

New Growth Strategy - Strong Economy, Robust Public Finances & Strong Social Security System -

Targets

2020

2010

- ◆ Achieve nominal & real growth in excess of 3% and 2%. ← Sluggish growth (real growth rate at 1% in the past decade; potential growth rate at 1%)
- ◆ Return consumer prices to positive increase in FY2011. ← Trapped in deflation (consumer price increase rate at 0% in the past 20 years)
- ◆ Lower the unemployment rate to 3% - 4% at an early time. ← Unemployment rate at 5%

7 strategic areas & 21 national strategic projects

Green Innovation

Life Innovation

Asia

Tourism-oriented nation
& local revitalizationScience-and-technology
IT oriented nation

Employment & human resources

Financial sector

Creation of new demand and jobs (Third Approach)

Area	Demand creation	Job creation
Environment (Green Innovation)	¥ 50 trillion	1.4 million jobs
Health (Life Innovation)	¥ 50 trillion	2.84 million jobs
Asia	¥ 12 trillion	190,000 jobs
Tourism	¥ 11 trillion	560,000 jobs

Measures for ensuring achievement of the strategy

3 criteria for the adoption of projects

- ◆ “Demand & job creation” criteria: Place top priority on policy measures with significant demand and job creation effects.
- ◆ “Selection & Focus” criteria: Prioritize on truly essential fields and avoid duplication of similar projects.
 - Participation of the people: Open up the public sector and place priority on active participation by the people.
 - Unification of institutional and policy measures: Place emphasis on policy measures that are expected to generate synergy effects when implemented together with institutional reforms.
- ◆ “Optimum option” criteria: Choose optimum policy measures that produce maximum effects with limited financial resources.

Project timetable management

- ◆ Timetable management (commitment to successful implementation)
- ◆ Check on the implementation status and effects through the PDCA cycle

Consistency with the Fiscal Management Strategy

- ◆ Implementation of the New Growth Strategy consistent with the Fiscal Management Strategy
- ◆ Reallocation of budget with review of the expenditure priorities

Improve predictability in the eyes of the market
⇒ Induce investment

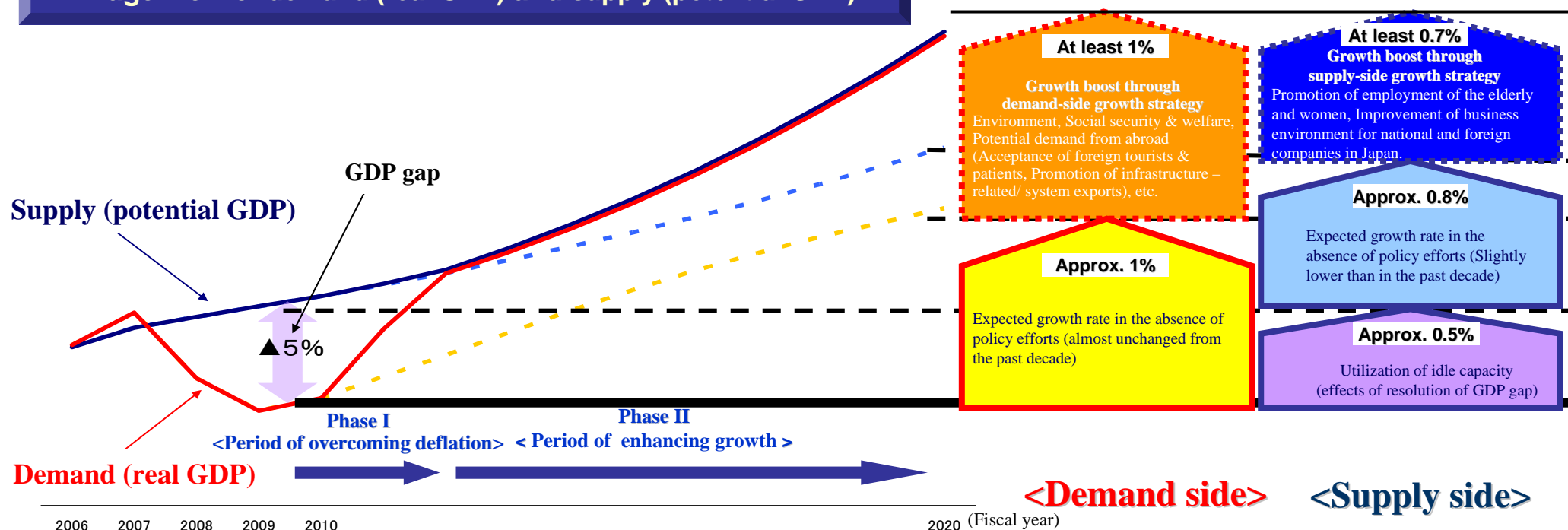
Growth Potential of Japanese Economy & Basis of Policy Action

Provisional Translation

Key policy tasks

- ◆ Recover economy and return consumer prices to positive increase within FY 2011
- ◆ Terminate deflation by quickly achieving stable price increase

~ Image view of demand (real GDP) and supply (potential GDP) ~



◆ Phase I (period of overcoming deflation)

- Recover economy and return consumer prices to positive increase within FY 2011.
- End deflation by quickly achieving stable price increase
- Aim to end deflation as the top priority task in macroeconomic management and make policy efforts mainly in recovering demand that has been hold back by deflation.

◆ Phase II

- Maintain a more stable price increase so as to terminate deflation once and for all and achieve steady economic growth
- Achieve fiscal soundness under fiscal management strategy
- Implement growth-inducing policy measures that place balanced emphasis on demand & supply after clearing GDP gap.

21 National Strategic Projects for Revitalization of Japan for the 21st Century

Growth boost led by demand-side policy measures

Green Innovation

- Rapid increase in renewable energy by introducing feed-in tariff system
- “Future City” Initiative
- Forest and forestry revitalization plan



Life Innovation

- Medical institution selection system to promote practical application of new medical care
- Medical interaction (acceptance of foreign patients)



Asia

- Deployment of Integrated Infrastructure Systems
- Reducing the effective corporate tax rate and promotion of Japan as an Asian industrial center
- Fostering global talents and increasing acceptance of highly-skilled personnel
- Strategies for intellectual property and standardization and exporting Cool Japan
- Economic partnership strategy through Free Trade Area of the Asia-Pacific (FTAAP)



Tourism-oriented nation and local revitalization

- Introducing a “comprehensive special zone system” and promoting full open skies
- The “Program to Boost the Annual Foreign Visitor Number to 30 Million” and promotion of staggered holidays
- Doubling the size of the existing housing and remodeling markets
- Opening public facilities to the private sector and promoting projects by using private sector funds



Growth boost led by supply-side policy measures

Science-and-technology- IT oriented nation

- “Leading graduate school” and other schemes to enhance international competitiveness and foster human resources
- Promoting utilization of information and communication technologies
- Enhancement of R&D investment



Employment and human resources

- Integration of kindergartens and nursery schools, etc.
- Introduction of the “Career Grading” system and “Personal Support” system
- New Public Commons



Financial Sector

- Establishment of an integrated exchange (securities, financing and commodities)

Timetable for 21 National Strategic Projects under New Growth Strategy

Provisional Translation

	For early implementation (To be implemented in FY2010)	For implementation in FY2011	For implementation by FY2013	Targets to reach by 2020
National strategic projects related to green innovation				
1. Introduction of feed-in tariff system		Introduce a policy package centering on a feed-in tariff system		Expand the renewable energy market to the level of ¥ 10T
2. Future City Initiative	- Submit a bill for "Future City Promotion Act"	Designate zone or city		Create world-leading future cities
3. Forest & forestry revitalization plan	Draw up an implementation program Legislation on promotion of timber utilization	- Foster foresters - Revise Logging regulation - Improve road networks		Raise the timber self-sufficiency ratio to over 50%
National strategic projects related to life innovation				
4. Medical institution selection system to promote practical application of new medical care	- Adopt priority themes Select medical institutions	Create consortiums - Simplify procedures for evaluation and confirmation of advanced medical care		- Develop innovative new drugs and medical equipment - Resolve drug and device lags
5. Medical interaction (Acceptance of foreign patients)	Set up a medical care visa	Create a system for certification of medical institutions	- Full implementation to start in 2012	Establish Japan's reputation as a leading provider for medical examination and advanced medical care in Asia
National strategic projects related to Asia				
6. Deployment of Integrated Infrastructure Systems	Establish the Council for National Strategic Projects, appoint specialized officers for infrastructure projects			Expand the market to ¥19.7T
7. Reducing the effective corporate tax rate and promoting Japan as an Asian industrial center	- Draw up the implementation schedule for 2011	Phased reduction of corporate tax to major countries' level Introduce incentives including tax measure		- Strengthen international competitiveness - Double employment by foreign firms 2M
8. Fostering global talents and increasing acceptance of highly-skilled personnel	Globalize university education, promote international exchange of Japanese and foreign youngsters Study and implementation of a system of accepting overseas personnel based on a point system			- Double the number of highly skilled foreign personnel in Japan - Dispatch 300,000 Japanese youngsters abroad - Accept 300,000 foreign students
9. Strategies for intellectual property and standardization and exporting Cool Japan	Draw up a roadmap for winning the global standard setting race Develop a framework for promotion through public-private collaboration	- Strengthen organizations and develop human resources - Strengthen intellectual property protection - Ease restriction on foreign distribution	- Improve the legal framework for increasing competitiveness	- Establish Japanese standards as global ones in strategic fields - Contents-related revenue in Asia: ¥1T
10. Economic Partnership Strategy through Free Trade Area of the Asia-Pacific	Draw up a "Basic Policy for Comprehensive Economic Partnership"	- Promotion of negotiations - Implement domestic reform		Promote economic partnerships, including Free Trade Area of the Asia-Pacific

	For early implementation (To be implemented in FY2010)	For implementation in FY2011	For implementation by FY2013	Targets to reach by 2020
National Strategic Projects related to tourism and local revitalization				
11. Comprehensive special zone system and full open skies	- Submit a bill on comprehensive special zones	Designate special zones	- Deregulation and tax and fiscal measures	Increasing international competitiveness through hub airports
12. Program to boost annual number of foreign visitors to 30M and promotion of staggered holidays	- Expand the framework of open skies	Phased liberalization of Tokyo-area airports		- Increase foreign visitors to 25M - Economic ripple effects: ¥10T, 560,000 new jobs - Economic ripple effects of holiday staggering: ¥1T
13. Double the size of existing housing and remodeling markets	Ease tourist visa requirements for Chinese individuals		Full implementation	
14. Opening public facilities to private sector and promoting projects using private sector funds	- Submit a bill to amend the Act on National Holidays	Draw up a "total plan for developing existing housing and remodeling markets"	- Revision of Energy-saving Standards	Double the size of existing housing and remodeling markets (to ¥20T)
	- Revision of Building Standards Act	Opening public facilities to private sector		More than double PFIs (to more than ¥10T)
	- Introduce a bill to amend the PFI Act			
National Strategic Projects related to science-and-technology and IT				
15. "Leading graduate school" and other schemes to enhance international competitiveness and foster human resources	Develop global intensive industry-academia-government cooperation bases	Create "leading graduate schools" Establish a special grant for young and talented researchers		- Create more than 100 research cores in the world's top 50 lists in specific fields of research - Full employment of all those who complete doctorate courses in science and technology
16. Promoting utilization of information and communication technologies	-Identifying difficulty for utilizing ICT and deciding measures		Introduce a national ID system Realize electronic administration	- All households use broadband services - Realize electronic administration that truly favors the people
17. Enhance R&D investment	Enhance government related R&D investment in line with the 4th S&T Basic Plan			Achieve R&D investment in private and public sectors accounting for 4% or more of GDP
National Strategic Projects related to employment and human resources				
18. Integration of kindergartens and nursery schools, etc.		-Integrate kindergarten education guidelines and nursery school childcare guidelines	Integrate kindergartens and nursery schools Create "children's schools"	- Guarantee child education and care for all children - Eliminate classroom waiting lists for preschool and school-age children
19. "Career Grading" system and "Personal Support" system	- Develop a framework for a "practical career enhancement system" - Implement model projects	Introduce a "Career Grading" system	Personal Support system	- Creation of the Japanese NVQ - Creation of safety network
20. New Public Commons	- Implement efforts to build public service supported by the people	Reform taxation on donation and NPOs		Raise the "New Public Commons" participation rate from 26% (in 2010) to about 50%
National Strategic Projects related to the financial sector				
21. Integrated exchange handling securities, financing and commodities	- Consider systems and measures to promote the establishment of an integrated exchange	Early implementation of action to create an integrated exchange		Establish Japan's status as a main market and main player in Asia