ministry of the Environment announced on February 14 that it had introduced a new website on Japan's 34 national parks. It was prepared in collaboration with the Japan National Tourism Organization (JNTO).

The website called "National Parks of Japan" aims at accelerating foreign tourist visit by illustrating not only the attractiveness of national parks but also introducing a variety of information on the available local activities and model visiting courses.

Location of Japan's 34 National Parks



<https://www.env.go.jp/en/nature/nps/park/index.html>

<http://www.env.go.jp/press/106447.html> (in Japanese)

Hida-Osaka Falls Wins FY2018 Eco-Tourism Grand Prix

Ministry of the Environment announced on February 7 the winner of FY2018 Eco-tourism Grand Prix. This time it went to a non-profit organization (NPO) in Gero City, Gifu Prefecture, engaging in the development of local economies by promoting walking through the 200 falls of Hida-Osaka in the region.

<https://www.env.go.jp/press/106417.html> (in Japanese)

http://www.soumu.go.jp/main_content/000382323.pdf (in Japanese)

<https://www.osaka-taki.com/en/about/index.html>

Collection of Cases of Plastic Resource Circulation Revised

Keidanren released the third version of collection of cases of plastic treatment on February 15. It covers 300 cases of plastic treatment for reduce, reuse and recycle reported by a total of 164 business entities. Keidanren maintains that the compendium contributes to the Sustainable Development Goals (SDGs) of plastic resource circulation and tackling the ocean plastic problem.

<http://www.keidanren.or.jp/policy/2018/099.html> (in Japanese)

http://www.keidanren.or.jp/policy/2018/099_jirei.pdf (in Japanese)