

JAPANESE INDUSTRY AND POLICY NEWS

November 2018

LEGISLATION AND POLICY NEWS

METI Launched “Fair M&A” Study Group

The Ministry of Economy, Trade and Industry (METI) announced on November 7 that it decided to embark on a new study group named the Fair M&A Study Group. In 2007, METI formulated the Guidelines for Management Buyout (MBO) to Improve Corporate Value and Secure Fair Procedures (hereinafter referred to as the “MBO Guidelines”). Since then, business environments in Japan have continued to change, and in light of such changes, the study group will hold discussions concerning ideal approaches to fair M&A in Japan, including the necessity of revising the MBO Guidelines. The first meeting of the study group was held on November 9.

http://www.meti.go.jp/english/press/2018/1107_007.html

http://www.meti.go.jp/shingikai/economy/fair_ma/001.html (in Japanese)

Clean Ocean Material Alliance to be Established

The Ministry of Economy, Trade and Industry (METI) announced on November 20 that it has decided to embark on a new initiative called the Clean Ocean Alliance (tentative title). This initiative aims to solve issues concerning marine debris, an emerging global challenge, by promoting development and introduction of sustainable use of plastic products and alternatives to plastics, and accelerating innovations under public-private collaboration.

On November 20, the Japan Environmental Management Association for Industry (JEMAI), the secretariat of this initiative, started a call for participating companies in this alliance.

The alliance aims to engage in: (a) information sharing between providers of raw materials and user companies through technological and business matching events and conveyance of information on leading case examples, (b) ascertaining of the latest technical trends through technical exchange and technical seminars with research institutes, (c) collaboration with international organizations, overseas research institutes and other associations as well as international collaboration to convey information to developing countries and other regions, and (d) encouraging companies in a variety of fields to collaborate

in effective utilization of plastic products in general.

http://www.meti.go.jp/english/press/2018/1120_005.html

METI to Launch SDG Management / ESG Investment Study Group

In recent years, Japanese companies have been raising awareness about sustainable development goals (SDGs) and facing trends in expansion of international environment, social, governance (ESG) investment. In light of this, the Ministry of Economy, Trade and Industry (METI) launched a SDG Management / ESG Investment Study Group. The study group will focus on approaches for Japanese companies to incorporate SDGs into their management and those to leading such introduction to attract ESG investment.

By encouraging Japanese companies to incorporate SDGs into their management and those to leading such introduction to attract ESG investment, METI aims to bolster circular flow of economic system in which companies are able to sustainably improve corporate value and investors will invest in such companies, thereby bringing about mid- to long-term profits to these companies. In its first meeting on November 26, four organizations including Kao Corporation and euglena Co., Ltd. made presentations.

http://www.meti.go.jp/english/press/2018/1122_001.html

http://www.meti.go.jp/shingikai/economy/sdgs_esg/001.html (in Japanese)

SURVEY AND BUSINESS DATA

FY2017 Energy Supply and Demand Report Published

The Agency for Natural Resources and Energy (ANRE) released on November 15, preliminary figures on the FY2017 Comprehensive Energy Statistics based on the results of studies including a variety of energy-related statistics, and compiled a preliminary report of the FY2017 Energy Supply and Demand Report. As for energy demand, overall final energy consumption increases by 0.4% on a year-on-year basis, showing an increase for the first time since the Great East Japan Earthquake in 2011, while electricity consumption has remained the same for two consecutive years.

As for supply, the overall domestic supply of primary energy shows an increase by 1.0% on a year-on-year basis. The supply of fossil fuels has been decreasing for four consecutive years, while that of non-fossil fuels, such as renewable

energy and nuclear energy, has been increasing for five consecutive years. Energy-oriented carbon dioxide emissions show a decrease by 1.4% on a year-on-year basis, which is a decrease for four consecutive years and a decrease by 10.0% from FY2013.

http://www.meti.go.jp/english/press/2018/1115_001.html

Wage Increase Stays Almost the Same Level as Previous Year

According to the statistics that the Ministry of Health, Labour and Welfare released on November 27, the percentage of companies that increased wages in 2018 was 89.7%. It was 87.8% a year earlier. Average wage increase ratio was 2.0%, same as the previous year while on money term, it was 5,675 yen/month which is almost the same as a year earlier (5,627 yen/month).

<https://www.mhlw.go.jp/toukei/itiran/roudou/chingin/jittai/18/dl/09.pdf>

(in Japanese)

<https://www.mhlw.go.jp/toukei/itiran/roudou/chingin/jittai/18/index.html>

(in Japanese)

Number of SMEs and Small Enterprises Continued to Decrease

According to the statistics that the Small and Medium Enterprise Agency (SMEA) released on November 30, the number of SMEs and small enterprises was 3.578 million as of June 2016. The number decreased by 0.231 million (6.1%) from those in 2014. SMEA aggregated the number of SMEs and small enterprises based on an analysis of the data in the 2016 Economic Census for Business Activity released by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Internal Affairs and Communications (MIC) on June 28, 2018. The pace of decrease slowed between 2012 and 2014 (44,000 entities, 1.1%) but accelerated between 2014 and 2016.

Top three prefectures with most numerous SMEs and micro businesses are Tokyo (413,408 companies), Osaka (270,874) and Aichi (208,310), followed by Kanagawa (187,428).

http://www.meti.go.jp/english/press/2018/1130_002.html

Successful Case Examples for Reducing Parcel Redeliveries Released

The Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) compiled a report based on discussion results of the Liaison Conference on Productivity Improvement

between Delivery Service Businesses and EC Businesses, which consists of three sectors: delivery service businesses, EC businesses and the government. The report summarizes the discussion results of the conference, and describes successful case examples for reducing the number of parcel redeliveries.

As the scale of electronic commerce (EC) markets has been expanding in recent years, delivery service businesses are facing an increase in the number of parcels that they handle by approximately 21% over these five years, and the number of such parcels reached approximately 4.25 billion in FY2017. In addition to an increase in parcel redeliveries and labor shortage, such businesses have also faced inefficiencies caused by changes in market environments, e.g., smaller lots and higher frequencies of parcel deliveries. To improve the productivity of respective businesses in this trend, it is indispensable for delivery service businesses and EC businesses not only to make business activities more efficient through respective efforts, but also to collaborate with each other in a variety of efforts.

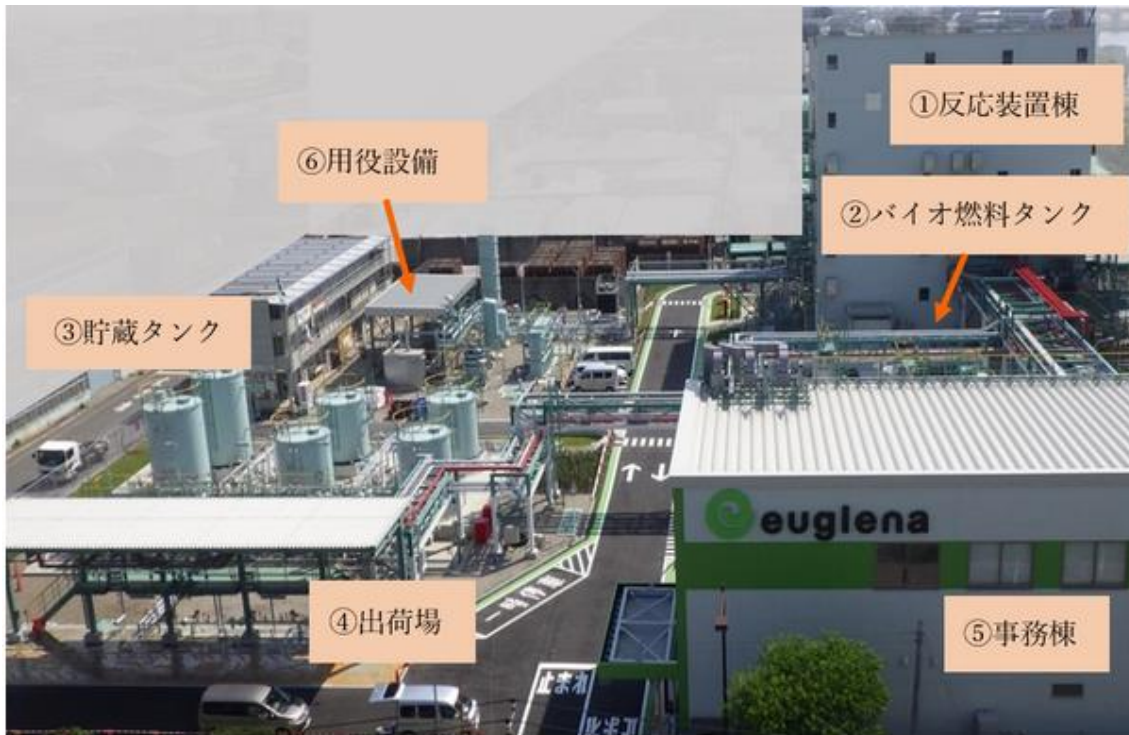
http://www.meti.go.jp/english/press/2018/1102_003.html

COMPANY NEWS

Japan's First Biojet and Diesel Fuel Production Demonstration Plant Completed

Egreena Co., Ltd. announced on November 2 that Japan's first biojet and diesel fuel production demonstration plant in Yokohama was completed. It is a collaborative project with Chiyoda Corporation, Itochu Enex Co., Ltd., Isuzu Motors Corporation (Isuzu Motors), ANA Holdings Corporation and the Automobile Industry-Academia-Government Collaboration Promotion Council of Hiroshima.

According to their press release, the demonstration plant will start full-scale operation from the spring of 2019, and it is planned to begin production of biojet and diesel fuels based on the microalgae Midorimushi (scientific name: *Euglena*) and waste edible oil. Its manufacturing capacity is 5 barrels/day.



Biojet and Diesel Fuel Production Demonstration Plant

- ① Reactor Building, ② Biofuel Tank, ③ Storage Tank, ④ Delivery place,
- ⑤ Administrative building, ⑥ Utility equipment

In addition to realizing the pilot flight with domestically produced biojet fuel manufactured by the demonstration plant by 2020, manufacturing of the next generation biodiesel is projected to start from the summer of 2019. Performance test of biodiesel fuel proved that it can be used without changing the engine. In response to this result, Isuzu Motors Corporation will start a demonstration run by regular operation of the shuttle bus between Isuzu Fujisawa factory and Shonandai station from December 2018.

<https://www.euglena.jp/news/20181102-2/>

http://www.isuzu.co.jp/press/2018/11_2.html (in Japanese)

Honda Started Taking Order for its “Smart Hydrogen Station”

Honda Motor Co., Ltd. announced on November 21 that it had started taking order for its “Smart Hydrogen Station (SHS) 70Mpa” which produces, stores and fills high pressure hydrogen for fuel cell vehicles (FCVs). According to Honda, SHS 70Mpa realized a high filling pressure of 70 Mega Pascal for the first time in the world as a high pressure water electrolysis type hydrogen

station.



Honda's Smart Hydrogen Station 70MPa

<https://www.honda.co.jp/news/2018/c181121.html> (in Japanese)

MHI Vestas Received Firm Order for Belgian Northwester 2 Project

Mitsubishi Heavy Industries, Ltd. (MHI) announced on November 12 that MHI Vestas Offshore Wind, a joint venture between MHI and Vestas Wind Systems A/S received a firm order for the supply and installation of 23 units of V164-9.5 MW turbines for Northwester 2, an offshore wind firm project in Belgium.

The firm order includes a 15-year service agreement for MHI Vestas. Installation is scheduled to begin in late 2019. Once become operational, the Northwester 2 is projected to supply power to more than 200,000 households.

<https://www.mhi.com/jp/news/story/181112.html> (in Japanese)

<http://www.mhivestasoffshore.com/parkwind-and-mhi-vestas-confirm-firm-order-for-northwester-2/>

Kansai Electric to Participate in Offshore Wind Farm Project in U.K.

According to a press release of the Kansai Electric Power Co., Inc. dated November 29, it has entered into an agreement through its subsidiary, KPIC Netherlands B.V., to acquire 30% of shares in Diamond Green Limited from Diamond Generating Europe Limited, a U.K.-based subsidiary of Mitsubishi Corporation.

Diamond Green Limited has a 33.4% stake of Moray East Holdings Limited which will construct and operate the Moray East Offshore Windfarm project. The agreement with DGE gives Kansai Electric a 10.02% ownership stake in the project.

The project has been developing and, in 2018, will start construction of one of the U.K.'s largest offshore wind farms. The project is located in the North Sea, 22km off the coast of Scotland. It is scheduled to begin commercial operation in 2022 and will have a maximum capacity of 950MW with 100 of turbines.

This is the second case of Kansai Electric entering into U.K.'s offshore wind power projects. This acquisition makes Kansai's net overseas assets to be approximately 2,807MW in total.

Site Location



https://www.kepcoco.jp/english/corporate/pr/2018/pdf/2018_nov29.pdf

Sumitomo Forestry Makes Investment in Digital Grid Corporation

Sumitomo Forestry Co., Ltd. announced on November 30 that it had invested in Digital Grid Corporation, an energy service provider engaging in the

development of platform for electric power trading, using block chain technology.

Sumitomo Forestry explains the reason for the participation for developing its renewable energy business. Sumitomo Forestry is engaging in the woody biomass electric power generating business. The “Digital Grid Platform” is scheduled to become operational in October 2019.

<https://sfc.jp/information/news/2018/2018-11-30.html> (in Japanese)

<http://www.digitalgrid.com/english/>

ADDITIONAL TOPICS

METI to Hold First “AI Edge” Contest

The Ministry of Economy, Trade and Industry (METI) announced on November 12 that it decided to embark on a contest program titled AI Edge Contest aiming to discover outstanding computer technologies, human resources and ideas as well as to encourage promising new human resources to enter these fields for the purpose of establishment of innovative AI edge computing technology.

Under this program, entries will use real data and compete in developing solutions to challenges by focusing on future implementations.

In the first contest this year, entries will compete with each other in the accuracy of detecting target objects in images for image recognition, a technology indispensable for the realization of autonomous driving technology.

METI plans to continuously conduct a series of contests under this program targeting not only algorithms and other software, but also hardware and implementation thereof, as part of its efforts for achievement of innovative AI edge computing technology.

Outline of the contest is as follows.

Title: First AI Edge Contest

Organizer: METI

Co-organizers: New Energy and Industrial Technology Development Organization (NEDO) and National Institute of Advanced Industrial Science and Technology (AIST)

System for executing the contest: Three committees established by METI: Advisory Committee, Preparation and Management Committee and Review Board

Eligibility: None (any individuals and associations are eligible for entry.)

Period: From November 19 (Mon.), 2018, to January 27 (Sun.), 2019

Commendation ceremony: Early March of 2019 (tentative; top finishers will be recognized and awarded a prize.)

http://www.meti.go.jp/english/press/2018/1112_001.html

New Demonstration Test of Remote Control of Driverless Autonomous Driving to Start

The Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) have jointly developed vehicles with a built-in technology equivalent to the Level 4 Autonomous Driving Technologies through the project commissioned to the National Institute of Advanced Industrial Science and Technology (AIST).

On November 19, using these newly-developed vehicles, the ministries began the world's first demonstration test on public roads in Eiheiji Town, Fukui prefecture. The test is an experiment of an autonomous driving system with which an operator is able to remotely monitor and control two driverless vehicles simultaneously.

Test vehicle and test course (Source: AIST)



http://www.meti.go.jp/english/press/2018/1114_001.html

http://www.mlit.go.jp/report/press/jidosha07_hh_000290.html (in Japanese)

Report on Counter Measures against “No-Shows” Released

The Expert Study Group on External Environment Development to Enhance Added Value to the Service Industry released a report titled “Report on Counter Measures against No-Shows in Restaurants” on November 1.

The study group was convened in FY2017, consisting of lawyers, university professors, representatives of industrial associations and representatives of IT vendors for restaurants as members expertized in the no-show issue as well as officials of the Ministry of Economy, Trade and Industry (METI), the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Consumer Affairs Agency as observers.

Highlights of the report are as follows.

- (1) The restaurant industry has been facing an estimated damage of up to 200 billion yen caused by no-shows, and solving this issue may bring about benefits not only to restaurants but also consumers.
- (2) Restaurants are allowed to request that no-shows pay cancelation charges: full payment to those who have reserved full-course meals, and charges set by respective restaurants to those who have reserved seats only, a result calculated based on their per-customer price.
- (3) Restaurants should alter cancelation policies before consumers make reservations. In addition, restaurants should explain the reasons as to why they have set such policies. Consumers should notify restaurants of their cancelation of reservations in advance to avoid becoming no-shows.

http://www.meti.go.jp/english/press/2018/1101_001.html

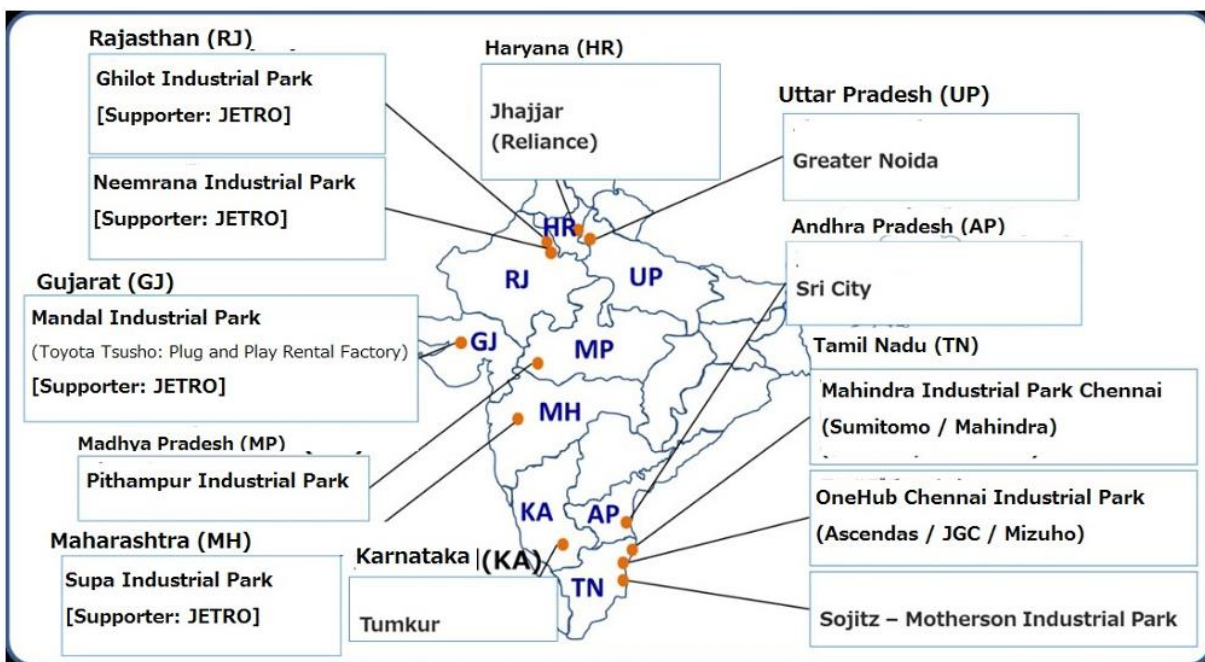
Japan and India Exchange Progress Reports of Japan Industrial Townships in India

According to a press release dated November 2, the Ministry of Economy, Trade and Industry (METI) and the Ministry of Commerce and Industry (MCI), India exchanged respective progress reports which describes the efforts of the governments of Japan and India for improvement of business environments in the Japan Industrial Townships (JITs) in India and achievements thereof. The development and advancement of the JITs are expected to help further acceleration of Japanese companies’ investment in India.

In September 2014, Mr. Shinzo Abe, Prime Minister of Japan, and Mr. Narendra Modi, Prime Minister of India, announced the Japan-India Investment Promotion Partnership. As part of this partnership agreement, Japan decided to develop

the JITs, an industrial zone in which Japanese companies are able to smoothly start and develop business in India. At the same time, the agreement requires India to develop business environments and provide incentives not lower than those in the Special Economic Zone (SEZ).

Japan Industrial Townships in India



http://www.meti.go.jp/english/press/2018/1102_002.html