

JAPANESE INDUSTRY AND POLICY NEWS

March 2018

LEGISLATION AND POLICY NEWS

METI and JACDS to Make Drug Stores Smarter with RFID

The Ministry of Economy, Trade and Industry (METI) announced on March 16 that it would launch research on electronic tags using the radio-frequency identification (RFID) technology with the Japan Association of Chain Drug Stores (JACDS) as the first step for making drug stores smarter. Under the joint initiative with METI, JACDS will aim to attach electronic tags on all products sold in drug stores by 2025 and to realize individual-based management of these products.

http://www.meti.go.jp/english/press/2018/0316_001.html

SURVEY AND BUSINESS DATA

Study Group on Overseas M&A Compiles Two Documents

In August 2017, the Ministry of Economy, Trade and Industry (METI) established the Study Group for Japanese Companies' M&A Overseas. Since then, the study group has been holding discussions on related issues and ultimately compiled the discussion results into two documents: (1) "Report on Discussion Results of the Study Group for Japanese Companies' M&A Overseas," a compilation of key points that Japanese companies should note in effectively taking advantage of M&A overseas and referential case examples and (2) "Nine Actions for Successful Management Taking Advantage of M&A Overseas," a compilation of important points in conducting M&A overseas, in particular from the perspective of top executives. Both reports were published on March 27.

http://www.meti.go.jp/english/press/2018/0327_001.html

Results of the 2017 Basic Survey on the Information and Communications Industry

The Ministry of Economy, Trade and Industry (METI) and the Ministry of Internal Affairs and Communications (MIC) conducted the Eighth Basic Survey on the Information and Communications Industry to comprehensively ascertain the overall state of the information and communications industry in Japan and

published a report on March 27. Overview of the survey results in the information and communications industry are illustrated below.

There were 5,519 companies engaging (primarily or otherwise) in the information and communications industry. FY2016 total sales in this industry were 48.0099 trillion yen (approximately the same as the previous year), while combined sales these companies earned in other industries and the information and communications industry in total were 71.9756 trillion yen.

Regarding the sales by sector, the telecommunications sector marked the highest, followed by the software sector and the information processing/providing service sector. These three sectors accounted for 78.2% of the total sales in the industry. There were 4,723 companies classified in the information and communications category (i.e., companies whose sales within the information and communications industry account for the largest portion of their revenue) and FY2016 total sales of these companies were 50.7425 trillion yen (up by 1.0% from the previous year), of which 46.4014 trillion yen were sales earned in the information and communications industry (down by 0.4% from the previous year).

http://www.meti.go.jp/english/press/2018/0327_002.html

Basic Survey on SMEs Revealed Improvement of Sales and Profits

The Small and Medium Enterprise Agency (SMEA) published the Preliminary Report on the 2017 Basic Survey on Small and Medium Enterprises (SMEs) on March 29. It is a result of questionnaire survey compiled from valid responses of 46,176 companies. Key points of the report are as follows.

- Total sales were 492.5728 trillion yen, up by 1.5% from the previous year, and total ordinary profits were 20.2975 trillion yen, up by 9.3% from the previous year.
- The percentage of incorporated enterprises that have subsidiaries, affiliated companies, or business establishments overseas was 1.0%, up by 0.1 percentage points from the previous year.
- The percentage of incorporated enterprises that have conducted research and development for new products or new technology was 2.3%, unchanged from the previous year.
- The percentage of incorporated enterprises that possess patent, utility model, design, or trademark rights was 5.7%, up by 0.3 percentage points from the previous year.

http://www.meti.go.jp/english/press/2018/0329_004.html

SME Business Conditions for January-March Show Moderate Improvement

According to the Survey of SME Business Conditions for January-March which the Organization for Small and Medium Enterprises and Regional Innovation (SMRJ) released on March 28, recent business conditions of small and medium enterprises (SMEs) show moderate improvement, while progress in some industries appears to have paused.

From January to March 2018, the business conditions DI for all industries was -13.9 (up by 0.5 points from the previous quarter), showing an increase for two consecutive quarters.

The business conditions DI for the manufacturing sector was -10.1 (down by 2.2 points from the previous quarter), showing a decrease for the first time in two quarters. By industry, improvements were seen in four industries (the ceramic, stone, and clay products, food, chemical, and wood and wooden products industries), while the DIs decreased in ten industries (the furniture and accessories, transportation equipment, iron and steel, non-ferrous metal, pulp, paper and paper products, machinery equipment, metal products, electrical & information communication equipment and electronic parts, printing, other manufacturing and textile industries).

The business conditions DI for the non-manufacturing sector was -15.3 (up by 1.3 points from the previous quarter), showing an increase for the first time in three quarters. Looking at the business conditions DI of each industry, improvements were seen in the retail trade and construction industries, while the DIs remained flat in the wholesale industry and decreased in the service industry.

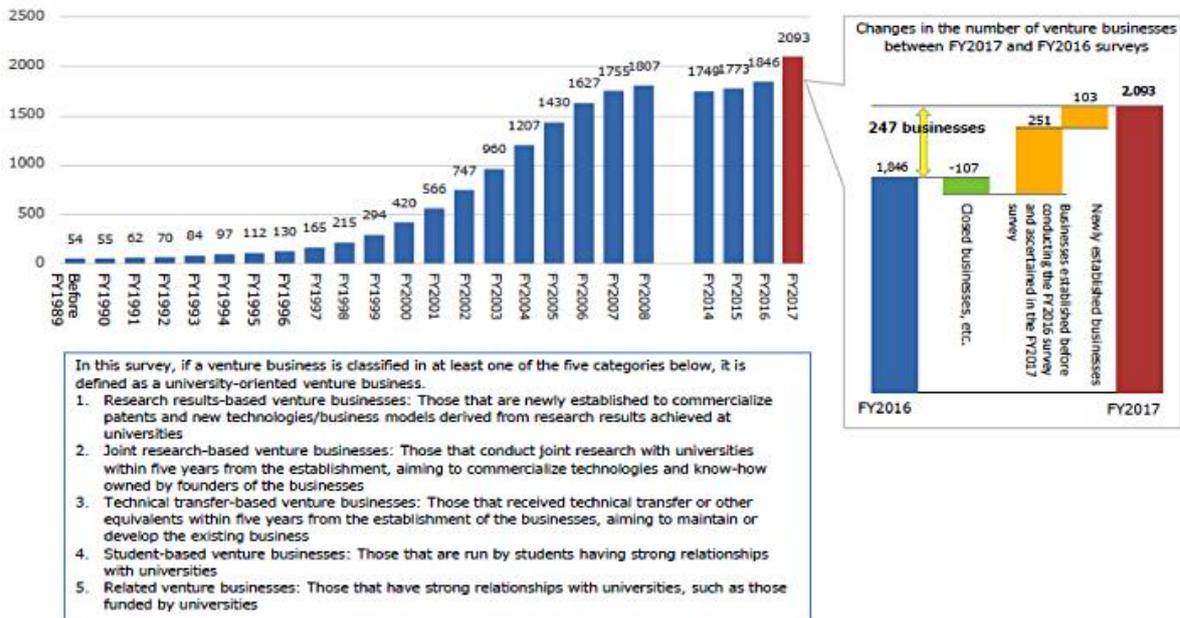
http://www.meti.go.jp/english/press/2018/0328_002.html

FY2017 Survey on University-oriented Venture Business Compiled

The Ministry of Economy, Trade and Industry (METI) compiled the results of the FY2017 survey on university-oriented venture businesses and found that the number of such businesses was 2,093, up by 247 from 1,846 in the FY2016 survey (chart). Based on the results, METI developed a database on university-oriented venture businesses and started the operation.

Looking at the number of university-based newly established venture businesses, the ranking of universities in the FY2017 survey shows almost the same ranking as the FY2016 results with the top six, lead by the University of Tokyo, remained unchanged. But it is notable that the ranking of Nagoya University dramatically leaped from the 12th in FY2016 to the 7th in FY2017.

Number of University-based New Ventures



http://www.meti.go.jp/english/press/2018/0309_005.html

JETRO Survey Revealed Over Half of Japanese Companies Considering to Use the Japan-EU EPA

From November 2017 through January 2018, the Japan External Trade Organization (JETRO) conducted a survey of Japanese firms that use JETRO's services to gauge their interest in business overseas. JETRO published a survey result on March 7, compiling replies from 3,195 firms, of which 2,591 were small and medium-sized enterprises (SMEs). It covers topics including trade and overseas investment activities, the business environment of foreign countries, utilization of free trade agreements (FTAs) and so on.

As regard to Europe, "Brexit-related risk" is regarded as the biggest problem in the UK and Europe, but it is rarely recognized as a problem in other areas. Meanwhile, the "policies of the new US administration" are recognized as the biggest issue with a response rate of more than 50% in the United States, Mexico and Russia, and exceeding 20% in the United Arab Emirates, Canada, Korea, the Middle East and Latin America.

Of the firms exporting to Japan's FTA partners, 44.9% are using FTAs. This remains about the same level as the previous year at 45.1%. If limited to large-scale firms, the percentage increases to 63.5%, rising 6.4 points compared to the

previous year. Looking at individual agreements, the percentage of firms answering that they were considering using the Japan-EU Economic Partnership Agreement (EPA), the negotiation of which was finalized in December 2017, was over half, at 52.1%. Among firms utilizing FTAs, 49.1% said that they were aware of the self-certification of origin system adopted within the Japan-EU EPA.

<https://www.jetro.go.jp/en/news/releases/2018/86aeedf1557c1864.html>

First Trade Surplus with China Registered in 6 Years

According to a survey that the Japan External Trade Organization (JETRO) published on March 16, Japan registered a first trade surplus with China in six years.

In 2017, Japan's export to China was \$164.9 billion, an increase of 13.7% from previous year while its import from China was \$164.4 billion (+5.0%). The last time Japan registered trade surplus vis-à-vis China was in 2011 with the balance of \$10.1 billion. By product, machinery, passenger cars and electric machines pushed up Japan's export while electric machines such as smartphones contributed to the increase of import.

For 2018, JETRO foresees China's demand for Japanese high performance electronic parts and machinery will remain stable. In the meantime, Japanese import of Chinese electric machines and apparel is expected to be either levelling off or sluggish.

JETRO's survey uses import statistics of Japan and China in order to integrate large amount of indirect trade via Hong Kong.

[https://www.jetro.go.jp/ext_images/ Reports/01/b8f158363e4b63f3/20170104.pdf](https://www.jetro.go.jp/ext_images/Reports/01/b8f158363e4b63f3/20170104.pdf) (Japanese language only)

Average Fuel Consumption of Gasoline Engine Cars Improved

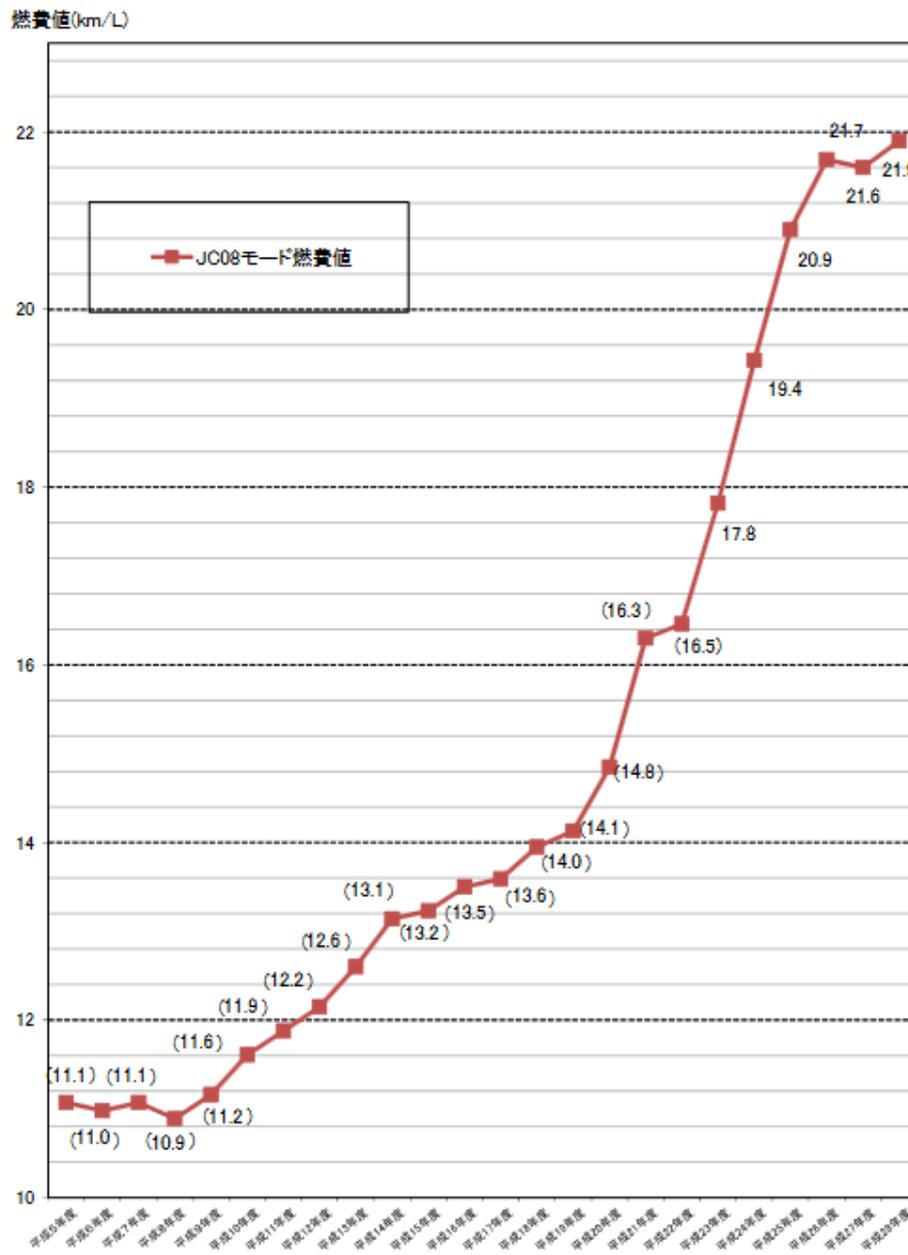
According to the annual survey of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) published on March 20, average fuel consumption of gasoline engine cars sold in Japan in fiscal 2016 was calculated at 21.9 km/L. It is an improvement of 1.3% from the previous year (See chart).

By brand, Toyota "Prius" was the most fuel efficient car in the Japanese market in 2017, attaining 40.8 km/Liter. It was followed by Toyota "Aqua" (38.0 km/L), Nissan "Note" (37.2 km/L) and Honda "Fit" (37.2 km/L).

In a class of normal engine cars other than "hybrids", Mazda "Demio" was the most fuel efficient (30.0 km/L), followed by Daihatsu "Boon" (28.0 km/L) and

Toyota “Passo” (28.0 km/L). In the same class, Fiat “500/500C” ranked the fifth (26.6 km/L). Volkswagen came seventh and eighth respectively with “up 1.0!” (25.9 km/L) and “cross up!” (25.2 km/L).

Average Fuel Consumption of Gasoline Engine Cars Sold in Japan
Between FY1993 and FY2016



http://www.mlit.go.jp/report/press/jidosha10_hh_000197.html

(Japanese language only)

Factory-grown Vegetables Become Better Accepted by Consumers

According to a questionnaire survey published on March 14 by the Japan Finance Corporation, factory-grown vegetables become better accepted by consumers than before. Those consumers who bought factory-grown vegetables were only 9.2% of respondents in July 2009 but it reached 21.4% in January 2018. However, ratio of respondents who have never bought those vegetables because they were not available in nearby shops remains stable, i.e. 13.4% in July 2009 and 14.4% in January 2018.

Factory-grown vegetables are evaluated better than conventional ones as regard to appearance and safety but regarded less favorable in terms of taste and nutrition. Among factory-grown vegetables, lettuce is by far the most popular, followed by tomato and spinach.

https://www.jfc.go.jp/n/findings/pdf/topics_180314a.pdf (Japanese language only)

COMPANY NEWS

Nissan Starts Exchange Program for Batteries of LEAF in Japan

Nissan Motor Corporation announced on March 26 that the Nissan LEAF owners in Japan would be able to exchange their cars' old batteries for refabricated ones under a new, fee-based program.

Starting in May, owners of the 100% electric Nissan LEAF can turn in their used batteries and, for a fee, receive refabricated ones. Nissan is using the battery-refabrication capabilities of 4R Energy Corp., a company established through a joint venture with Sumitomo Corp., to offer the program. 4R Energy opened Japan's first plant specialized in the reuse and recycling of lithium-ion batteries from electric vehicles in Namie town in Fukushima prefecture at the end of March.

Nissan will initially offer 24-kilowatt-hour refabricated batteries for 300,000 yen apiece, with plans to expand the lineup. Exchange costs for brand-new Nissan LEAF batteries are 650,000 yen for 24 kWh; 800,000 yen for 30 kWh; and 820,000 yen for 40 kWh.



Battery for Nissan LEAF

<https://newsroom.nissan-global.com/releases/release-487297034c80023008bd9722aa06bbbe-180326-04-j?lang=ja-JP> (Japanese language only)

<https://newsroom.nissan-global.com/releases/release-487297034c80023008bd9722aa069598-180326-01-e> (Japanese language only)

Toyota Launches Production of FC Bus "Sora"

Toyota Motor Corporation announced on March 28 that sales of the "Sora," the first fuel cell bus (FC bus) to receive vehicle type certification in Japan began on March 7.

Toyota expects to introduce over 100 fuel cell buses, mainly within the Tokyo metropolitan area, ahead of the Olympic and Paralympic Games Tokyo 2020. As the number of FC buses in operation within the metropolitan area increases, Toyota anticipates greater awareness of the vehicle among the general public.



Sora FC Bus

<https://newsroom.toyota.co.jp/en/corporate/21863761.html>

ADDITIONAL TOPICS

Japan H2 Mobility, a Company for Development of Hydrogen Stations, Established

Aiming to promote development of environments for the accelerated dissemination of fuel-cell vehicles (FCV), 11 companies, including hydrogen station operating businesses, automobile manufacturers, and financial investors, jointly established Japan H2 Mobility (JHyM), a new company with the mission of full-fledged development of hydrogen stations.

According to a press release of the Ministry of Economy, Trade and Industry (METI) dated March 5, establishing this company will contribute to specifying a framework for accelerating the development of hydrogen stations, and the new company is expected to lead the acceleration of developing such stations and ensure steadier business management.

Specific efforts that the new company will engage in are as follows.

- (1) Strategic development of hydrogen stations
- (2) Contribution to effective operation of hydrogen stations

http://www.meti.go.jp/english/press/2018/0305_001.html

One Hundred Hydrogen Stations to Open

Since FY2013, Japan has been developing commercial-purpose hydrogen stations to accelerate the development of environments in which fuel-cell vehicles (FCV) are further disseminated.

This spring, eight new hydrogen stations will open, and this will accomplish a network of 100 such stations as a world-leading initiative ahead of the United States, Germany* and other countries.

*Note: The United States operate 31 hydrogen stations, while Germany operates 44.

Placing a newly-established company, Japan H2 Mobility (JHyM), at the core of the initiative, the network of hydrogen stations in Japan is expected to further expand. The Ministry of Economy, Trade and Industry (METI) declared in their press release of March 23 that it would strongly promote three “pillars” of this development, i.e. regulatory reform, technical development and strategic development of hydrogen stations.

Spread of Hydrogen Stations

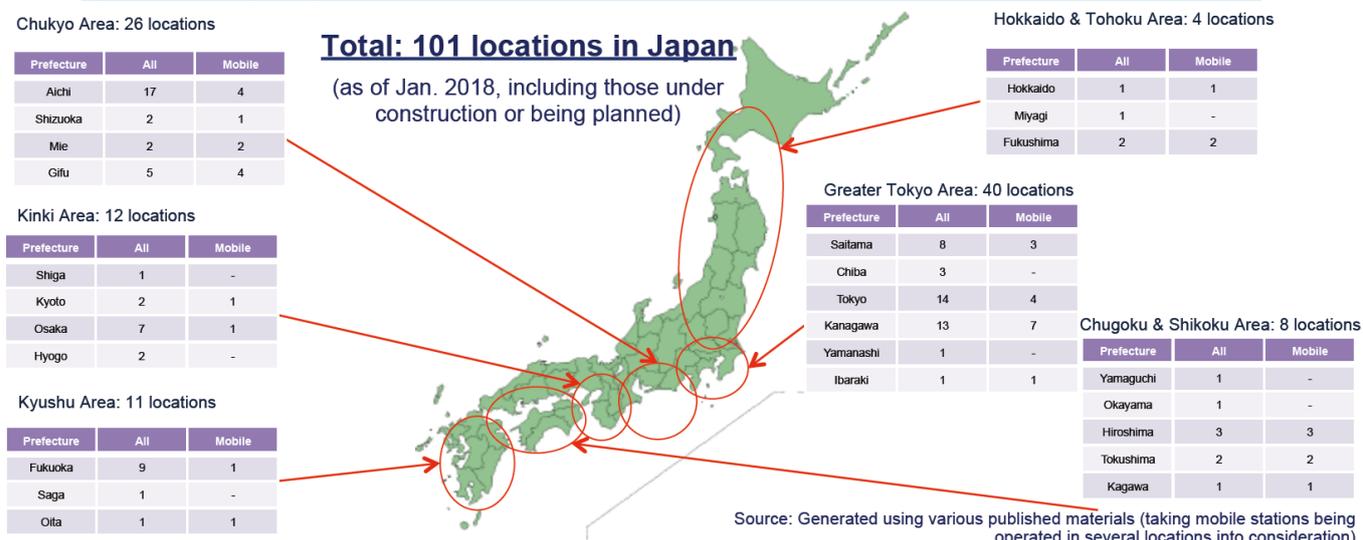


illustration by the Japan H2 Mobility

http://www.meti.go.jp/english/press/2018/0323_001.html

<https://www.jhym.co.jp/en/>

One of the Largest Solar Power Plants Built in Okayama

Kuni Umi Asset Management Co. Ltd. announced on March 7 that its Setouchi Kirei Mega Solar Power Plant, one of the largest photovoltaic power plant in Japan was being constructed in the former salt farm site in Setouchi city in Okayama prefecture.

According to the announcement, the power plant stretches approximately 260 hectares. It can generate 235 MW during peak sunlight hours with 900,000 solar panels. Commercial operation will start after six months of trial run.



Image completion

http://www.setouchimegasolar.com/pdf/2018_03_07.pdf (Japanese language only)

<https://www.kuniumi-am.co.jp/en/>

Search Functions for Patent Examiners to be Accessible to the Public

The Japan Platform for Patent Information (J-PlatPat) is, a free-of-charge database through which intellectual property (IP) users are able to search and refer to gazettes of and other information on patents, utility models, designs and trademarks. The Japan Patent Office (JPO) announced on March 9 that J-PlatPat would significantly enhance the database functions and harmonize its search functions with those of the existing patent examination systems, thereby permitting the public to access new search functions through J-PlatPat.

According to the JPO, IP users will be able to accomplish more accurate and efficient prior art search through accessing these new functions, and this is expected to help them avoid any overlapping investment in research and development processes and to promote innovations. Moreover, these new functions will permit IP users to efficiently conduct prior art search for U.S., EU, and international applications in English across countries, thereby supporting such users in developing more appropriate strategies for filing applications overseas.

http://www.meti.go.jp/english/press/2018/0309_003.html

Japan and Indonesia Started the Application of ASEAN-Japan EPA

On March 1, Japan and Indonesia started the application of preferential tariff rates under the Agreement on Comprehensive Economic Partnership among Member States of the Association of Southeast Asian Nations and Japan (AJCEP). The starting of application of the agreement is in line with that of the ministerial regulations, necessary for entry into force. The agreement was promulgated on February 15, and entered into force on March 1.

http://www.meti.go.jp/english/press/2018/0301_001.html