Reconstruction of affected SMEs: A Case Study of a Marine Products Processor

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ABSTRACT
I made attention to “crowd funding and micro investment” to support affected SMEs, after the Great East Japan Earthquake, and analyzed its system and the situation of the enterprise. It is useful to give encouragement (mentally) as well as to alleviate economic burden (economically). Participation by citizens and social contribution by the private company are also emphasized.

KEYWORDS: Direct support to affected SMEs, Citizens’ participation through crowd funding, Economic effect and morale support, Social contribution by private company, Complementary public support

JEL CLASSIFICATION: H77, M14, O35

1. INTRODUCTION

1.1 Crowd Funding and MicroInvestment
Crowd funding has been focused on as a new financial system to help SMEs and to revitalize local areas in the society. Meanwhile, support activities by citizens and private companies have been paid attention to in the Great Japan Earthquake. One private company has created micro investment through crowd funding to support affected SMEs. And many citizens participated in these activities. In this paper, I analyze its achievements as well as the situation of the affected SMEs, based on the case study.

Crowd funding generally means the system to collect small amount of money from many investors by connecting them with those seeking funds (Sakashita, 2014). The funding has become legislated in the US in 2012 (Nomura, 2013). In Japan, Financial System Council of the national government set up the working group on risk money to assist new or growing enterprises in 2013, where the funding system has been discussed about the new financial system. Crowd funding is mainly separated into donation style and investment style. Especially the government emphasized on the role of the latter style, and Cabinet Secretariat set council to promote investment platform to revitalize hometown in 2012. The investment style is expected to be a new measure to boost local economy and community or social business (Matsuo, 2012).

In this paper, I featured the activities by Music Securities Inc. (which I call MS) as the case of crowd funding and micro investment (see “2.1” in details). MS’s activities are attracted in the society. The national councils on the above invited the representative of MS in their meetings. “Matsuo, 2012” analyzed the government activities to crowd funding, and its type including MS. It expects crowd...
funding to become a useful tool to revitalize local economy. “Sakashita, 2014” also introduced some cases of crowd funding. Especially it featured the case study in the forest industry in a small village in Okayama and expressed the cooperation among the municipality office, village people, private company and MS.

1.2 Support to Affected SMEs (Small and Medium-sized Enterprises) in the Past Disasters

This paper focused on the relationship between micro investment and affected SMEs by the disaster. Japan is full of natural disasters. Compensation to lost private property and business of disaster affected people has been a big challenge in previous disasters, because public support cannot always cover them. According to the national government, “this is basically a matter of self-help, because the government is not responsible for the loss caused by natural disasters (House of Representative, 1995).” “Under the private owner system, private property should be maintained through owner’s responsibility, while he can freely cope with his property for himself.” “All of the citizens must pay tax, different from voluntary donation (House of Council, 1995).” “Logical reason is necessary to deliver the tax to affected victims (Abe, 1995).” “When the damage much influence on the society, indirect support can be provided through low interest loan, tax exemption, and so on (Ikuta, 2010).”

Accordingly, the government has generally provided public support including exemption of income tax or resident tax, interest subsidy to housing, credit guarantee to business, and community facility. On the other hand, these measures do not directly support affected people and private business, and it is not always easy to understand that benefit. I call these measures “indirect support”, while cash allowance or subsidy are called “direct support” which could lead to the accumulation of private property. It is questionable how much we can promote the livelihood and economic reconstruction based on self-help with indirect support (Aota, 2010).

In the case of house, direct support has been actually implemented by “Natural Disaster Victims Relief Law”, “Disaster Reconstruction Fund” and public donation (Aota, 2011). Compared to housing case, support to affected SMEs was not enough. However, in the Great East Japan Earthquake in 2011, direct support appeared by both public and private sector. According to National Police Agency of Japan, the death and missing toll reached 18,483 (excluding disaster related death). Cabinet Office of Japan estimates that the economic loss is about 16.9 trillion yen. SMEs were severely affected by this huge disaster. One of the typical cases by private sector is MS’s activities. In this paper, I focus on “the Securite Fund to Support Affected Areas (which I call the support fund) created by MS. According to MS, “securite” means micro investment platform to connect a business operator with investors and to collect fund. Different from one time donation, such investment leads to long term support. I analyzed the situation of all targeted SMEs, including one case study of the reconstruction process of a marine products supplier and processor for these four years after the disaster. I considered the significance and role of crowd funding and micro credit, from the viewpoint of the characteristics of affected SMEs and citizens who support such SMEs. This new support system could lead to the social innovation to reconstruct the local area.

1.3 New Type of Public Support Systems after the Great East Japan Earthquake

The new type of direct support was created by public sector. One of them is “Restoration and Maintenance Subsidy Project for Facilities of Small and Medium Enterprise Groups (which I call the subsidy to support SME group)”, established by the Small and Medium Enterprises Agency of the national government. SME core groups in the local areas can get the subsidy from the central government (1/2 of the total cost for facility) and the prefecture (1/4 of that cost), when their

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1 Direct support was provided through the reconstruction fund in Noto Peninsula Earthquake in and Chuetsu-oki Earthquake both in 2007. However, they were temporary and covered only certain local areas.
reconstruction project is approved to regenerate its local economy. The target areas are Hokkaido, Aomori, Iwate, Miyagi, Fukushima, Ibaragi, Tochigi and Chiba. The condition to get the subsidy is as follows.

1. The core group consists of key industry or cluster to facilitate local business transaction.
2. The group influences on local economy and employment.
3. The group influences on supply chain of the national economy.
4. The group consists of indispensable shopping area for the local community.

The subsidy was launched in June 2011. A total of 619 groups (10,653 companies) got the subsidy, which reached 466.8 billion yen, as of September 2015. Accordingly, the average amount to one group is 75.4 billion yen, and the average to one company is 44 million yen. Public support is actually changing after the earthquake.

Private companies launched different type of funds to support local business. One of them is crowd funding system. People can get information of affected SMEs, while they send their donation through internet.

2. SUPPORT FUND TO AFFECTED SMES IN THE GREAT EAST JAPAN EARTHQUAKE

2.1 Micro Investment by the Music Securities Inc.

MS was established, in 2000, to collect micro investment for music production expenses of young musicians. So far, it extended the investment into business support to local SMEs and other support to alleviate poverty overseas. It also cooperates with Hyogo Prefecture Government to boost local economy. The total funds collected by MS (as of December 1st, 2015) is: 5,839,401,100 yen, the number of investment companies: 294, the number of fund grants: 442, the number of fund grants that have been repaid: 125.

MS makes use of micro investment system through which an individual can invest in a small amount to get distributed profits in the future. The article 535 of the Commercial Law stipulates that an investor becomes a silent partner to conclude an anonymous partnership agreement with a business operator. According to the Financial Instruments and Exchange Act, MS is registered as Financial Instruments Business Operators Type II to play the role of bridge between an investor and a business operator. An investment period in the MS funds is usually 3 months to 10 years. Business operators can mainly use the fund for facility, selling, general and administrative expenses. The amount of sold is the resource to pay for investors in the future. MS usually charges the companies for the cost to raise micro fund (see Table 1).

<table>
<thead>
<tr>
<th>Table 1: Charge to Raise Micro Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
</tr>
<tr>
<td>1. Expenses for establishing fund</td>
</tr>
<tr>
<td>2. Expenses for operating fund</td>
</tr>
<tr>
<td>3. Expenses for homepage and PR</td>
</tr>
<tr>
<td>4. Expenses for audit</td>
</tr>
</tbody>
</table>

Source: Brochure at Music Securities, Inc.

Contingency fee is different, depending on the project.
2.2 The New Type of Fund to Support Affected SMEs in the Great East Japan Earthquake.

MS extended this framework to create the support fund to affected SMEs in April 2011. One unit consists of 10,500 yen to invest. Its breakdown is 5,000 yen for investment, 5,000 yen for donation, and 500 yen for commission (see Figure1). Compared to the charge in Table 1, the commission fee is lower to support affected SMEs.

**Figure 1: The Support Fund System**

| 10,500 yen for one unit of contribution | = | 5,000 yen for investment | + | 5,000 yen for donation | + | 500 yen for Investment charge |

Source: Website at Music Securities, Inc.

The maximum length of the investment period is 10 years. 38 SMEs made use of this fund, through which 39 projects were established (One company established two projects). The fund was established, depending on each project. Each project fund had its own unique name in association with its brand, company, owner name. All fund raising was completed in November 2015.

MS screened affected SMEs in terms of the business potential and investors’ empathy. The important factors are as follows; introduction from reliable persons, needs to reconstruct their businesses, and the business which produces beneficial services for local residents and thus need to be continued. According to the interview to MS, micro fund had not been always popular among the public. This time, the company did not charge any commission fee to these affected SMEs, from the view point of social contribution. Due to substantial media exposure and the support of many investors, the company got public relations effect, and other type of fund is developing like “Kirari Hyogo Project” in cooperation with Hyogo Prefecture Government.

2.2.1 Achievement of the support fund and its target enterprises

Table 2 shows the achievement of the support fund. While target total amount for subscription is 1,139,040 thousand yen, total amount which has been raised is 1,096,490 thousand yen (as of April 20th, 2015). Accordingly, one enterprise has got 28,855 thousand yen, on the average. Since 29,282 persons participated in investment, one person, on the average, invested 37,446 yen. (nearly 4 units).

I analyzed the characteristics of these 38 enterprises. I summarized their a) type of business and location, b) the amount sold and capital stock before the disaster, c) damage state, d) accounting period, e) total amount to be raised, number of investors and average amount invested, f) reconstruction plan, g) use of the fund, and h) special gifts to investors, on the following, based on the information on the website from the support fund (http://oen.securite.jp/).

a) Type of business and location
18 companies are fishery or seafood processing, 2 are farming, stock raising or forestry, 4 sake breweries, 8 food manufacturing, 3 restaurant, 1 craft shop and 2 ship building. Several of these businesses are fishery-related. And many of these entities are located along coastal areas. These SMEs are mainly devastated by the tsunami.

b) The amount sold and capital stock before the disaster
Monthly sales are 458 thousand to 77,357 thousand yen. The average amount per month is 8,150 thousand yen and annual sales amount to 97,800 thousand yen. These are small or middle sized and many of them are family-run companies.
c) Damage state
In most of SMEs, stores, factories or office buildings are lost or totally devastated. Many of them also lost boats, vehicles, equipment or raw materials. They literally started from scratch.

Accounting period

Table 2: The Fund Achievements (thousand yen)

| a) Target total amount for subscription | 1,139,040 thousand yen | g) Industry types | Fish processing, food production, restaurant, farming, sake brewing, Japanese tea, flowering plant, coating |
| b) Total amount which has been raised | 1,096,490 thousand yen | h) Expenditure | Factory, facility, equipment, raw material, store, mail order |
| c) Number of investors | 29,282 persons | |
| d) Amount of contribution per one person (on the average, b/c) | 37,446 yen | |
| e) Number of target MSEs | 38 enterprises | |
| f) Average amount of contribution per one enterprise (on the average, b/e) | 28,855 thousand yen | |

Source: Author’s survey

Accounting period is 5 years and 8 months at the shortest period and 10 years at the longest. It takes a long time for the business recovery and reconstruction.

a) Total amount to be raised, number of investors and average amount invested
Total amount to be raised to each enterprise is 5 million to 100 million yen. Its average is 31.514 million yen. One of the enterprises raised 2 investment projects and totally collected 150 million yen. Other than that, 3 companies are with less than 10 million yen, 10 with 10 million to 20 million yen, 18 with 50 million to 100 million yen and 3 with more than 100 million yen. The number of investors to one enterprise is 219 to 2620 persons, and the amount of investment per person is 22 thousand to 250 thousand yen. The average investment per person is small, but thanks to many investors, the total investment has reached huge amount.

b) Reconstruction plan
Their plans are generally as follows; 1) Temporary open their business by remained equipment and raw materials, 2) Build or rent temporary store or factory, 3) Extend their equipment and products, 4) Build permanent store or factory, and 5) Extend the market.

c) Use of the fund
Many enterprises used the collected money for 1) to 3) activities listed in section (f) above mainly for reconstruction. Most of them spent to get over the stage before full-fledged restoration. Some of them also extended into networking market to generate future sixth industry.

d) Special gifts to investors
Many enterprises gave their special gifts to investors. Some organized their events or visit tours for investors.

It is found out from a) to h) on the following matter. These targeted enterprises are small and medium-sized. Many of them are fishery related mainly along the coastal area, and were heavily devastated by the tsunami. Thanks for the support fund, they have not gone bankrupt, but have challenged long term reconstruction, according to each plan.
2.2.2 Prospect and Challenge for the operators

MS made questionnaire surveys about the present state, challenge and prospect to the enterprises in 2013, 2014 and 2015 (MS website, 2013, 2014 and 2015). I summarized the result in Table 3 & 4. I considered each factor from Table 3; “a) Market development” - they lost their market while they had closed their business. “b) Personnel resource” - they cannot secure new staff. They relieved their staff of their duties after the disaster to enable them to collect unemployment benefits from the national government which extended the unemployment benefits to 30 months. Since wage at public works are higher, the former staff have not come back to these enterprises. Or some of them had relocated into new places. “c) Fundraising” - they need other funds for permanent factory, although they have built temporary one through the support fund. “d) Product development” - they should directly contact with consumers like 6th industry, which literally means the combination of 1st, 2nd and 3rd industry. They used to give their minds to product or harvest activities before the disaster. However, they have lost their market and are required to seek new clients through process, net service and other measures. “e) Raw material procurement” - Since the supply chain stopped functioning, it is difficult to get raw materials. “f) Harmful rumor - It is prevalent even in other places than Fukushima. “g) Securing land” – Their original places are situated in disaster risk areas, or cannot be used because public works are still under way.

Table 3: Challenges the enterprises faced (showing the number of enterprises which replied)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Fiscal 2013</th>
<th>Fiscal 2014</th>
<th>Fiscal 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Market development</td>
<td>23</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>b) Personal resource</td>
<td>18</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>c) Fundraising</td>
<td>22</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>d) Product development</td>
<td>9</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>e) Raw material procurement</td>
<td>9</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>f) Harmful rumor</td>
<td>9</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>g) Securing land</td>
<td>6</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>h) others</td>
<td>5</td>
<td>7</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Website at Music Securities, Inc.

Table 4: Progression status of the project (showing the number of enterprises which replied)

<table>
<thead>
<tr>
<th>Status</th>
<th>Fiscal 2013</th>
<th>Fiscal 2014</th>
<th>Fiscal 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahead of schedule</td>
<td>3</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>As scheduled</td>
<td>13</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Behind schedule</td>
<td>20</td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Website at Music Securities, Inc.

Because of these factors, the progress of reconstruction activities of two third of enterprises are “as planned” or “ahead of schedule”, while one third is “behind schedule”. While we can find that the support fund has achieved a certain effect, there are still some challenges to be solved (see Figure 2).

3 Ministry of Agriculture, Forestry and Fishery promotes 6th industry to revitalize rural districts.
3. CASE STUDY: REGENERATION OF HASHIMOTO SUISAN SHOKUHIN ENTERPRISE (MARINE PRODUCTS SUPPLIER AND PROCESSOR) IN MINAMISANRIKU TOWN, MIYAGI PREFECTURE

I analyze the regeneration of Hashimoto Suisan Shokuhin Enterprise, a limited liability company, in Minamisanriku Town, one of the severely affected areas. This enterprise made use of the support fund. That fund was named “Utatsu Kotaro Kobumaki Fund” after its company’s brand. I considered the significance to support an affected SME, based on several interviews to Mr. Takahiro Chiba, an executive director of the enterprise, and on the website, featuring the reconstruction state of that enterprise (MS website, 2015).

Before the disaster, the enterprise used to employ 13 staff members, more than half of whom are fisherman’s wives in that local community. His father is the president and founder. It is called a family-run occupation. An average annual sale is around 110 million yen. Its main products are sea tangle rolls called “kobumaki” and thick wakame leaves called “mekabu”. 80% of the total sale is at the Fujisaki department store in Sendai (the biggest city in Tohoku region), 20 % is in other department store in Tokyo area, and the remaining 10% is from miscellaneous events and trade exhibitions.

3.1 Main Activities during the First Year after the Disaster

Both the factory and the houses, situated in Baba Nakayama Community of Minamisanriku, were collapsed and heavily damaged by the tsunami. The company let go of all employees, because unemployment compensation was extended from 9 months to 30 months by the government.

The owner family decided to focus on the recovery work for the community rather than their business activities. The community, including the fishing port, was heavily devastated and 80 families with 200 people, including the Chiba family, evacuated at the community center. It got
isolated, because the access to the national trunk road was cut off. Residents did not get any assistance for the first two weeks and they brought food from their collapsed homes and factories. Evacuated residents were divided into several groups for procurement, management, cooking and responding to volunteers. Chiba family collected relief supplies from the Fujisaki department store, thanks to their business ties.

They recovered the access road for themselves, and volunteers got to support their communities. Since the center was too small to accommodate all evacuees, they initiated to build another evacuation center with the cooperation from constructor volunteer groups. It was completed in April 25th, more than one month after the disaster.

The community people also started “Future Road Project”, through which they developed the new road as future evacuation route as well as the access to relocation site. The constructor groups also cooperated to pave the road. The length of the road is 1.3 km, where a vehicle can pass. They started in July 16th and completed in September in 2011.

And they launched “Najionikanarusa (which means it will soon come out all right.)” project. They got a secondhand boat for seaweed farming from Hokkaido in August 2011, temporarily developed the fishing port in September, and revived the farming in February 2012. The female members of the community engaged in “vegetable self-sufficient project” activities from June 2011 by getting donation through the internet.

Chiba family participated in these community activities. The activities do not always lead to regenerate their business. However, according to Mr. Chiba, it is quite natural to share the difficulties with the community and join its recovery work, as the local enterprise which earns livelihood there.

“Minamisanriku Minasan Kan (common place)” was opened on October 7th, 2011. It is a direct supplier sales shop for local business operators, who lost the market in Minamisanriku. “Yume (=dream) Mirai (=future) Minamisanriku Association”, headed by Takahiro Chiba, has been operating the shop for the past few years. 40 operators sell their products like vegetables, marine products, processed goods, crafts, as well as bento (=lunch box) and sweets.

The building cost was donated from JAFS (Japan Asia Friendship Society), an international NGO in Osaka. Japan Platform, the coalition of Japan International NGOs, and one local NGO also cooperated in the establishment. The operation costs are shouldered by the tenants, who pay 15-20 % of sales. The Hashimoto enterprise produced their commodities in the kitchen of Minasankan until their new factory was completed.

3.2 Towards Business Resumption

Chiba family started considering their business after half a year from the earthquake. Around 15 enterprises (hotels, manufacturers, pleasure boat, diving, local products dealer, photo shop, flower shop, interior business, and car sales) in Minamisanriku town made a group to apply for the subsidy to support SME group. The family decided to join this application group. The group got the subsidy at the end of 2011.

Through the subsidy, the Hashimoto enterprise was able to get around 40 million yen, which accelerated building the factory. Although construction and personnel costs rose, they completed the factory of a Japanese-style single-story wooden building with 170 square meter floor area at the end of 2012. It was equipped with kitchen instruments, packing device, freezer which are minimum requirements for business operation. They recruited 9 employees, 6 out of which came back from retirement.
When Mr. Chiba visited the municipality office in September 2011, he happened to be informed of the support fund from both one staff of the municipality office and another of the commerce & industry of Minamisanriku. Different from public support system, this private support system does not need to go through these local representatives. They just have sent the information to Mr. Chiba. After the meeting with MS, he decided to make use of the support fund, which was named “Utatsu Kotaro Kobumaki Fund”, after its brand and local area. MS’s staff, who had certified qualifications as tax accountant or a public accountant, assisted to make its reconstruction plan (see Table 5).

It started fund raising through investment. The target amount was 42.4 million yen, half of which was for the factory construction, while the rest was for equipment procurement. Since that public subsidy to SME group was only useful for recovery or back to normal pre-disaster stage conditions, the enterprise made use of that private fund to collect additional air conditioners and new type of refrigeration machinery and apparatus.

Mr. Chiba made the presentation in front of investors at the briefing session, MS sponsored in Tokyo on July 30th, 2012. MS also organized the support fund tour, and investors visited the enterprises in December of the same year. Such opportunities promoted to build face to face relationship with investors. He was encouraged by the investors to resume his business during these events.

Table 5: Reconstruction Plan of “Utatsu Kotaro Kobumaki Fund”

1. Reconstruction Plan
   (1) The enterprise will receive fresh seaweed (from February 2012)
       It receives six month supply of fresh seaweed and makes its primary processing. And it also prepares for pre-sales.
   (2) The enterprise will construct the first factory in rented ground (from July 2012)
       Since the own land was submerged, the enterprise is relocated to construct the new factory.
   (3) The enterprise will make fresh processed product to sell (from October 2012).
       The amount of shipment is limited and only sold through the Fujisaki department store and online shopping.
   (4) Minasan Kan direct sales shop will be opened (from July 2012)
       The cooperative direct sales shops will be built in the same rented ground as the site for the first factory. The enterprise will participate in the operation of the facility.
   (5) The enterprise will launch gift sales of fresh sea urchin, abalone, oyster, octopus (from 2016)

2. Use of the fund

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (thousand yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part of factory construction</td>
<td>15,000</td>
</tr>
<tr>
<td>Part of equipment (freezer, refrigerator, plumbing system)</td>
<td>15,000</td>
</tr>
<tr>
<td>Part of receiving raw materials</td>
<td>11,000</td>
</tr>
<tr>
<td>Secondhand vehicle</td>
<td>1,400</td>
</tr>
<tr>
<td>total</td>
<td>42,400</td>
</tr>
</tbody>
</table>

3. Special gift to investors
   (1) Investors with one or two units
       Boiled sauries wrapped with seaweed
   (2) Investors with three units
       Assortment with seaweed set

Source: Website at Music Securities, Inc.

3.3 Towards Full-scale Operation

Dried wakame seaweed harvest and processing activities in the community were restarted in February 2013. The enterprise participated in “A week to support the affected enterprises” event by MS, in March 2013, where their products were used in the restaurant in Tokyo. On the 11th of March, the second anniversary from the disaster, the Hashimoto resumed its business on the regular tenant at the Fujisaki department store. From May 2014, it launched the production of processed wakame.
seaweed stem called “Rikuchu Duke” and “Isojin Duke”. It restarted its primary product, saury wrapped with seaweed in September. In line with the mid-year and year end gift giving customs of the Japanese, summer and Bon festival gift selection as well as year-end gift sets were made available in July and in December respectively.

Eventually, 826 investors joined the fund. It took around three years to complete the fund. Mr. Chiba felt his company was supported throughout the country. One investor, on the average, purchased 3 to 4 units or shares. Some elderly people, who finished child-raising duties, invested more than 50 shares or units. The highest investment was more than 300 units.

As Baba-Nakayama Port progressed in February 2014, wakame and abalone harvest gradually recovered. Soy marinated of sea squirt, famous product in the Sanriku region, was also produced. The enterprise launched a new mail order business in March 2014.

Only the first factory could not operate on a full scale basis. Plans to build a main factory were made however, its building cost was around five times of the first factory and so Mr. Chiba’s group applied for subsidy for fishery processing facilities, through which 7/8 of the total cost was covered by the government.

When the main factory was completed on December 12th 2014, the enterprise installed a salt water pipeline from the sea to produce better quality fresh products.

Mr. Chiba says the challenge ahead is to secure personnel resources. To win the competition with foreign companies, it needs to produce good quality with freshness, which can be sold in higher prices. Social innovation is indispensable to survive in the marine products industry. It should build a clear vision for the industry for the next ten years.

3.4 Summary

The Figure 3 shows the characteristics of reconstruction by Hashimoto Suisan Shokuhin Enterprise.

**Figure 3: Characteristics of Reconstruction by Hashimoto Suisan Shokuhin Enterprise**

<table>
<thead>
<tr>
<th>Community reconstruction</th>
<th>Business reconstruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Share evacuation life</td>
<td>Group subsidy from government</td>
</tr>
<tr>
<td>• Build second evacuation center</td>
<td>Private support fund through investment</td>
</tr>
<tr>
<td>• Develop new evacuation route</td>
<td>Encouragement</td>
</tr>
<tr>
<td>• Revive seaweed farming</td>
<td>New factory</td>
</tr>
<tr>
<td>• Self-sufficiency of vegetables</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s survey

According to the enterprise code, it emphasizes on “the contribution to its employees, its local areas and the society” “Not exclusively devoted to sales and profits” “Share the natural beauty and rich resources of the local community to our clients”.

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The enterprise placed an emphasis on the recovery of their community for the first year. The purpose of “Minasan Kan” was to recover bread-and-butter jobs there. We can find the characteristics of local business operators which try to distinguish itself from mere cash-oriented business.

Fund management was a big challenge for SMEs. The subsidy to support SME group and another subsidy for facilities of fish processing was useful, although they were not perfect.

The private fund provided complementary resources which the public subsidy did not cover, and useful linkages or connections between the enterprise and the investors. Both economic and morale support boosted the reconstruction activities through the support for continuing local business activities.

4. CONCLUSION

This paper considers the characteristics of the private fund and support to affected SMEs. Affected SMEs not only seeks enhanced commercial activities, but also better ways to co-exist and prosper with local areas. It is difficult to reconstruct the areas without revitalization of local businesses.

The fund was created to support such local business. The main characteristic of the fund is “use of crowd-funding” as well as “long term support through investment”. Figure 4 shows arrangement, effect, significance and challenge of the fund.

4.1 Arrangement by the Support Fund

4.1.1 Device the way to connect affected SMEs with supporter

The long term relationship is necessary to give support to business operators. Investment ensures such relationship through contract for nearly 9 years, on the average.

The second point is that we can invest in a friendly manner. Anybody can be easily an investor whenever and wherever one likes.

The third point is that half of the cash is donation. It is a support-oriented system. Different from Gienkin (or public donation), we can easily identify when, where, whom and how our money was used. Some investors declined to get future allotment by investment.

The fourth point is that we can easily get the information about the SMEs situation through the internet.

The fifth point is that an affected business operator and an investor made personal ties. Debriefing meeting or on-site tour helped both sides build face to face relationship.

4.1.2 Alleviate economic and logistic burden

An investor becomes a silent partner to conclude an anonymous partnership agreement with a business operator, specified in Article 535 of the Commercial Law. The total amount of investment is regarded as assets of the enterprise, and the operator easily obtains a loan from a bank. And it does not need to pay dividend to investors until project completion.

MS did not charge the expenses for creating, operating and auditing fund, neither were there any publication nor contingency fees. Such consideration also helped the enterprises to initiate reconstruction.
The amount of transfer per one unit is only 10,500 yen. While per unit share investment is low, the operator was able to attract many supporters and successfully collect sufficient funds.

4.2 The Fund Effect

4.2.1 Financial effect

In a span of four years, the amount of fund these SMEs raised was 110 million yen and nearly 30,000 investors participated. Each enterprise, on the average, got nearly 30 million yen. Most of the investors could spend the cost for equipment and for other purposes.

4.2.2 Morale support

The purpose of investors was mainly to give donation support rather than to get profits or extra benefit. Some of them have increased the amount, visited and sent letters to their operators. The enterprises were encouraged from investors.

They periodically inform investors of their management situation, including plans, progress and use of money, through the internet. Such responsibility led to appropriate tension and momentum for business continuity.

4.2.3 Industrial reconstruction

The direct public support to affected SMEs had been limited before the Great East Japan Earthquake. However, the public subsidy was created to support affected SME groups. Based on the case study of Hashimoto Suisan Shokuhin Enterprise, we understand local SMEs have achieved prosperity with the development of local areas. Accordingly, it is recognized that such reconstruction led to the regeneration in the areas. Private funds complemented such support. While the public subsidy has provided 44 million yen, the private-sourced funds gave 29 million yen, on the average. In addition, private-sourced fund gave much needed morale support for the operators.

Secondly, citizen participation in reconstruction support activities is also the characteristics of the fund. Citizens can select their preferred enterprise to support. The enterprise gives back to the private investor by sending its own products and thus, strengthening the relationship between the business and the investor.
And the third point is the contribution by a business company. MS made use of investment, which is the expertise for that company, to implement support activities. It was also effective to disseminate information about the micro fund to the public. When it organized the on-site tour for investors, they charged the participation fee. Continuous support without much burden is important.

On the other hand, we should give further assistance to the enterprises. The fund was mainly used for maintenance and operation of temporary buildings, facilities, before they launch full-scale activities. Both public and private sectors should consider how to cope with that challenge.

5. REFERENCES


National Police Agency, December 10th, 2014

