**System outline on the some of the revision of “the Act on Strengthening Industry Competitiveness, etc."**

Related to Industry Competitiveness Enhancement Act

Jul. 2021

# Outline of the law and the changes.

* Following the spread of the outbreak of the new Corona Virus, the Japanese economy recorded the largest decline in the postwar period, and faced a crisis. On the other hand, there is an opportunity to move away from the old economic and social system and make structural changes to a "new day-to-day."

**Background**

* In order to anticipate initiatives for "new daily life" and to support corporate transformation from a long-term perspective, measures will be taken to promote ① the conversion to a "green society" as the source of growth in Post-Corona, ② responses to "digitalisation," ③ business restructuring toward "new daily life," and ④ the strengthening of the foothold of SMEs.

**Outline of the Law**

****

**Response to digitalisation**

**1**

**4**

**2**

**Shift to a "Green Society"**

**1**

**Strengthening SMEs**

* Take the following steps to grow into a medium-sized company and foster companies that can compete overseas

1. Improving Labour Productivity through Scale Expansion

① Expansion of eligibility for support measures for enterprises in the process of growth from SMEs to medium-sized enterprises

② SME Business Resource Intensification (M&A) Tax

③ Reduction of consolidation procedures (purchase of shares whose location is unknown)

1. Proper transactions between large enterprises and SMEs

① Expansion of types of transactions subject to the Subcontractor Promotion Act

1. Addition of medium-sized enterprises working to strengthen the business continuity abilities of SMEs to the scope of financial support

* The competent minister certifies plans for company-wide business model transformation (DX) utilizing digital technology, and takes the following measures

① DX Investment Promotion Tax (5% tax credit for digital-related investments utilizing cloud technology, etc.)

② Low-interest loans funded by the Fiscal Investment and Loan Program

* The competent minister certifies the business plan for realizing carbon neutrality, and the following measures are taken.

① Capital Expenditure Promotion Tax (10% tax credit, etc.)

* 1. Production facilities for products with high carbon decarbonization effects
  2. Equipments to promote the decarbonization of production processes

② Financial support (up to 0.2% interest subsidy, etc.)

**Business restructuring for a "new day-to-day"**

**3**

* The competent minister has approved a business restructuring plan for a "ne27w day-to-day" and has taken the following measures

① Raise the maximum deductible amount of net operating loss carryforwards for companies engaging in carbon neutral, DX, business restructuring, etc., even if they are in the red (raised from the current 50% to a maximum of 100% for up to five years for medium-and large-sized companies)

※100% even at present for SMEs

② Low-interest loans funded by the Fiscal Investment and Loan Program

****

****

**5**

|  |  |  |  |
| --- | --- | --- | --- |
| **5  Improving the Business Environment for a New Daily Activity** | | | |
| 1.Promotion of regulatory reform  ① Realization of virtual only shareholders' meetings  ② Permanent regulation of sandboxes  (Transfer from the Productivity Special Measures Law)  ③ Third Party Perfection in Assignment of Claims Required  Special Provisions for Cases (Special Provisions for Civil Code, etc.) | 2.Supporting the growth of venture companies  ① Debt Guarantee System for Private Financing to Deeptech Ventures  ② Expansion of overseas investment by domestic funds (LPS) (exemption from the current 50% overseas investment regulation) | 3.Promoting Business Restructuring  ① Elimination of the requirement for prior approval of tax deferral of gain on transfer of shares of stock consideration M&A  ② Exclusion from Stock Purchase Requests in Stock Consideration M&A | 4.Facilitation of business revitalization  ① Facilitation of the shift from ADR for business revitalization (private liquidation) to simplified rehabilitation procedures (legal liquidation), etc. |

※At the same time, the Act on Special Measures for Improving Productivity was abolished.

- 1 -

## ①Shift to a Green Society, ② Respond to Digitalisation, and ③ Restructure Business for New Daily Day-to-Day



* The competent minister (the minister in charge) verifies that the company-wide DX plan for the company is in compliance with the implementation guidelines and the implementation guidelines for each sector field (the formulation of implementation guidelines for each business field is voluntary), and the following support measures are taken.

**① Digital Transformation (DX) Investment Promotion Tax**

* + After the competent minister certifies a plan for a company-wide level DX involving data collaboration and sharing that is not by sector or location, a tax credit of up to 5% or special depreciation of 30% is offered for digital-related investments (both software and hardware) utilizing cloud technology required to realize the DX.

**② Financial support (low-interest loans funded by the Fiscal Investment and Loan Program)**

* + Measures for low-interest loans funded by the Fiscal Investment and Loan Program

**2.Responding to "Digitalisation"**

* The competent minister (the minister having jurisdiction over the sector) confirms that the plan of the business operator's efforts for "conversion to a green society" conforms to the Implementation Guidelines and the Implementation Guidelines for Each Business Field (the formulation of the Implementation Guidelines for Each Business Field is voluntary), and takes the following measures to support the business operator.

**① Investment Promotion Tax for Carbon Neutral**

* 1. **Promoting investment in production facilities for products with high carbon decarbonization effects**
     + Implementation of tax credit of 10% or special depreciation of 50% for the introduction of equipment that is highly effective in decarbonization and is expected to contribute to the growth of new demand (main components for offshore wind power generation facilities and lithium-ion batteries for compound power semiconductors, fuel cells, electric Automobiles, etc.).
  2. **Promoting investment in facilities that promote the decarbonization of production processes, etc.**
     + Provide up to 10% tax credits or 50% special depreciation for the introduction of facilities required for planning to improve carbon productivity (added value/Energy origin CO2 emissions) at business sites, etc.

**② Financial support (interest subsidy, etc.)**

* Regarding loans from designated financial institutions for funds necessary to promote steady efforts to reduce CO2, a performance-linked interest subsidy system will be implemented to reduce interest rates by up to 0.2% when KPIs set in advance are achieved. At the same time, low-interest loans are provided using the Fiscal Investment and Loan Program (FILP) as a source.

**1.Shift to a "Green Society"**

* Persons who have been seriously affected by the growth and development of their business due to changes in the economic and social situation (companies that suffered losses from the Corona scandal) are planning initiatives for a "new day-to-day"

Confirm that the Minister(s) in charge of business are in compliance with the Implementation Guidelines and the Implementation Guidelines for Each Business Field (the formulation of the Implementation Guidelines for Each Business Field is voluntary), and take measures to support the following

**① Special provision for "maximum deduction for loss carryforwards" for enterprises engaging in management reforms in the Corona Era**

* + In principle, the deduction ceiling will be increased from the current 50%\* to a maximum of 100% for 2020 and 2021 deficits over a period of up to five years from returning to profitability.

(Expanding the upper limit of deduction to the amount of investment in growth investments actually made in the previous fiscal year)

※Even at present, smalls can deduct up to 100%. This system is aimed at medium-sized and large companies.

**② Financial support (low-interest loans funded by the Fiscal Investment and Loan Program)**

* + Measures for low-interest loans funded by the Fiscal Investment and Loan Program

**3.Business restructuring for a "new day-to-day"**

# [Reference] Image of Definition and Initiatives for Business Adaptation

* In light of the fact that disruptive innovations are occurring worldwide due to innovations in digital technologies, we will work to transform our business model using digital technologies (DX) in order to respond to such developments in Digital Disruption.

**②Adaptation to information technology business**

* International trends in addressing climate change issues as an opportunity for growth are accelerating. In order to meet these trends and achieve carbon neutrality in 2050, efforts should be made to disseminate products with high decarbonization effects and to decarbonize production processes and other processes.

**①Adapt to business for reducing environmental impact of Energy use**

* For Post-Corona, even in the midst of a severe business environment, we will spare no effort in making losses, and carbon neutral, digital transformation,

**Invest in business restructuring, reorganization, etc., and boldly engage in management reforms.**

**③Growth and development business adaptation**

<Examples of Initiatives>

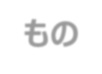
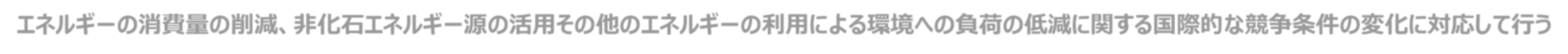
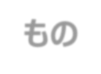
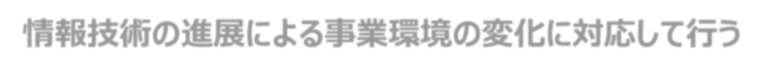
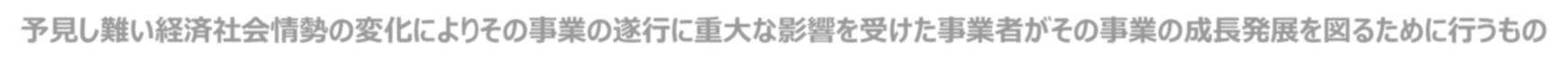
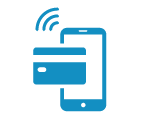
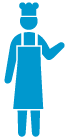
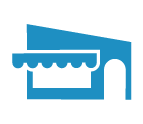
Began business transformation to increase earnings without generating more CO2. Increase added value by renovating production facilities while promoting carbon decarbonization by switching to renewable electricity.

<Examples of Initiatives>

Launched next-generation Internet supermarket and smart store businesses. Improve customer convenience by providing sales promotion information using customer data and realizing unattended payments.

<Examples of Initiatives>

Companies operating restaurant chains deteriorated their business results due to the Corona crisis. Invested in a company with unattended store technology that automatically identifies and automatically settles products, and improved productivity through store development that does not assume face-to-face.



<Industrial Competitiveness Enhancement Act (Summary) (Definition of Business Adaptation)>

12 The term "business adaptation" as used in this Act means a change (limited to a change accompanied by a resolution or decision on a management policy by a board of directors or an equivalent institution) by a business operator, in whole or in part, with the aim of achieving a considerable improvement in the productivity of the business or developing a considerable amount of new demand pertaining to the goods produced or sold or the services offered, in response to changes in Industry structure or international competitive conditions or other changes in the economy and social circumstances, and which falls under any of the following items:

— Businesses that have been seriously affected by changes in economic and social conditions that are difficult to predict in order to grow and develop their businesses

2 Response to changes in business conditions due to IT progress

3 Reducing Energy consumption, use non-fossil Energy sources, and utilizing Energy to reduce environmental impact in response to changes in global competitive conditions

## ⑤Improving the Business Environment for a New Daily Activity



**① Special Provision for Realization of Virtual Only Shareholders' Meeting**

* According to the Companies Act, when convening a general meeting of shareholders, a "place" must be determined, and it is difficult to hold a general meeting of shareholders on a virtual basis only. In the event that a listed company is confirmed by the Minister of Economy, Trade and Industry and the Minister of Justice,

Establish a special exemption that allows virtual-only shareholders' meetings to be held

**② Permanent establishment of the regulatory sandbox system**

* As the Act on Special Measures for Productivity Improvement expires in June 2021, the demonstration system for regulatory reform (the regulatory sandbox system) under the Act is transferred to Industry Competitiveness Enhancement Act.

**③ Special Provisions on Requirements for Perfection against Third Parties in Assignment of Claims**

* Under the Civil Code, a notification, etc. to the debtor of the assignment of a claim does not satisfy the requirements for a third party perfection unless it is a "certificate with a fixed date" (contents-certified mail, etc.). In the case of a notice, etc. by an information system that has been certified as a plan, a special provision shall be established to the effect that the requirements for a third party perfection are fulfilled.

**1.Promotion of regulatory reform**

**① Establishment of a loan guarantee system for private loans to deeptech ventures**

* For loans from private financial institutions to large-scale R&D ventures business mass production, etc., after the Minister of Economy, Trade and Industry approves the project plan

Establishment of SMRJ's loan guarantee system

**② Special Provision for Expansion of Overseas Investment by Domestic Funds**

* Overseas investment of domestic funds (LPS) is restricted to less than 50% of the total amount of investment under the Limited Partnership Act. However, overseas regulations are excluded for investments made by funds that the Minister of Economy, Trade and Industry has confirmed that they will engage in open innovation. In addition, SMRJ will provide debt guarantees when approved funds receive bridge loans from financial institutions

**2.Supporting the growth of venture companies**

**① Tax Deferral of Gain on Transfer of Shares of M&A Not Requiring Prior Certification**

* When using the stock allocation system under the Companies Act, take measures to defer taxation of gains on stock transfer in stock consideration M&A without authorization (abolished the authorization system for Tax)

**② Exclusion from Stock Purchase Requests in Stock Consideration M&A**

* In the case of stock consideration M&A, the shareholders of the acquiring company who oppose the M&A can request the acquiring company to purchase their shares, but the request for purchase is exempt from the case of stock consideration M&A that meets certain conditions (such as the acquiring company being a listed company) certified as a "business reorganization plan."

**3.Promoting Business Restructuring**

**① Facilitation of the transition from ADR for business revitalization to simplified rehabilitation procedures**

* In order to enhance the effectiveness of the Revitalization ADR, ① in order to impose on financial institutions the obligation to make efforts to participate in the Revitalization ADR, and to deter the transition to a legal liquidation, ② when a third-party institution of ADR confirms the need to cut credits in the Revitalization Plan when a creditor of 3/5 or more has agreed to the Revitalization ADR, when the Revitalization ADR is unsuccessful and attempts to transition to simplified revitalization, a provision shall be established to make a decision to start simple revitalization considering the facts that the court has confirmed in the Revitalization ADR the reduction of the receivables of the Revitalization Plan.

**4.Facilitation of business revitalization**

|  |  |  |
| --- | --- | --- |
| **1.** | **Shift to a "Green Society"** | |
| 2. | Responding to "Digitalisation" | |
| 3. | Business restructuring for a "new day-to-day" | |
| 4. | Improving the Business Environment for a New Daily Activity | |
|  | (1) | Promotion of regulatory reform |
|  | (2) | Supporting the growth of venture companies |
|  | (3) | Promoting Business Restructuring |
|  | (4) | Facilitation of business revitalization |
| 5. | Other revised matters | |



* Acceleration of decarbonization investment by private companies is indispensable for realization of carbon neutrality in 2050.
* Under the program approval system of Industry Competitiveness Enhancement Act, a new tax credit of up to 10% or special depreciation of 50% will be applied\* to the introduction of ① production facilities for products with significant decarbonization effects, and ② facilities that simultaneously decarbonize production processes, etc. with value-added enhancement.

※The amount of investment subject to the measure is up to 50 billion yen. The tax credit is up to 20% of the corporate tax amount together with the DX Investment Promotion Tax described below.

System Overview

[Due by the end of fiscal 2023]

|  |  |  |  |
| --- | --- | --- | --- |
|  | **①Introduction of production facilities for products with significant carbon decarbonization effects** |  | **②Introduction of facilities that simultaneously decarbonize production processes and increase added value** |
|  |  |
| **Target** | * Equipments that are used exclusively to produce goods that are expected to contribute to the expansion of new demand due to the significant reduction in environmental impact from the use of Energy   ※The target equipment is machinery and equipment.  **<Details of measures>**  10% tax credit or 50% special depreciation  **<Product image>**  **[Compound power semiconductor] [Fuel Cells]** | ○Equipments required for planning to substantially improve carbon productivity (value added/Energy origin CO2 emissions) at business sites, etc.  (※)  ※Need to improve carbon productivity at business sites by 1% or more through introduction  ※The object equipment is machinery and equipment, furniture and fixtures, building fixtures, and structures.  **<Significant improvement in carbon productivity and contents of measures> Increase by 10% or more within three years: Tax credit by 10% or special depreciation by 50% or more: Increase by 7% or more within three years: Tax credit by 5% or special depreciation by 50%**  **<Plan image>**  **[Procurement from external electricity] [Energy control equipments]**  **Newly introduced**  **Partially switched to renewable energy**  **[Production process]**  Production line ① Production line ② **Production line ③**  Production equipment Production equipment **Renovation of production facilities** | |

* Formulated a plan for more than 10 years to promote initiatives (transitions) to steadily reduce CO2 toward realizing carbon neutrality in 2050, and implemented a two-step loan and a performance-linked interest subsidy system for businesses certified by the minister under the jurisdiction of the business.

Fiscal Loan

Japan Finance Corporation

Country

Loans

(same conditions as the Fiscal Loan)

**System scheme**

Budgetary measure

Interest subsidy

**Details of measures**

Authorized financial institution

Loans

|  |  |  |
| --- | --- | --- |
|  | **Two-step loan** | **Performance-linked interest subsidy system** |
| Loan period | * More than 5 years | * 7 years or more |
| Amount of money | * 5 billion yen or more | * No lower limit * Up to 50 billion yen per company is eligible for interest subsidy |
| Other | * Credit decisions require review by designated financial institutions | * Credit decisions require review by designated financial institutions * Interest subsidies shall be provided within the scope of the budget (assuming interest subsidies for loans totaling 1 trillion yen over the next three years) * Interest subsidy period is up to 10 years |

(Interest rate reductions based on achievement of medium-term goals, etc.)

Business operator

* When receiving interest subsidy, in addition to the target that is aimed at achieving at the end of the plan period, it is required to set at least three medium-term targets that will become milestones for achieving the plan.
* Implemented a 0.1% margin reduction for businesses that have received plan approval (up to the first medium-term target). To a maximum range of 0.2% in the event that the Company achieves the mid-term targets set in advance as milestones in the plan period

You cut interest rates.

Interest rate

**Normal interest rate**

**(Example: 0.5%)**

**Rate at the time of plan approval**

**(Example: 0.4%)**

**Interest rate at achievement of KPI**

### [Image]

**First of all, rating plan formulation**

**OOA0. 1% reduction in interest rates**

**Medium-term target not achieved (14% reduction)**

**Price and implement**

**Since it was, there was no interest rate cut, and the interest rate returned to normal.**

**(Example: 0.3%)**

**From the normal interest rate as the medium-term goal was achieved (11% reduction)**

**OOA0. Implemented a 2% interest rate cut**

**From the normal interest rate as the medium-term goal was achieved (23% reduction)**

**OOA0. Implemented a 2% interest rate cut**

**2 years 5 years**

**8 years 10 years** Loan period

**Goal: Reduce CO2 emissions by 10% in two years**

**Goal: Reduce CO2 emissions by 15% in five years**

**Goal: Reduce CO2 emissions by 20% in eight years**

**Goal: Reduce CO2 emissions by 30% in 10 years**

* When receiving financial support, the plan needs to meet the following requirements:

**(I) Whether an ambitious goal has been set**

**(II) Whether the transition strategy is reasonable**

**(III) Whether monitoring reporting is properly implemented (\*III does not need to be met if only two-step loans are received) (IV) whether it is expected to strengthen competitiveness**

* Assuming that the minister in charge approves the business plan, external evaluation organizations are required to certify whether they comply with the "Basic Guidelines for Climate Transition Finance" and the "Sustainability Link Loan Principles" in order to establish a mechanism that links the business plan (I) to (III) with the evaluation in the market.
* With regard to external evaluation organizations, based on applications from external evaluation organizations, from the perspectives of past performance, operational implementation systems, and evaluation processes,

**The Ministry of Economy, Trade and Industry shall conduct examinations and designate and publicize in advance.**

Country

(Minister with Jurisdiction over the Business)

(3) Plan certification

External evaluation organization

External Evaluation Agencies from (I) to (III)

* + Basic Guidelines for Climate Transition Finance
  + Sustainability Linked Loan Principles

Make sure that it is in compliance

(2) Planning application

Business operator

(I) Whether or not an ambitious goal has been set (II) Whether the transition strategy is reasonable

(III) Whether or not monitoring reporting is properly implemented (IV) is expected to strengthen competitiveness

Plan

1. Authentication

|  |  |  |
| --- | --- | --- |
| 1. | Shift to a "Green Society" | |
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| 4. | Improving the Business Environment for a New Daily Activity | |
|  | (1) | Promotion of regulatory reform |
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|  | (3) | Promoting Business Restructuring |
|  | (4) | Facilitation of business revitalization |
| 5. | Other revised matters | |

* + In anticipation of the Whiz Postcorona era, the integrated implementation of management and digital strategies is essential in order to realize corporate transformation (digital transformation) utilizing digital technologies.
  + To this end, a new program certification system was established in Industry Competitiveness Enhancement Act. Provide a tax credit (5%/3%) or special depreciation of 30% for digital-related investments utilizing cloud technology required to realize the DX after the competent minister certifies a plan for a company-wide level DX that is not by division or location.

[Due by the end of fiscal 2022]

**Qualification Requirements**

**Details of Tax measures**



**Digital**

**(D) Requirements**

&

**Corporate transformation**

**(X) Requirements**

**Be expected to improve productivity or increase sales**

**ROA of 1.5% from the 2014-2018 average**

**Point improvement**

**Growth rate of net sales > (for the past five fiscal years)**

**Growth rate of sales in industries +5 percentage points**

In the production cost of goods during the planning period

**Reduction of 8.8% or more, etc.**

**Based on company-wide decision-makings**

(Attachment, etc. to Resolution by Board of Directors, etc.)

**③**

②

**①**

•

•

**① Data linkage and sharing**

(Collaboration between data possessed by other corporations, etc. or newly acquired data by businesses using sensors, etc. and internal data)

**② Use of cloud technology**

③ Be audited by the Information Processing Promotion Organization

**Acquisition of DX certification (ensure legacy avoidance, cyber security, etc.)**

System Overview

|  |  |  |
| --- | --- | --- |
| **Target equipment** | **Tax rate** O  **Deduction** | R **Special depreciation** |
| * **Software** * **Deferred assets \*1** * **Furniture and fixtures \*2** * **Machinery and equipment\*2** | **3%** | **30%** |
| **5%\*3** |
| \*1 Refers to the initial cost of migrating to a cloud system  \*2 Limited to those used in conjunction with software and deferred charges  \*3 When linking and sharing data with other companies outside the group | | |

※ Lower limit of investment: 0.1% or more of sales

※ Maximum investment amount: ¥30 billion

(Investments exceeding ¥30 billion up to ¥30 billion)

※ Maximum tax credit: up to 20% of current income taxes together with the Carbon Neutral Investment Promotion Tax



**[Tax credit 5% or special depreciation 30%]**

Data collaboration with other companies outside the Group

Acquisition of data from other companies outside the Group

**Manufacturer C**

Data

**Company B**

Data

Data

**Company A**

3 **Data collaboration with other companies outside the Group**

**[Tax credit 3% or special depreciation 30%]**

**Individuals, etc.**

Data

**Sensors, etc.**

Data

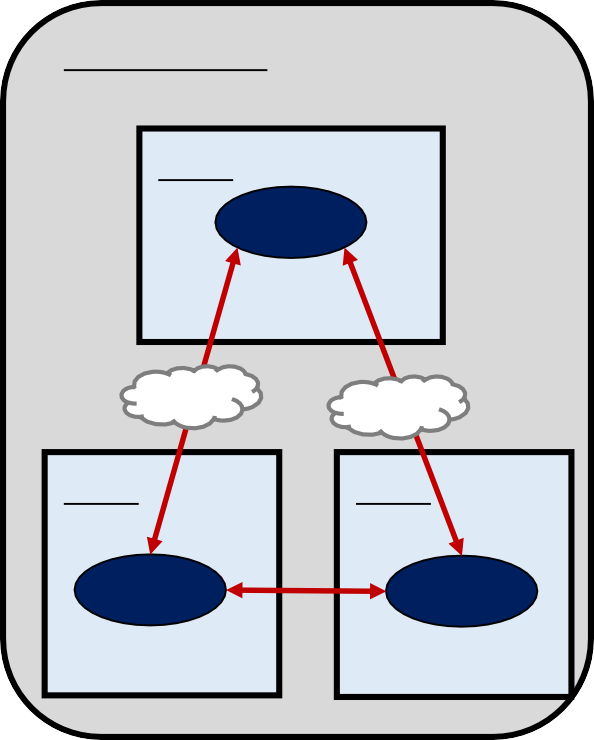
Data

Data

**Company A**

**Data linkage within an enterprise using external data**

2



**[Tax credit 3% or special depreciation 30%]**

Data

Data

**Manufacturer C**

**Company B**

Data

**Company A**

**Group companies\*1**

**Data linkage between group companies\***

1

|  |  |  |
| --- | --- | --- |
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|  | (4) | Facilitation of business revitalization |
| 5. | Other revised matters | |

* + Amid the severe business environment caused by the Corona crisis, even unprofitable companies need to restructure and reorganize their businesses in preparation for the post-corona era. Measures will be taken to raise the upper limit on deduction of loss carryforwards (currently 50%) for enterprises boldly taking on the challenge of such management reforms.
  + Specifically, a new program certification system was established in Industry Competitiveness Enhancement Act. The minister in charge of the business approves the plan, including the content of investment for business restructuring and reorganization, etc. The maximum amount of deduction for losses incurred in the Corona crisis for companies certified in question will be raised to a maximum of 100% within the amount of investment disbursed for a period of up to five fiscal years.

**Details of revision**

Current system (image) Special measures (image)



**Outline of Procedures**

Business adaptation plan

Investment based on the plan

**Maximum deduction**

**Minister Having Jurisdiction over the Business**

**Maximum deduction**

**100%**

1. Prior consultation and application

(3)Submission of investment results

1. Certification and publication



1. Issuance of Certificates



**Business operator**

**Utilize ahead of schedule**

**50%**

**Utilized in 10 years**

(6)Application of deduction

**Targeted deficit**

**Targeted deficit**



**Promoting Investment for Business Restructuring**

**Achieve V-shaped recovery and growth**

* 1. Submission of certificates

Final income tax return

**Tax authorities**

* + - Planning Accreditation
      * The company formulates a plan describing the content of its investment for future growth. The minister having jurisdiction over the business approves and publishes.
      * The plan is to achieve the productivity improvement target, etc. of raising ROA or EBITDA margins by 5 percentage points or more.
    - Deficit subject to exception
      * In principle, this covers deficits incurred due to the impact of the new Corona contagious disease in one or two fiscal years, including the day within the period from April 1, 2020 to April 1, 2021. (Exceptionally, losses incurred during the fiscal year ended between February 1 and March 31, 2020 are subject to certain qualitative and quantitative requirements; in any case, up to two business years.)
    - Period of raising the deduction ceiling
      * The carryover period is up to five years after becoming profitable.
    - Increase in maximum deduction due to exception
      * Certification by the minister having jurisdiction over the business annually based on the application of the business operator of the investment implemented based on the accreditation plan. Companies can receive exemptions (up to 100%) within the amount of proved investment.



**100%**

**100%**

**100%**

**Impact of the Corona disaster**

Deficit

Amount

Amount of deficit

Carry-over

Accumulated deficit

Tax loss carryforwards

Investment

Tax loss carryforwards

Income

Income

Investment

Income

Investment

Income

**Within the confirmed investment amount**

**Additional deduction due to special exemption**

**Image of the relationship between investment amount and maximum deduction**

**50%**

**50%**

**50%**

|  |  |  |
| --- | --- | --- |
| **1.** | **Shift to a "Green Society"** | |
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| 5. | Other revised matters | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Japan Finance Corporation** | | | |
|  | |  | |
|  | Loaning of funds  (same conditions as the Fiscal Loan) | |  |
|  | |  | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Authorized financial institution** | | | |
|  | |  | |
|  | Loans | |  |
|  | |  | |

* + - Take steps to provide two-step loans to companies that have received accreditation for business adaptation plans

**System scheme Details of measures**

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | | | |
|  | |  | |
|  | Fiscal Loan | |  |
|  | |  | |

|  |  |
| --- | --- |
|  | **Business adaptation plan** |
| Loan period | * More than 5 years |
| Amount of money | * 5 billion yen or more |
| Other | * Need for examination by designated financial institutions |

**Business operator**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **①Shift to a "Green Society"**  **(Adapt to business for reducing environmental impact of Energy use)** | **②Responding to "Digitalisation"**  **(Adaptation to Information Technology Business)** | **③Business restructuring for a "new day-to-day"**  **(Adaptation to Growth and Development Businesses)** |
| **Financial support** | **Large-scale long-term, low-interest loans by designated financial institutions (two-step loans)** | | |
| **Performance-linked low-interest loan system by designated financial institutions**  **(Interest subsidy)** |  |  |
| **Tax measures** | **CN Investment Promotion Tax** | **DX-Investment Promotion Tax** | **Tax exception for loss carryforwards** |

* + - The following is an overview of the flow of applications and approvals of business adaptation plans and support measures for initiatives aimed at improving productivity and cultivating demand implemented in accordance with approved business adaptation plans.

**Minister Having Jurisdiction over the Business**

**②Accredited business adaptation plan**

**①Application**

**Various systems**

**Tax and Financial Support**

**③Support measures**

**Business operator**

**Efforts to Improve Productivity and Cultivate Demand**

|  |  |  |
| --- | --- | --- |
| 1. | Shift to a "Green Society" | |
| 2. | Responding to "Digitalisation" | |
| 3. | Business restructuring for a "new day-to-day" | |
| **4.** | **Improving the Business Environment for a New Daily Activity** | |
|  | **(1)** | **Promotion of regulatory reform** |
|  | (2) | Supporting the growth of venture companies |
|  | (3) | Promoting Business Restructuring |
|  | (4) | Facilitation of business revitalization |
| 5. | Other revised matters | |

* + - **Under the current Corporate Law, when convening a general meeting of shareholders, a "place" is required, and it is difficult to construe that a virtual-only general meeting of shareholders should be held.**
    - As an exception to the Corporate Law, a system for a "general meeting of shareholders with no fixed place" shall be established to enable the holding of a virtual only general meeting of shareholders.

**Background Details of the system**

* **A listed corporation may stipulate in its articles of incorporation that a general meeting of shareholders may be held as a "general meeting of shareholders with no fixed place" only upon confirmation by the Minister of Economic Industry and the Minister of Justice, and in the case of a listed corporation for which the provisions of these articles of incorporation are stipulated, a virtual only general meeting of shareholders may be held.**
* **Virtual-only shareholder meetings are (i) easy to attend by many shareholders, including remote shareholders, (ii) they do not need to ensure physical venues and can reduce operating costs, and (iii) they can reduce risks such as infectious diseases without the need for shareholders and directors to meet together.**
* As this will lead to the revitalization, streamlining, and facilitation of the General Meeting of Shareholders, special exemptions will be established to enable the holding of virtual only shareholders meetings in order to strengthen Industry competitiveness.

**Purpose of the system**

* The current Corporate Law stipulates that when convening a general meeting of shareholders, the "place" is to be determined (Article 298(1)(i) of the Corporate Law). It is difficult to construe that there is no place for the actual general meeting of shareholders, and that the general meeting of shareholders, or so-called virtual-only general meeting of shareholders, is to be held only in a virtual space.

**Existing Company Act**

* In light of the impacts of the spread of new coronavirus infectious diseases, listed companies that have received the above confirmation may be deemed to have been provided for in the Articles of Incorporation for a period of two years from the date of enforcement without passing through a resolution at a general meeting of shareholders to amend the Articles of Incorporation.
  + - **The Act on Special Measures for Improving Productivity (Special Measures Act) stipulates a system (regulatory sandboxes) that verifies and uses information and data obtained from verification to lead to revision of regulations, with the approval of the relevant minister.**
    - The Special Measures Law will be abolished in June 2021, and the system will be transferred to Industry Competitiveness Enhancement Law to make it permanent.

**Overview of the sandbox system Results of the sandbox system**



* Under the current Civil Code, the assignment of claims cannot be asserted against a third party unless a notification, etc. to the debtor is given by means of an instrument with a fixed date. For this reason, in the demonstration, the information system is used at the same time as the notification of assignment of claims is given by the existing method (contents-certified mail) in which the requirement to set up a third party is recognized.

Notification was made using this method to confirm that it is comparable to existing methods.

* After demonstration, special measures for third-party countermeasures such as the notice of transfer of bond rights will be implemented by utilizing the New Business Special Provision System under Industry Competitiveness Enhancement Act (requirement below).

Empirical evidence on notice of transfer of receivables using SMS

1

① Submission of an application for the formulation of a plan



* In principle, clinical trials are to be monitored on-site (medical institutions) to ascertain and record the status of implementation, from the viewpoint of ensuring data accuracy (Pharmaceutical Affairs Law). In clinical research that does not require clinical trial monitoring, it is difficult to remotely collect research data through a dedicated app and falsify it.
* Implement demonstrations to record and store using lock-chain technology to ensure cost-effective and accurate monitoring is possible.
* Thereafter, it was confirmed that the gray zone verification system can substitute for on-site monitoring in actual trials using the same method as in the empirical tests.

Demonstration for the Application of Blockchain Technology to Clinical Trials

2

Business operator

Competent minister minister having jurisdiction over the business, minister having jurisdiction over regulations

③Certification and publication of plans

④

Report on completion of periodic verification report

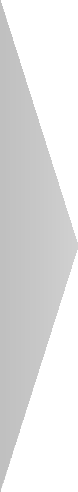
②Hearing of Opinions

Effectiveness Evaluation Committee for New Technologies

Competent Ministers

**Review of regulations**

* + - **Transfer of claims is not possible to compete with third parties unless the debtor is notified of the debtor by a certificate with a fixed date. Details certificate mail is often used in practice.**
    - In cases where a notification of transfer of receivables, etc. is provided using an information system provided by a business entity certified for a new business activity plan under Industry Competitiveness Enhancement Act, a special exception was established to regard the notice, etc. via the said information system as a notice, etc. by a certificate with a fixed date, etc.



**Current status**

|  |  |  |
| --- | --- | --- |
| Existing creditors  (Assignor) | | ①Assignment of Claims |
|  |
|  |  | |

Acquiror A

②Notice of credit transfer

<Certificates with Fixed Date: Statutory>

* Details Mail\*1, etc.

**Content of the amendment**

①Assignment of Claims

Acquiror A

Existing creditors

(Assignor)

Certified new business

Activity implementer

Provision of credit transfer notice service through information systems

②Notice of credit transfer

<Notification in Information System: Special case>

Obligor C

Obligor C

Shall be deemed to be a notification, etc. by an instrument bearing a fixed date

|  |  |  |
| --- | --- | --- |
| 1. | Shift to a "Green Society" | |
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| 3. | Business restructuring for a "new day-to-day" | |
| **4.** | **Improving the Business Environment for a New Daily Activity** | |
|  | (1) | Promotion of regulatory reform |
|  | **(2)** | **Supporting the growth of venture companies** |
|  | (3) | Promoting Business Restructuring |
|  | (4) | Facilitation of business revitalization |
| 5. | Other revised matters | |

* + - **With regard to funds for the development of mass production systems by large-scale R&D-type (Deeptech) venture companies, there is a growing need for large-scale financing through debt that does not dilute the shares of existing shareholders.**

### Certain borrowings from private financial institutions designated by the Minister of Economy, Trade and Industry conducted by venture companies approved for business plans

Regarding this, SMRJ established a system to guarantee debts.

**Current status Content of the amendment**

* In our country as well, large-scale R&D-type ventures have emerged aiming at the global market.
* With regard to funds for which it is relatively difficult to determine future cash flows, such as fund raising related to the development of a mass-production system, there is also an increasing need for financing through debt that does not dilute the shares of existing shareholders.

**Venture companies**

Minister of Economic Industry

|  |  |
| --- | --- |
| ①Application for Designation | Lender  (Designated Financial Institutions) |
| ②Designation |

③Application for Business Plan

**Financial institutions**

* While earnings and CF are stable, the growth potential of general borrowers is often relatively stable compared to ventures. Some financial institutions are willing to develop new ventures that are risky but have high growth potential.
* However, because ventures have insignificant collateral assets and their business prospects are unstable, it is essential to adopt a different approach than conventional lending methods. Currently, the company is in a vicious cycle where it lacks know-how, has not accumulated a track record of lending to ventures, and does not accumulate know-how due to a lack of track record.

④Accreditation

⑤Loans

⑥Bearing part of the risk of bad debts

Borrower

(Venture companies)

Organization for Small & Medium Enterprises and Regional Innovation, Japan

* + - The Organization for Small and Medium Enterprises and Regional Innovation will provide support to startups by facilitating financing and reusing promising assets, and support will be provided to start-up enterprises and other entities that have encountered difficulties in business continuity due, for example, to the impacts of the Corona crisis.

**Current status Content of the amendment**

* An ecosystem is necessary to carve out promising assets of venture companies before the business is shut down, and inherit them while introducing new money.
* In our country, few players provide such support.



Logging and Succession of Human Resources, Technical Assets, etc.

Advice

Advice on Mergers, Splits, Assignments or Acquisitions of Businesses, etc.

1

Venture companies A

(Difficulty of business continuity)

Venture companies B

SMRJ

**Need for support for re-challenge**



Additional Procurement Agreement for Deterrence of Transition to Legal Settlement

Offering

Equity Participation

Advice

Advice on financing

2

New sponsor

Venture companies

SMRJ

* Due to the spread of the new Corona Virus, it is possible that there will be a discrepancy between business plans and actual business conditions.
* Circumstances may occur in which existing stockholders have not agreed to new funding based on lower mark-to-market valuations.

(Possibility of significant decrease in ownership interest of existing shareholders)

* In the event that unrealized losses are incurred by existing shareholders, it is pointed out that the process other than legal liquidation is unclear at present in order to ensure that investment losses are recorded as tax losses, leading to a shift to legal liquidation and hindering a re-challenge.

**Needs to support fund procurement, etc.**

|  |  |
| --- | --- |
|  | Consent |
| Existing shareholders | |

* + - Currently, the amount of overseas investment made by restriction partnerships (LPS) is limited to less than 50% of the total amount already invested.

**From the viewpoint of enhancing the international competitiveness of Japanese companies, investment by funds approved by the Minister of Economic Industry on global open innovation of domestic companies and foreign companies is exempted from the 50% foreign investment ratio requirement.**

* + - At the same time, overseas investment funds are receiving bridge loans from financial institutions until investors contribute funds to the fund, and investing based on these funds increases the internal rate of return of the fund. In order to upgrade the management of domestic funds, the SMRJ established a system to guarantee debts.

Financial institutions

Limited liability investment partnership

(LPS)

**Current status**

Limited liability investment partnership

(LPS)

**For overseas investments**

**To 50% of the total amount already invested**

①Application for investment plan

**②Plan certification**

Minister of Economy, Trade and Industry (METI)

(Confirmation of Policy on Open Innovation)

③Application for confirmation of individual investments

④Confirmation of individual investment details

Overseas Investment Ratio

Able to be 50% or more

Overseas companies

Domestic companies

Confirmed the open innovation potential of investment and past achievements, and approved the fund's investment plan.

Confirm whether individual investments are in compliance with the accreditation plan.

**Content of the amendment**

Loans

**Open Innovation**

※In addition, special measures are planned to include the overseas subsidiaries of SMEs in which this approved fund invests in the calculation of the required investment ratio for SMEs in the businesses funded by the SMRJ (the SME Growth Support Fund).

Overseas venture companies, etc.

|  |  |  |  |
| --- | --- | --- | --- |
|  | |  | |
|  | Guarantee of obligation | |  |
|  | |  | |
| Organization for Small & Medium Enterprises and Regional Innovation, Japan | | | |

|  |  |  |
| --- | --- | --- |
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| 5. | Other revised matters | |

* + - By the acquiring company using the stock grant system established in the Amendment to the Companies Act of 2019 as the consideration for the acquisition of the company's own stock

Deferral of taxation of gain on transfer of shares of the target company shareholder when conducting an M&A (taxation at the time of sale of shares).

* + - In order to make the system effective, no prior certification is required, and cash is also used as part of the consideration (for the total amount)

Together with up to 20%, it is established as a permanent system.

* + - The accreditation system of the "Special Business Restructuring Plan" under the current Industry Competitiveness Enhancement Act has been removed.

**① No prior approval required**

**② Permanent measures**

**③ Cash can also be used as part of the consideration**

(up to 20% of the total amount)

**[No deadline]**

**Outline of Tax Change**

**[Challenges]**



**Key Points of Tax Measures**

**Be taxable at the time the shares are transferred**

Shareholders of the target company

**Treasury stock**

**[Subject to Measures] Deferred tax until the sale of the shares rather than at the time of the delivery of the shares**

Subject company's share

**Shareholders of the acquiring company**

**Resolution**

**Stock issuance plan**

Implementation of acquisitions through share issuance

(Converted to a subsidiary)

Target companies

As a result of the target shareholder holding the shares of the acquiring firm,

* Target company shareholders can enjoy synergies from business reorganization.
* Target company shareholders are also expected to have incentives to increase corporate value, and to increase corporate value through collaboration between buyers and sellers.

Synergy with sellers

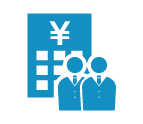
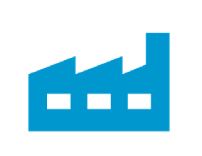
* Fund can be used for aggressive investment (capital investment, human resource investment, etc.) while carrying out business reorganization.

Demand for funds other than M&A

* + - Aiming to improve the profitability of Japanese companies, ① promoting rapid and large-scale M&A, and ② pursuing the development of new Industry and companies, acquiring companies conduct M&A in exchange for their own shares, and share-for-share M&A is a useful means.

**Significance of stock consideration M&A**

cash



**M&A using treasury stock**

[Consideration required for acquisition]

Acquisition

Acquiring company's own shares

Cash

**Fund can be used for investment in equipment and human resources**

**Rapid and Large-Scale M&A Industry and Cultivation of New Companies**

Target companies

Expansion of business reorganization opportunities

* Large-scale business restructuring in excess of cash on hand and borrowing availability is feasible.
* Effective for start-ups valued in the stock market.
  + - Under the current Industry Competitiveness Enhancement Act, the Company is taking measures to make it easier to conduct M&A without using cash by using its own shares as consideration.
    - Specifically, exemptions under the Companies Act include exemptions from the regulations on investments in kind under the Companies Act (exemption from → of liability for investigating directors/covering values) and the restrictions on favorable issuance (no requirement → for directors to explain directors at general meetings of shareholders, → not required for extraordinary resolutions at general meetings of shareholders, if certain →).
    - Under the current system, from the viewpoint of protecting shareholders of the acquiring company, stock purchase rights are granted to shareholders of the acquiring company who oppose the acquisition, and money must be used to respond if the purchase right is exercised. In this case, the merits of stock consideration M&A, which can be acquired without using money, will decrease.

To address this point, in this amendment, if the acquiring company is a list traded company, given that the shares held by the shareholder can be easily sold in the market, an exception to the application of the right to purchase will be added only in that case\*1

**Image of the system**



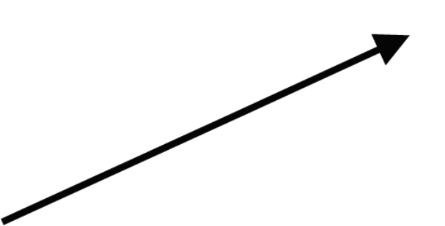
A

・・・・・・・

Y

Company B

(the side to be acquired)



Contribution of Company B's shares in kind

**\*1**

Shares of A

Newly issued and delivered



To the acquisition

Opposing shareholder

Exempt from the application

**A**

・・・・・・・

Z

Purchase

Claim

Cash

<Requirements>

Being a listed company

(Available-for-sale)

Company A

(Acquiring side)

* + - **If a company conducts a spin-off (under the Companies Act, it corresponds to a dividend of surplus) in which a subsidiary, etc. is cut off at an extraordinary general meeting of shareholders, etc. and becomes an independent company, the profit and loss within the business year deteriorates, and the company falls into a financial position (deficit occurs) in which it is unable to pay dividends of surplus at the ordinary general meeting of shareholders when the financial statements are finalized. From the viewpoint of protecting shareholders, the person who executed the business involved in the decision of the spin-off, etc. is required to be responsible for making up the deficit. This is a hurdle to the implementation of the spin-off.**

**Regarding the spin-off to be conducted in accordance with the approval of the business restructuring plan under Industry Competitiveness Enhancement Act, it is confirmed that productivity is expected to improve at the time of approval of the plan, and since it is considered that flexibly implementing the spin-off will be in the interests of shareholders, a special measure will be established to reduce the responsibility to make up for the deficit (convert the verification responsibility to the company and shareholders).**

**Spin-Off Overview**



A

B

Company X

Company Y

A B



Special shareholders meeting

**Content of the amendment**

Spin-off

Resolution for Implementation

Ordinary general meeting of shareholders

As a result

There is a deficit.

Company X

Earnings deteriorated

**Parent   
company**



Approval of business restructuring plan

Shifted verification responsibility from the executive side to the company and shareholders side

Normally, the executive who performed duties related to the spin-off incurred a liability to make up the deficit.

**Subsidiaries**

Company Y

Subsidiary Company Y's shares were delivered to the shareholders of the parent company Company X (dividends of surplus under the Companies Act).

* + - Current business reorganization facilitation operations (two-step loans) are limited to funds for the introduction of productivity-enhancing equipments.
    - Addition of funds necessary for business restructuring (large-scale acquisition funds, structural improvement expenses, etc.) that may be particularly insufficient in the market in the current situation where corporate borrowing is increasing due to the Corona disaster.

**Current status Content of the amendment**

① Investment in facilities to improve productivity, etc.

More than 5 years

5 billion yen or more

Same conditions as the Fiscal Loan

* The two-step loan program utilizes loans from the Japan Finance Corporation, and designated financial institutions provide long-term, large-scale, low-interest loans to businesses that have received plan approval.
* Current targets include funds for the introduction of facilities to improve productivity, etc.

**System Overview**

**Current**

**Subject to two-step loans**

Business operator

Japan Finance Corporation

Authorized financial institution

### ② Large-scale acquisition funding

Loans

Loans

**Added due to change**

Fiscal Loan, etc.

Government

**③ Restructuring charges**

(Cost of closing plants and disposal of facilities)

Funds necessary for business restructuring

|  |  |  |
| --- | --- | --- |
| 1. | Shift to a "Green Society" | |
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|  | (3) | Promoting Business Restructuring |
|  | **(4)** | **Facilitation of business revitalization** |
| 5. | Other revised matters | |

* + - Support for business continuity of businesses through various measures such as financial support and employment adjustment subsidies despite the severe situation caused by the Corona crisis. On the other hand, while it is difficult to forecast the future, create an environment that enables rapid business revitalization, including precautionary implications.
    - Specifically, in the Business Revitalization ADR, if more than three-fifths of creditors have agreed to a reduction or waiver of finance receivables, the company will move to simplified revitalization (\*) and increase the predictability that the business revitalization plan proposal will be determined as it is, thereby realizing swift business revitalization at the Business Revitalization ADR without moving to simplified revitalization as a result.

**Business Revitalization ADR (Unannounced Process)**

① Established a requirement for financial institutions to participate in the Business Revitalization ADR

② If more than three-fifths of creditors have agreed to a reduction in finance receivables

(Business Revitalization ADR is sluggish because all of them have not reached consent.)

**Simple revitalization (announcement process)**

(※) Simplified rehabilitation: In the case where adjustments through private reorganization precede and many creditors agree on the draft rehabilitation plan, but all of them have not agreed, etc., and in the case where there is the consent of creditors who have 3/5 or more of the total amount of claims, a simple legal arrangement procedure is omitted and the rehabilitation plan draft is promptly resolved and approved by omitting the process of investigating and determining the claims.

* **Revitalization of business where the reduction of credits in the draft revitalization plan is indispensable for business revitalization**

**Confirm at the end of ADR procedure**

* **Considering that the above confirmation has been made at the time of the court's order of simplified rehabilitation**

**<Improvement of predictability regarding the transition to simple revitalization and the prospect of enacting the same revitalization plan>**

As a result, rapid revitalization in the business revitalization ADR is realized without transitioning to simple revitalization.

* Claims for which it has been confirmed that all target creditors consent to the preferential repayment of bridging loans during private arrangements may be paid preferentially, but if they are shifted to legal arrangements, repayment is prohibited as in other rehabilitation (reorganization) claims, and they are subject to change of rights under the same conditions, thereby preventing business rehabilitation.
* Even in the event of a significant obstacle to business revitalization if not repaid at an early stage, all claims, including commercial transaction claims, will be subject to suspension of repayment and the business partner will be severely affected, and the business value of the revitalized enterprise will also be destroyed.

**Need for revision**

* + - SMRJ and approved support agencies (agencies providing rehabilitation support for SMEs approved by the Minister) may provide necessary guidance or advice on business rehabilitation in response to SMEs' requests as a procedure for private liquidation.
    - Measures will be taken to facilitate the transition to a legal liquidation similar to the ADR for business revitalization amid the growing need for guidance or advice on business revitalization conducted by SMRJ and approved support agencies due to the impact of the new type of corona infectious disease.

**Current status Content of the amendment**

* SMRJ, etc. (SMRJ and approved support agencies) may provide necessary guidance or advice on business rehabilitation to SMEs in response to SME requests. Many SMEs seeking advice require bridge financing in order to continue in business, and many want to continue in business with their business partners.
* Due to the impact of the spread of the new Corona viruses, the number of consultations has increased sharply, exceeding the total number of consultations in the previous fiscal year as of July 2020.

**System Overview**

**Confirmation request**

* All creditors have agreed on preferential repayment of bridge loans, etc.
* Significant obstacles to business revitalization if commercial claims are not repaid at an early stage

**Confirmation**

**Private workouts**

Small and medium businesses

SMRJ, etc.

|  |  |  |
| --- | --- | --- |
|  | **Legal arrangement** |  |
|  | Shifted to legal liquidation due to poor private liquidation |  |
| **Ruling by taking into consideration**  Small and medium-sized companies Enterprise   * SMRJ and other organizations have confirmed bridge financing   Court  In consideration of the proposed rehabilitation plan under the Civil Rehabilitation Law  Determination as to whether or not to grant treatment different from other rehabilitation claims, etc.   * Determination as to whether or not to order a temporary restraining order under the Civil Rehabilitation Act, taking into account the fact that claims for commercial transactions have been confirmed by SMRJ, etc. | | |

|  |  |  |
| --- | --- | --- |
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|  | (4) | Facilitation of business revitalization |
| **5.** | **Other revised matters** | |

* + - In order to promote open innovation activities by corporations by effectively utilizing R&D facilities, etc. owned by Industry Research Institute (AIST), AIST will be able to more flexibly carry out operations to make R&D facilities, etc. available for use by corporations, etc. engaging in new business activities.

**Current status Content of the amendment**

AIST will be able to carry out operations that allow its R&D facilities, etc. to be used by persons engaging in new business activities, such as the development of new products and services (conducting R&D on the science and technology of mining and industry or utilizing its results) to the extent that there are no obstacles to its own R&D operations.

|  |  |
| --- | --- |
|  | * Unlike Rikagaku Kenkyusho and other national research and development corporations, AIST does not provide that the facilities, etc. it holds shall be used by outside persons as the scope of the services stipulated by law. |
| **System Overview** | * Therefore, the scope of AIST's facilities that can be used by companies, etc. is limited to the scope of AIST's businesses, such as those related to AIST's R&D and developments to disseminate AIST's results, and cannot be used by enterprises, etc. conducting businesses that are not directly related to AIST's R&D or results. |

① When companies conduct joint research with AIST

**Current**

**Scope where AIST can provide R&D facilities, etc. to companies, etc.**

(Companys that have entered into a joint research agreement with AIST conduct research in AIST's clean rooms only within the scope of their research)

② When companies disseminate the results developed by AIST

(rent AIST's office until the venture company that transferred AIST's technology is commercialized, etc.)

* Innovation requires the accumulation and interaction of intellectual capital. In particular, in advanced technological fields such as semiconductors, large-scale advanced R&D facilities attract advanced human resources and form bases to strengthen Industry competitiveness.
* However, the scope of external provision of R&D facilities, etc. by AIST is limited, and there is a problem that it is difficult for companies, etc. to use it. For this reason, it is necessary to make AIST's R&D facilities and other facilities more flexible for companies and other entities, attract investment and human resources from both domestic and overseas, and make them a base for open innovation.

**Need for revision**

③ Facilities (including land) and equipment related to R&D that are stipulated by the Ministry of Economy and Industry as contributing to the development of new businesses are used by enterprises, etc. for new business activities.

(Although independent of AIST's R&D and achievements, AIST

**Added due to change**

Development of prototypes and establishment of mass production technologies, etc. using research facilities)

* + - The credit guarantee system for entrepreneurs includes startup-related guarantees under Industry Competitiveness Enhancement Act and startup-related guarantees under the SME Business Enhancement Act. Unification of startup-related guarantees from the perspective of improving convenience for businesses, etc.

### Where startup-related guarantees are not available when sole proprietors establish a company and transfer the business to the company within five years after the start of business, measures will be taken to make startup-related guarantees available to the company.

**Current status Content of the amendment**

* Elimination of startup-related guarantees

[Startup-related guarantees] Guarantees up to a ceiling of \20 million

[Guarantees for startups] Guarantees up to a ceiling of \15 million

[Startup-related guarantees] Guarantees up to a ceiling of \35 million

**Industry Competitiveness Enhancement Act**

**Law on Strengthening Small and Medium Business**

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| --- | --- |
| **System Overview** | * Since entrepreneurs generally lack both cash on hand and creditworthiness, credit guarantees are provided to supplement the creditworthiness of the entrepreneur concerned and enable them to obtain financing from financial institutions for the funds they require at the time of startup.   The following systems have been implemented in the system. |
|  | ① Industry Competitiveness Enhancement Act: Startup-related guarantees |
|  | ② Law on Strengthening the Management of Small and Medium Enterprises: Startup and Related Guarantees |

* Unification of startup-related guarantees

Founded **[Target]** Incorporation

1 year

4 years

**[Target]**

1 year

**[Target]**

**Startup-related guarantees will be available even after becoming a corporation**

Sole proprietorship

Juridical Person

|  |  |
| --- | --- |
|  | * In order to promote startups, it is necessary to review existing systems in a timely manner and make them more accessible to businesses. |
| **Need for revision** | * Currently, businesses that intend to use the two guarantee systems need to apply for guarantees in two installments, which is not convenient. |
|  | * In addition, if a sole proprietor establishes a company and transfers the business within five years of startup, the corporation is unable to use startup-related guarantees. |

**[Not applicable]**