

Action Plan of the Growth Strategy

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Chapter 1 Introduction

An interim report was compiled in December 2019 on themes related to growth strategies, such as Society 5.0, which have been discussed since September 2019 at the Council on Investments for the Future. In response to this, the previous Diet session enacted related legislation, such as the Digital Platform Transactions Transparency Act and the Antitrust Law Exception Law for Regional Infrastructure Companies. Furthermore, this Growth Strategy Implementation Plan is described in Sections 2 to Section 8 and includes the results of studies at the Council on Investments for the Future since the beginning of 2020.

In addition, Section 9 describes countermeasures based on the spread of COVID-19, focusing on support measures for business continuity, such as financing and maintaining employment.

Furthermore, from the latter half of July the Council on Investments for the Future will expand its plenary session and begin discussions while listening to opinions from a wide range of individuals so as to envision a new social and national image in the era of COVID-19 and beyond.

Chapter 2 Establishment of New Work Styles

1. Improving the Environment for Second Jobs and Side Jobs

As Japan enters an era where people have 100-year lifespans, it is necessary to create an environment where individuals can choose, from a young age, the way in which they want to work, and, as for work styles in the "With COVID-19" and "Post COVID-19" eras, there are high expectations for diverse work styles such as second jobs, side jobs, and freelance jobs.

Looking at the actual situation for this issue, although there has been an increasing trend in recent years of individuals who want to have a second job or side job, on the other hand, the number of individuals who actually have a second job or side job has tended to be flat, and there is an urgent need, from the perspective of working people, to improve the environment for second jobs or side jobs.

The reason behind this is that companies are taking a cautious attitude towards approving second jobs because, under the Japanese labor law system and with regards to second jobs and side jobs, companies are supposed to manage the total number of working hours from the employee's main job and from their second job or side job, but "It is difficult to manage and understand working hours at second jobs or side jobs." Even in the Council on Investments for the Future's deliberations, it was pointed out that, irrespective of the decline in a company's labor from approving second jobs for employees, doing so would, on the contrary, increase the company's required number of management hours, and as such it is important to firmly

establish rules on the scope of and ways for corporate labor management responsibilities so that companies can approve second jobs and side jobs with peace of mind.

Therefore, with regards to methods for managing the number of working hours, the Labour Policy Council will deliberate and develop rules in the following directions.

(1) Worker Self-Assessment System

A new self-assessment system by workers will be established to understand the start of and hours worked at second jobs and side jobs, and procedures and forms for the system will be decided. Under this system, an employee's main place of work will not be held responsible for omitted or false reports, even if upper limits on working hours are exceeded through overwork at a second job (*).

(*) In France, Germany, and the United Kingdom, hours worked at second jobs and side jobs are summed up and included in the upper limit on working hours, and, as for the management method, it is common to have workers self-report the existence of second jobs and side jobs and their working hours at second jobs and side jobs; if the workers do not self-report or if workers make a false report then their main employer is not held responsible.

(2) Simple Method for Managing Working Hours

When an employee's main employer (Company A) approves a second job, the below conditions ① and ② are applied so that Company A will not be affected by the employee's second employer (Company B) and it will be sufficient for Company A to continue managing working hours as usual.

① For employees who wish to have a second job and, given the employee's prescribed working hours(*1) at Company A, the employee's working hours at Company B shall be set so that they are within the range of total legal working hours or within the regulated upper limit for working hours(*2).

(*1) "Prescribed working hours" are the basic hours that are decided between the employee and each company, not including overtime, and are usually set within the range of legal working hours.

(*2) If Company B does not conclude agreements pursuant to Article 36 of the Labor Standards Act, then it is possible for the employee to work a second job at Company B for the difference between the "legal working hours" and the "prescribed working hours at Company A." If Company B has concluded agreements pursuant to Article 36 of the Labor Standards Act, then it is possible for the employee to work a second job at Company B within the scope of the agreements in question for the difference between the "prescribed working hours at Company A" and the "upper limit on hours stipulated by Company B's agreements under Article 36 of the Labor Standards Act."

② In the above case, if it is necessary for the employee to work for longer than their prescribed working hours at Company A, then, by contacting the employee in advance, the employee shall be able to, as necessary (to be within the regulatory range), shorten(*) their working hours at Company B.

(*) Company A shall not be held responsible for violations of the upper limits on working hours if the employee makes false reports regarding reductions in working hours at Company B.

In addition, as a result of this, it shall be sufficient for Company A, as usual, to pay supplemented wages only for the overtime(*) that the employee works at Company A.

(*) Depending on the company, the prescribed working hours may be set shorter than legal working hours; in some cases overtime wages will not be paid if the employee's working hours are within the legal working hours, even for overtime, and in those cases, overtime will be the portion of the employee's hours that exceeds the legal working hours.

(3) Expanding Workers' Compensation Insurance Benefits

Revisions to the Industrial Accident Compensation Insurance Act were enacted to expand the benefits of workers' compensation insurance in cases of second jobs and side jobs, and there is work to smoothly implement this revision, calculating the basic daily benefit amount based on the wages at multiple employers and comprehensively evaluating and certifying work load.

2. Improving the Freelance Environment

Regarding freelance work, the Cabinet Secretariat, in cooperation with relevant ministries and agencies, conducted a survey in 2020 from February to March in order to gain a centralized understand of the actual situation. Then, based on the results of the survey, the All-Generation Social Security Review Committee considered policy directions and obtained the following conclusions.

It is necessary to create an environment where individuals can choose freelance work from the perspectives of expanding diverse working styles, expanding employment of the elderly through expansion of the gig economy, extending healthy life expectancy, and increasing supporters and workers for social security.

Furthermore, in conjunction with the spread of COVID-19, people who work on a freelance basis have been greatly affected, and some people have said that when orders are cancelled, etc., that they cannot prove that the job was canceled because a contract document was not issued.

Based on these circumstances, the government will work together to establish the following protection rules in order to create an environment where people can work on a freelance basis with peace of mind.

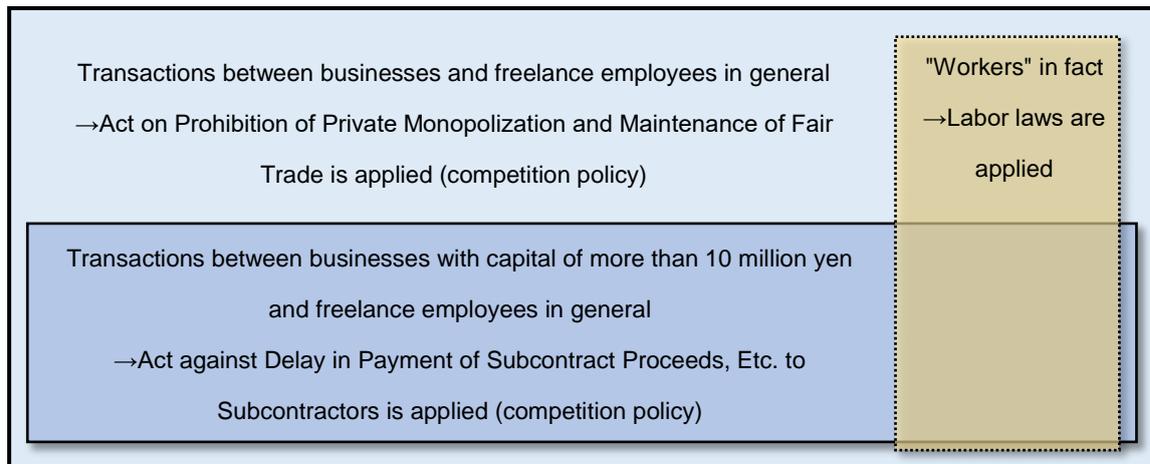
(1) Formulating Effective Guidelines

① Basic Approach

The Act on Prohibition of Private Monopolization and Maintenance of Fair Trade generally applies to transactions between businesses and freelance employees because it is applied as long as the party ordering the transaction is a business, even if the counterparty is an individual. Additionally, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors generally applies to transactions with certain businesses and freelance employees when the party ordering the transaction is a business with capital of more than 10 million yen because the Act is applied even if the counterparty is an individual. As such, it is possible to widely apply the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors to transactions between businesses and freelance employees in general. On the other hand, until now the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in particular has been applied with caution in respect to work styles. On this point, and in light of the fact that the Japan Fair Trade Commission has changed the stance it has held until now, in regards to transactions with freelance employees it is necessary to summarize the approach with regards to the application of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and to clarify them via guidelines, etc.

On the other hand, in addition to the application of these laws, even if an individual is working as a freelance employee, labor-related laws and regulations will be applied in cases of "employment" under the current law, such as in cases where it is determined that a freelance employee is substantially engaged in work under the direction of the business placing the order. In addition to clarifying the applicability of these laws and regulations and in order to clarify problematic behavior based on the Act on the Prohibition of Private Monopolization and Maintenance of Fair Trade, on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, and on labor-related laws and regulations, and the Cabinet Secretariat, the Japan Fair Trade Commission, The Small and Medium Enterprise Agency, and the Ministry of Health, Labour and Welfare will jointly aim by the end of 2020 to create a draft proposal and to start public comment procedures regarding effective and comprehensive guidelines.

(Figure: Legal and regulatory relationships applicable to freelance workers)



② **Guideline Directions**

The following points will be considered as specific content for the joint guidelines.

(Issuance of Contract Documents)

Clarify that it is inappropriate under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (abuse of superior position) for a business that deals with freelance employees to not issue contract documents or to issue insufficiently detailed contract documents.

Regarding the issuance of documents for the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, current online issuance of documents is permitted on the assumption that the recipient has consented in advance and that the recipient saves the document, and is provided an example template for online contract documents.

(Unilateral Changes, Payment Delays, and Payment Reduction Transaction Conditions by the Ordering Business)

Clarify that for businesses conducting transactions with freelance employees that it is an abuse of superior position under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and that it is prohibited conduct under the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors for the business, with regards to freelance employees, to improperly make unilateral changes to the transaction conditions or to delay or reduce payment of compensation.

(Application of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade to Transactions with Intermediary Companies)

Clarify that the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade also applies to transactions between intermediary companies and freelance employees because there are cases of freelance intermediary companies making unilateral changes to transaction conditions.

(If Falls Under "Employment" in Current Laws)

Even if an individual is working as a freelance employee, clarify that labor-related laws and regulations apply, in addition to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, regardless of the type of contract when (a) the individual is substantially working under the direction and supervision of the business ordering the transaction, or (b) there is equivalent compensation provided for labor performed, or (c) there is no entrepreneurialism when looked at from the perspective of the relationship between the amount of compensation and the burden of machinery and equipment, or (d) "employment" is applicable under current law when comprehensively considering if there is exclusivity, etc.

(2) Considerations of Legislative Handling

Although issuance of documents specifying transaction conditions is obligatory under the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, there will be consideration of legislative measures, including revisions to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors for issues necessary to protect freelance employees, such as orders from businesses that have capital of less than 10 million yen.

(3) Strengthening Enforcement

In order to be able to quickly respond troubles with transactions between freelance employees and the business ordering the transaction, enforcement based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors will be strengthened by considering increases to the number of transaction investigators (Subcontractor G-Men) at The Small and Medium Enterprise and to the number of staff at the Japan Fair Trade Commission.

In addition, ministries and agencies with jurisdiction over industries will revise subcontracting guidelines for each industry after also reflecting guideline content into promotion standards based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises and will strengthen enforcement based on these guidelines.

(4) Further Utilization of Workers' Compensation Insurance, etc.

In order to protect individuals who work as freelance employees, there will be consideration of expanding eligibility of the special enrollment system(*) to further utilize workers' compensation insurance. In addition, mutual aid systems (small business mutual aid, etc.) that allow the enrollment of individuals working as freelance employees will be further promoted. In conjunction with this, development of remote work environments for individuals working as freelance employees will be supported.

- (*) A system for individuals other than workers that allows special participation in workers' compensation insurance for appropriate individuals so that they are protected by workers' compensation insurance similarly to workers when looking at their actual duties and at the status of accidents occurring, etc.

3. Fostering the Creativity of Working Adults (Continuing Education)

It is necessary to provide continuing education opportunities for working adults in their 20s and early 30s at large companies in order to refine and step-up their creativity.

It has also been pointed out that one of the reasons for the low markup rate in Japan is that Japanese manufacturing companies position art and design relatively far from management's focus, instead paying attention to cost and quality.

For this reason, there will be intensive and medium- to long-term support in order to develop educational programs that connect businesses to creative ideas based on customer needs and individual attitudes and to quickly construct a base of universities that put these programs into practice.

Specifically, it will establish an environment where the latest IT and technology necessary for the realization of ideas can be utilized and will be a small group program centered on project-type lessons in collaboration with companies, developing educational programs in collaboration with both domestic and overseas art universities that reflect education methods. Therefore, an environment in which it is easy to attend these classes will be created, such as by holding classes on weekday evenings or on holidays and by setting inexpensive tuition fees so that working adults from a diverse array of backgrounds can learn while working.

Chapter 3 Review of Payment Infrastructure and Enhancement of Cashless Payment

1. Review of Payment Infrastructure

(1) Review of Regulations on Payment Services Providers and Establishment of Regulations on Financial Services Brokers

① Review of Regulations on Payment Services Providers to Enable Remittances over 1 Million Yen by Non-Banks

The Amendment of the Payment Services Act which develops a new category of money transfer service providers so that non-banks can handle remittances over 1 million yen per remittance, with imposing deposit liability of funds for users, was enacted. This will promote the emergence of a variety of more convenient remittance services.

In addition, this Amendment exempts deposit liability from money transfer service providers who handle only small amount of money not exceeding 50,000 yen. This promotes the provision of low-cost and convenient money transfer service and improve the user convenience of small amount of money remittances not exceeding tens of thousands of yen used by many people.

② Regulations on Financial Services Brokers

Previously, financial brokerage businesses that handles various financial services on EC sites were required to acquire different licenses or registrations of each financial sectors, such as banking, securities firms, or insurance companies, so that it was difficult to provide a wide variety of financial services spanning multiple sectors. It had been pointed out that, to enhance utilities of consumers, a new regulatory framework suited for such financial brokers that provide a wide variety of financial services on a one-stop basis should be created.

Based on these opinions, Regulations on Financial Service Brokers (Act on Provision of Financial Services) which allows brokerage businesses to handle financial services spanning all financial sectors (banking, securities firms, or insurance companies) with a single registration. Users can select the best financial product matching their needs from a variety of financial products, for example, by comparing interest or fees of them on their smartphones.

(2) Construction of Payment Infrastructure associated with the Progress of the 4th Industrial Revolution

Japan's payment systems have a long history and have robust structure, but they have difficulty in adaption to new forms of payment systems. In addition, it has been pointed out that, with a move to the further progress of cashless payments accelerated by the spread of COVID-19, there are so various new comers in cashless payments businesses that there should be more improvement in payment infrastructure. Based on this recognition, the government will take the following measures.

① Review of Bank Transfer Fees

In the midst of expansion of cashless payments in our daily life with the progress of the 4th Industrial Revolution, people make payments more frequently and in smaller amounts. On the other hand, bank transfer fees becomes an obstacle to the spread of cashless payments because

stores introducing cashless payments receive their sales from payment service providers through bank transfer.

For this reason, inter-bank fees, which account for a considerable portion of the costs behind bank transfer fees and having not changed for more than 40 years, should be reviewed. For the review, from the perspective of securing stable and efficient operation of nationwide payment network infrastructure, inter-bank fees should be integrated to the system mandated by the Japanese Banks' Payment Clearing Network (Zengin-Net) (*), and should be lowered to a reasonable level that properly reflect costs, while visualizing cost structures.

(*) Association that operating the Zengin system

② **Improve Convenience of Frequent, Small Amount Payments**

To improve convenience for users make remittances more frequently and in smaller amounts, promote the diversification of the fee system that is now mechanically charging fees per remittance regardless of the total amount of remittance, such as introducing a new fee system charging fixed fee regardless of frequency of remittances.

In addition, construction of new settlement system focusing on frequent, small amount payments will be discussed.

③ **Participation of Blue-Chip Non-Banks**

Currently, non-bank payment service providers (non-banks) are not qualified to participate in the Zengin system, so that they cannot help but to connect to banks when they withdraw funds from users and deposit to affiliate stores. Therefore, qualifying mark of the Zengin system will be reconsidered to allow the participation of blue-chip non-banks so that they can reduce remittance costs on their own efforts.

2. Enhancement of Cashless Payment

(1) Review of Merchant Fees

A Guideline requiring disclosure of merchant fees and cycle of deposit to small and medium-sized affiliate stores has been established, considering that high merchant fees affiliate stores (businesses) have to pay to payment service providers become obstacles of introducing cashless payments. By continually utilizing this guideline, the government will encourage further reductions of merchant fees even after the completion of point refund program.

(2) Grant "Mainapoint"

From September of 2020, to promote consumption, the program granting "Mainapoint" to

Individual Number Cards holders will start.

(*) 5,000 points will be granted to users of cashless payment service if they deposit 20,000 yen to the service provider.

(3) Overseas Expansion of the Japanese Original Standardized QR Code and Unification of User Interfaces for Touch-Type Payments

Standardization and interoperability of QR Codes should be promoted not only for enhancing user convenience, but also for securing the global competitiveness of Japanese payment systems.

From this perspective, though Japan is now flooded with many and different of payment services, the government will promote overseas expansion of the Japanese original standardized QR code (JPQR) by securing mutual linking of QR code standards among Asian nations.

Additionally, even though Japan's touch-type payments have their own original standards, from the perspective of accommodating inbound demands, we will promote introduction of touch type payment terminals that can handle multiple standards which differing country-by-country, so as to meet the touch-type payment standards of both Western countries and Japan,

(4) Sustain Cashless Payments in Disasters (Power Supply Disruptions etc.)

In times of disasters, power supply and communications networks can be suspended, so cashless payment system that consumers and stores can continually handle cashless payment in times of disasters should be developed.

Specifically, we will develop uniformed policy for credit card industry, so that affiliated stores can process payments by manually recording numbers on credit cards etc., under condition of verifying measures for ensuring security of consumer information handled by affiliated stores.

(5) Promotion of Cashless Payments of Public Utility Charges to Local Governments

It has been pointed out that local governments have difficulty in introducing cashless payment of public utility charges, so that the government will back up introduction of cashless payments by local governments through promoting the "Cashless Payments Introduction Manual" for local governments formulated in April 2020.

Chapter 4 Responding to the Digital Market

1. Development of Rules for the Digital Market

(1) Establishment of the Act on Improvement of Transparency and Fairness in Trading on Specified Digital Platforms

The Act on Improvement of Transparency and Fairness in Trading on Specified Digital Platforms was enacted in a way that does not impede innovation while supporting transparency of transactional relationships. Enforcement of this law will make the transactional relationship between digital platform operators and users more transparent for large-scale online malls (*1) and app stores (*2).

(*1) A website that aggregates products, etc. from multiple stores into a single website and then sells them.

(*2) A website that aggregates software into a single website and then sells it in a download format.

(2) Review of the Act on the Protection of Personal Information

The Amendment Act of the Act on the Protection of Personal Information was enacted from the perspectives of raised awareness with regards to the handling of personal information, the need to balance utilization and protection of personal information, and ensuring equal footing for foreign and domestic business operators. To facilitate smooth implementation of the amended Act (within two years from the promulgation), in addition to formulation of detailed rules (on processing level) for the system of pseudonymously processed information (*1) created to promote data utilization within companies as intermediate forms of information between personal information and anonymously processed information, clarifications will be made on cases (*2) where cease of utilization or deletion of retained personal data can be demanded, promoting utilization of the system of pseudonymously processed information and demand for cease of utilization or deletion.

(*1) The system that allows utilization of personal data without the consent of the principal in question if the data is "processed", such as by deleting the principal's name, on the condition that utilization of the data is limited to internal analyses within the company, from the viewpoint of promoting innovation. Note that it is prohibited to provide such processed data to third parties, except in cases required by laws, because the system of pseudonymously processed information enables to identify specific individuals through collating the data with other information.

(*2) Formerly, the right to demand for cease of utilization or deletion of retained personal data was limited to cases of violations of the law, such as illegal acquisition of data, but this amendment also adds cases wherein individual rights or legitimate interests may be harmed.

(3) Digital Advertising Market

Digital advertising costs have grown to account for 30% of Japan's total advertising costs, but, on the other hand, a variety of issues in the digital advertising market have been pointed out amidst increasing domination by platform businesses, such as sudden changes in systems

or rules, opacity in the content of transactions, and dissatisfaction with measures to increase the number of views.

In order to achieve sound and healthy development of the digital advertising market it is necessary to secure the "possibility of choice" for market participants, including for general consumers, by ensuring the fairness of and increasing the transparency of the content of transactions. It is necessary to return to the users' point of view and request reliable and fair data management from platforms operators.

Given that the market is rapidly changing, it is necessary to respond from a cross-perspective (competitive policy perspective and privacy protection perspective) approach and to establish a framework that will not excessively obstruct innovation and that will promote solving problems through innovation.

As for platform operations, there will be a consideration of the pros and cons of adding applicable entities to the Act on Improvement of Transparency and Fairness in Trading on Specified Digital Platforms and the establishment of rules seeking the below points will be advanced.

① Improve Service Transparency

Encourage competition for the "quality" of services by requesting easy-to-understand information disclosure regarding the actual state of a service's "quality," such as measures to increase the number of views, and by requiring third-party measurements of the number of times advertisements are displayed.

② Promote Fair Competition around Data

As for platform operators with an overwhelming competitive advantage due to the wealth of data obtained through their own search engine, encourage fair competition for data by making it possible for consumers to easily choose default search engine settings and by asking platform operators to provide advertising clients with reaction data.

③ Address Concerns about Vertical Integration

In consideration of concerns that platform operators will preferentially select their own video sites, etc. over the sites of other companies on advertising mediation services, ensure fairness and transparency by requiring disclose of measures such as internal rules and system-level allowances.

④ Ensure Procedural Fairness

In consideration of the fact that system and rule changes by platform operators may be

conducted without sufficient advance explanation, require prior notice of the time of change and disclosure of reasons for changes. In addition, require disclosure of key search engine parameters that affect the number of customers. Procedural fairness will be ensured through these measures.

⑤ **Respond to Concerns Regarding the Acquisition and Use of Personal Data**

With regards to the acquisition and use of personal data, there are questions as to whether explanations to individuals and consent based on these explanations are effectively functioning, so, in consideration of this problem, require disclosure of information regarding the state of internal management of personal data, etc. and disclosure of a clear and easy-to-understand privacy policy.

2. Refining Regulations Based on Social Implementations of Digital Technologies

Previously, a company's business model was regulated by uniform regulations such as the various Business Acts, but it has been pointed out that, going forward, AI utilization will enable companies to significantly improve the functions of products and services that they provide and that the business models of companies that make good use of technology will have a competitive edge, and that such factors will lead to customer-oriented services. On the assumption that digital technology will progress and that the accuracy of situational understanding from data will increase, it is necessary to concretely consider the appropriate form of regulatory systems for the new era while being aware of the "soft law" approach.

For this reason, demonstration projects will be carried out, from a medium- to long-term perspective, with a focus on the three fields of mobility, fintech and finance, and construction. In addition to identifying problem points and issues related to the form of future regulations, there will be efforts to inquire deeply and expand into other fields.

(1) Mobility Field

With regards to all processes of the inspection for checking the conformity to each approved type (hereinafter referred to as complete inspection), regulations premised on complete inspection personnel will be reviewed if it can be confirmed that the level of inspections using AI, etc. are equal to or higher than inspections performed by conventional complete inspection personnel. In conjunction with this, the system of audit by Japanese approval authority will be reviewed if it is possible to build a system that continuously confirms and analyzes remote inspection data.

(2) Fintech and Finance Field

To refine the regulations for professional investors, if the factors relevant to the competence as a professional investor can be identified through analysis of investor's transaction history data etc., regulations for professional will be reviewed so as to consider identified factors.

In addition, to refine regulations for sales of financial instruments to elderly customers, if the factors relevant to the capability as an individual investor can be identified through analysis of elderly people's transaction history data etc., regulations for financial instruments to elderly people will be also reviewed so as to consider the identified factors.

Furthermore, to refine the AML/CFT Regulations, study the possibility of more efficient ML/FT risks assessments etc. through the utilization of AI, which are carried out manually by each financial institutions. Based on the results of the study above, AML/CFT regulations will be reviewed so as to conform to the utilization of AI.

(3) Construction Field

There will be an amendment of regulations so that inspections of external walls of a building, based on the Building Standards Law, can be carried out through the use of drones on condition that drones equipped with infrared devices can be confirmed to detect deteriorations with an accuracy equal to or better than a test hammer to perform strike tests by qualified persons such as 1st-Class Kenchikushi.

Additionally, there will be an amendment of regulations so that inspections of elevator ropes based on the Building Standards Law, can be carried out through the use of sensors on the condition that sensors installed for inspections can be confirmed to detect deterioration with an accuracy equal to or better than the visual confirmation (once a year) of qualified persons such as 1st-Class Kenchikushi.

3. Early Nationwide Deployment of 5G, Promotion of Post-5G, and Promotion of So-Called 6G (Beyond 5G)

(1) Early Nationwide Deployment of 5G

In addition to starting 5G service in all prefectures by the end of FY2020, the 5G development plan to FY2024 will be accelerated in order to develop the nationwide 5G networks and promote its utilization.

Based on the recently enacted the Act of Promotion of the Development, Supply, and Introduction of Specified Advanced Information and Communications Technology Utilization System, this will be achieved by the tax incentive on (a) advance deployment of advanced transceivers/receivers and so on by nationwide carriers, and (b) 5G(local 5G) infrastructure including transceivers/receivers installed by local businesses and so on while ensuring cyber security. Through this, Japan will quickly and intensively develop a safe and secure 5G

information and communication infrastructure while fostering trustworthy vendors and expanding their overseas activities through international cooperation.

(2) Promotion of Post-5G

In the future, 5G enhanced with even more simultaneous connections and ultra-low latency functions (referred to as 'post-5G' in this instance) is expected to expand to industrial applications.

As such, information and communication systems compatible with post-5G and related technologies, such as semiconductors used in the systems, will be developed so that post-5G can be the pillar of competitiveness for Japan's core industries, such as industrial machinery and automobiles. In addition, there will be efforts to develop manufacturing technology in order to secure technology that can, in the future, domestically manufacture the state-of-the-art semiconductors required for post-5G.

(3) Promotion of So-Called 6G (Beyond 5G)

Around 2030 it is expected that so-called 6G (Beyond 5G) will be introduced as the next generation mobile communication system. Beyond 5G is critical infrastructure in the Society 5.0 era, offering features that exceed 5G and post-5G, such as ultra fast and large capacity, ultra low latency, ultra numerous connectivity, ultra low power consumption, and ultra security and resiliency. Beyond 5G, in addition to being utilized by each and every organization and industry as a basic foundation supporting citizen's lives and economic activities, is also deeply involved in Japan's security.

Other countries are already advancing the strategy of seamlessly transitioning to Beyond 5G, and it will be a competition to implement a new future that fuses human wisdom and technology in all fields. In Japan as well it is necessary from now on to make upfront investments in Beyond 5G and aim to secure a share.

Specifically, Japan will accelerate research and development of state-of-the-art technologies such as all-photonics networks (*1), low power consumption semiconductors, and quantum cryptography (*2), which are the keys to realizing Beyond 5G.

In addition, joint international research from the initial research and development stage will be promoted and efforts to have international standards reflect technology of Japanese companies will be advanced. In order to do that, a system for global public-private partnerships will be established.

(*1) A communication technology that transmits and exchanges information from end to end on a communications network using optical signals as they are, without converting them to electricity.

(*2) A next-generation encryption technology in which information such as the "key" used for encryption and decryption is sent on so-called "quantum" particles, such as photons. The state of these particles

changes if an unauthorized party attempts to read the particles, and eavesdropping or information leakage can be prevented by detecting these changes in state.

Chapter 5 Promotion of Open Innovation

1. Investment in Startup Companies

(1) Open Innovation Promotion Tax System

For domestic companies or CVCs investing 100 million yen or more in startup companies that were founded less than ten years and still unlisted, as well as small and medium-size enterprises which drive local economies and invest 10 million yen or more in aforementioned startup companies, Open Innovation Promotion Tax System was introduced to provide 25% tax deduction. In order not to weaken investments in startup companies due to the impact of COVID-19, supply of new funds to startup companies that play leading roles in innovation will be promoted, which leads to their growth.

(2) Promotion of the Asia DX Project

As an opportunity to change the corporate culture of Japanese companies, the government is promoting the creation of new businesses in collaboration with companies in emerging countries as the "Asia DX Project." A digital transformation promotion team was established in the Japan External Trade Organization (JETRO) in December 2019, and JETRO and Japanese overseas diplomatic missions will work together to promote cooperation between companies in emerging countries and Japanese companies, such as uncovering promising companies in emerging countries and coordinating with local governments.

Through these efforts and in collaboration with the Ministry of Economy, Trade and Industry and related ministries, the first several pioneering companies will be highlighted, creating a leading model that causes the "Peer Effect."

2. Optimizing Contracts Between Large Companies and Startup Companies

It is critical to further improve Japan's competitiveness through cooperation between large companies and startup companies by fostering and utilizing human resources that take on new challenges.

On the other hand, a situation of imbalanced contracts has been pointed out by some startups, where, in collaborations between large companies and startup companies, the large companies will monopolize patent rights when the startup company performs joint research with a large company, and the surrounding or auxiliary patents will be walled off by the large companies.

When the Japan Fair Trade Commission conducted a fact-finding survey of startup companies (unlisted companies founded less than 10 years ago) and whether they had

accommodated unsatisfactory conduct in transactions and contracts in collaborations with other companies (large companies, etc.), it came to light that 75% of the responding startup companies replied in the affirmative to the question "Do you have experience accommodating unsatisfactory behavior from other companies?"

Additionally, the fact-finding survey also revealed the following types of situations as concrete details of the unsatisfactory conduct.

① **Nondisclosure Agreements (NDA)**

There were unilaterally advantageous provisions for the large companies, such as short non-disclosure periods and only the startup companies having to disclose secret information.

② **Proof of Concept Agreements (PoC Agreements) (*)**

Despite being asked to carry out additional work beyond the scope of what was originally agreed to, no contract documents were presented for the additional work and ultimately no equivalent compensation was paid.

(*) Proof of Concept Agreements are conducted to quickly and easily determine the feasibility of joint research before entering into full-scale joint research.

③ **Joint Research Agreements**

Conditions that rights to a new invention belong to the large corporation even if the invention was newly created primarily by the startup company's know-how.

④ **License Agreements**

Requests to provide non-compensatory licensing.

Based on the results of this kind of fact-finding survey, a standard Model Contract (Ver. 1.0) was first created and published so that startup companies with weak legal departments are able to appropriately respond to these problems.

Going forward, the Japan Fair Trade Commission and the Ministry of Economy, Trade and Industry, after conducting further fact-finding surveys of startup companies, will jointly draft a guideline summarizing problem cases in various agreements, specific directions for improvement, and the approach (*) behind the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade by the end of the year and start public comment procedures.

(*) For example, summarizing cases that may be subject to abuse of superior position or transactions with binding clauses (transactions with conditions or clauses that unreasonably restrain the business activities of the counterparty).

3. Promotion of Business Restructuring, Including Spin-Offs

In order for existing companies to successfully innovate, it has been pointed out that it is necessary to have an "ambidextrous organization" (O'Reilly & Tushman (2016)) that can simultaneously ①experiment with and act on new businesses, and ②streamline existing businesses and perform gradual improvements (deepen knowledge).

To make it easier for existing companies, including large companies, to engage in "ambidextrous management," it is necessary to ①promote collaboration through M&A of startup companies, and ②improve the environment for business restructuring, including spin-offs (*).

The spread of COVID-19 should be considered as accompanying major changes in industrial structure, and companies will need to review their business portfolios, cut out non-core businesses, and further promote ambidextrous management. It is important, particularly for large companies, to proactively carry out business restructuring in order to improve corporate value.

For this reason administrative guidelines will be formulated to facilitate business restructuring, including spin-offs, and there will be consideration of legislative measures to facilitate business restructuring and to promote businesses to address it.

(*) A method of splitting a company by transferring the shares of a subsidiary to shareholders.

Chapter 6 Mobility

1. Utilization of Technological Innovation in the Society 5.0 Era for Measures Against Traffic Accidents by Elderly Drivers

Countermeasures for traffic accidents by elderly drivers are a major social issue, and a prompt response is necessary when considering the increase in the number of elderly people in the future. On the other hand, transportation is limited in rural areas so it is important to secure transportation means for the elderly and to balance road safety. Taking advantage of technological innovations in the Society 5.0 era, the following measures will be taken.

(1) Promote the Spread of Vehicles Equipped with Advanced Emergency Braking System (AEBS) and Pedal Misapplication Prevention Device

A safe driving support car ("Safety Support Car") subsidy (*) was started in March 2020 to support purchases by elderly people aged 65 and older of support cars outfitted with certified equipment, such as brakes to avoid or mitigate the severity of an impact with a pedestrian and devices to limit sudden forward movement or sudden acceleration due to an accelerator-pedal error. The subsidy supports the aim of introducing of 1 million support cars by the end of FY2020.

(*) Generic name for the "Subsidy for the Project to Advance the Spread of Safe Driving Support Cars"

(Ministry of Economy, Trade and Industry) that targets private vehicles and for the "Subsidy for Traffic Accident Prevention Measures Related to the Project to Advance the Spread of Safety Support Cars" (Ministry of Land, Infrastructure, Transport and Tourism) that targets commercial vehicles.

(2) Creation of a Driver's License Restricted to Support Cars

In order to reduce traffic accidents caused by elderly drivers, a revision to the Road Traffic Act was enacted so that individuals aged 75 and older and who have a certain history of traffic violations will be subject to a mandatory driving skills test when renewing their driver's license, in addition to the usual cognitive test. The revision also makes it so that even elderly drivers (*1) not subject to the driving skills test will receive in-vehicle instruction (*2) and have their driving abilities evaluated.

Furthermore, starting around 2022 there will be a system to grant, through application by the driver themselves, a conditional driver's license (driver's license limited to support cars), that is limited to safe driving support vehicles, etc.

(*1) Individuals between 70 and 75 years of age and individuals aged 75 or older who do not have a certain history of traffic violations.

(*2) Giving instruction by, together with the course instructor, evaluating actual driving situations by driving through a course according to certain tasks, such as passing through intersections with traffic lights and making a momentary stop before turning left or right at intersections.

2. Establish a Paid Passenger Transportation System in personal-use automobiles in Cooperation with General Passenger Automobile Transportation Business Operators

A revision to the Act on Revitalization and Rehabilitation of Local Public Transportation Systems was enacted, establishing a paid passenger transportation system in personal-use automobiles in which general passenger automobile transportation business operators (*) participate in the system and take on operational duties, including operations management by receiving a consignment, with operations beginning later this year.

(*) Operators that, in response to demand from others, use automobiles to transport passengers for a fee, specifically referring to transportation business operators such as route buses, chartered buses, and taxis, etc.

3. Social Implementation of Low-Speed and Compact Automatic Delivery Robots

Demand for home delivery has rapidly increased in conjunction with the spread of COVID-19, and, amidst increasing need for contactless delivery without human intervention, it is expected that new delivery services utilizing unmanned, low-speed, and compact automated

delivery robots will be realized. For example, it is expected that such a service will be used for delivery to nearby consumers' homes from supermarkets, restaurants, and package delivery bases and for periodic collection and transport of packages.

While there are examples from overseas of delivery robots actually driving on public roads for deliveries, under the Japanese system (Road Transport Vehicle Act, Road Traffic Act) the low-speed (driving on sidewalks at speeds of 6 km/h or less), compact, and unmanned delivery robots are not positioned on roads and have not been tested on public roads. Finally, in April 2020, a framework was established so that delivery robots, limited to "nearby monitoring / operation" types in which the monitor or operator follows and watches the robot, can conduct demonstrations on public roads, including on sidewalks.

In Japan as well, in addition to confirming social acceptance of delivery robots, demonstration drives on public roads by "remote monitoring / operation" type delivery robots will be realized as soon as possible within the year, and, based on the collected data, continuous services can be provided.

Basic policy for designing a system will be decided at an early stage, based on the results, for the social implementation of low-speed and compact automatic delivery robots.

Chapter 7 Initiatives in Individual Fields

1. Energy and Environment

(1) Establishing a Robust and Sustainable Electricity Supply System

With regards to the electrical power network, through enacting revisions to the Electricity Business Act, the Organization for Cross-regional Coordination of Transmission Operators formulated a master plan for nationwide power grid development, and, in conjunction with making improvements based on future power source potential, will work to make the electrical power network more robust by allowing a portion of power grid development costs to be added to electric bills. Relatedly, through the establishment of a system, by the act, that allows power transmission and distribution businesses to change transmission charge flexibly on the condition that the Minister of Economy, Trade and Industry approves "revenue caps" and that they are within those limits, necessary transmission and distribution investments such as strengthening transmission and distribution grids and planned renewal of steel towers will be steadily carried out, and increase of cost efficiency will be encouraged.

As for power sources, businesses that bundle distributed energy resources and provides them as supply capacity (aggregators) will take advantage of their legal position to promote energy systems with true local production and local consumption of energy through further spread and expansion of distributed energy resources.

Additionally, with regards to renewable energy, which is a domestic energy resource and the largest pillar for fulfilling international responsibilities for decarbonization, a scheme in which certain premiums are issued based on the market price (Feed in Premium (FIP) scheme) was established in addition to the Feed in Tariff scheme (FIT scheme) through enacting revisions to the Act on Special Measures Concerning Promotion of Renewable Energy Electricity. Through the operation of both schemes, maximizing the introduction of renewable energy while suppressing financial burden on citizens will be promoted.

Additionally, for nuclear power, Japan plans to resume operation of nuclear reactors in cases where the Nuclear Regulatory Authority has confirmed that the world's toughest regulatory standards are met and with understand and cooperation of local public entities and related parties at locations. Furthermore, human resources, technology, and the industrial base are starting to be strengthened, and research and development for the future is also being promoted, such as pursuing reactors with excellent safety, etc.

(2) Responding to Energy Issues and the State of Future Energy Strategy

Japan's energy issues include ①responding to stagnating electric power investment and deteriorating facilities, ②responding to global climate change problems, and ③responding to changes in the situation regarding nuclear power generation.

With regards to the major directions of future energy strategies, including long-term and global energy issues (natural disaster risk, geopolitical risk, burden to citizens, outlook for technological development (*), and the status of energy investment, etc.) and energy-related issues facing Japan (handling of energy sources such as fossil fuels and renewable energy, maintenance of networks and distributed systems, fuel procurement, and improvements to the investment environment, etc.), a new forum for discussions will be established at the Council on Investments for the Future and bold visions from a broad perspective will be considered while taking into account the balance between climate change, stable energy supply, and cost.

(*) Renewable energy, hydrogen, CCUS/ carbon recycling (capture and utilization of CO₂), nuclear power, AI utilization, etc.

2. Oceans and Space

(1) Oceans

The security situation surrounding Japan's territorial sea and the surrounding seas, including Japan's exclusive economic zone, has become even harsher, and Japan's maritime interests are exposed to more serious threats and risks than ever before. Additionally, issues such as climate change and marine litter containing microplastics have become apparent in recent years even though expectations for development of marine resources and development of marine energy

have increased, and there is growing interest in conserving marine environments, both domestically and abroad.

Against this backdrop, Japan will strengthen its ability of Maritime Domain Awareness (strengthening abilities to collect marine information and strengthening systems for aggregating and sharing this information) from the perspectives of economic security and the growth of marine-related industries. Specifically, efforts related to Arctic research vessel will be promoted, in addition to utilizing oceanic data such as sea temperature, ocean currents, and ship traffic, and sharing it with the public and private sectors, so as to optimize maritime route settings and improve accuracy when searching for fishing areas. Development of marine resources will be promoted through these efforts.

(2) Space

Based on the "Basic Plan on Space Policy" that was decided by the Cabinet in June 2020, space development and utilization will be expanded through the following measures.

① Contribute to the International Space Exploration Program (Artemis Program) Proposed by the US

The US has proposed international space exploration aiming for continuous lunar surface exploration through sending astronauts to the surface of moon again, and in October 2019 Japan also decided to participate. Japan will contribute with manned stay technology, such as the environmental controls and life support technology, and with logistics cargo, that are one of Japan's strengths. At the same time, Japan is aiming to secure opportunities for Japanese astronauts to play active roles and to develop future resources on the lunar surface, and is promoting development of the basic technologies (technologies for landing on and mobile exploration of celestial bodies, water exploration technology, etc.) necessary for sustainable exploration activities.

② Promote Expanded Use of Satellite Data

Satellite data from space has the possibility of being the infrastructure to support the Fourth Industrial Revolution. For example, in the field of agriculture, efforts have already started to predict optimal rice harvesting dates from satellite data, to color-code harvesting times, and to support production. While the use of satellite data is expected to expand in autonomous driving and in disaster response, the use of highly public data from government satellites will be expanded by providing the data in free of charge in a format that is easy to process and analyze while also paying attention not to disrupt satellite data sales conducted by private businesses. In addition, there will be steady promotion of the Advanced Geospatial Information Utilization

Society (G-Spatial Society) Project, including by building integrated geospatial disaster prevention and mitigation systems.

③ **Improve an Institutional Environment for New Space Businesses**

As for sub-orbital flight, (*) which is expected to enable space travel and the airborne launch of small satellites, the improvement of an institutional environment to develop new space businesses will be promoted, taking into consideration the activities of private companies aiming for commercialization of space in the first half of the 2020s.

(*) The Space Activities Act only regulates the launch of satellites to altitudes of 100 km or higher, and is not applicable to sub-orbital flights (flights to an altitude of approximately 100 km). On the other hand, the Civil Aeronautics Act does not apply to things like sub-orbital flight as it does not envision aircraft flying at altitudes of approximately 100km, so it is necessary to develop a new system for sub-orbital flight.

Chapter 8 Maintaining Regional Infrastructure and Improving SME and Small Business Productivity

1. Maintaining Regional Infrastructure

(1) Enacting Exemptions to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Shared Buses, Regional Banks)

Amidst a declining population, exemptions to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade will be enacted in order to maintain services of specified regional infrastructure (shared bus operators and regional banks) into the future. There are also some who argue that this is positioned as a strategic review of competition policy in order to truly improve convenience for residents. In consideration of these points, these exceptions should be operated in close cooperation with relevant ministries and according to the purposes of the exemptions.

In addition to enacting governmental ministerial ordinances and guidelines for enforcing these exemptions, greater predictability for stakeholders will be ensured through the cooperation of related ministries and agencies in response to prior consultations from specified regional infrastructure companies regarding application of the law. Regional banks in particular will be strongly urged to strengthen their management capability intensively and at an early date within 10 years, which is the deadline for the special exemptions in question, so as to improve efficiency, productivity, and service quality, including those related to mergers.

(2) Early Realization of the Super City Concept

Japan will work towards early realization of the "Super City" concept, aiming for a "Future

City in Whole" that utilizes AI and big data to lead the world and be a front-runner in realizing a life of the future, and will hold an open call for super city applicants, based on the revised National Strategic Special Zones Act, and super cities will be designated during 2020 at the latest. After designating cities, the National Strategic Special Zones Committee will promptly propose a basic concept, including cutting-edge services and regulatory reform across multiple fields such as telemedicine, education, and autonomous driving, etc. The various ministries will also focus on early realization of the concepts, such as by promoting concentrated investment in businesses Through this process measures against COVID-19, such as non-face-to-face meetings and automation, will be promoted.

2. Improving SME and Small Business Productivity

(1) Coexistence and Mutual Prosperity of Large Businesses and SMEs

There is a need to rebuild the coexistence and mutual prosperity relationship between large companies and SMEs, moving from having large companies unilaterally forcing subcontractors to reduce costs to having large companies work together with SMEs to create new value, such as by digitizing.

The "Promotion Standards" based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises clearly state that parents companies should cooperate with subcontractors who make efforts to increase productivity, etc., but the main focus is on cooperation with direct transactional partners (primary subcontractors) and there is little encouragement for secondary subcontractors and below. In addition, referring to the "Promotion Standards," action plans for optimizing transactions have been formulated on an industry group basis, but the efforts of individual companies are buried through just such industry specific efforts, and there may also be challenges that are spread out across all industries.

Based on these efforts, and aiming to build relationships where large companies and SMEs can grow together and where individual companies comply with each item (example: Cooperate in increasing productivity of business partners and consider the effect of increased labor costs on equivalent costs in transactions) specified in the "Promotion Standards," a "Partnership Construction Declaration" mechanism was introduced which states that the added value of the entire supply chain will be increased, starting with digitalization, not just stopping at the primary subcontractor but also including secondary subcontractors and below. A mechanism will be introduced to create lists of the declaration status of each company, and this will encourage many companies to create declarations.

(2) Optimizing Individual Transactions Between Large Companies and Subcontractors

The "Promotion Standards" stipulate that equivalent costs in a transaction "shall be decided by the subcontractor and the contracting organization after sufficient consultation," but there are some subcontractors who have been unable to request consultation with their contracting organization. The relevant ministries and agencies, in order to optimize individual transactions between large companies and subcontractors, will cooperate to rectify transaction and business practices via "Promotion Standards" based guidance and advice provided by ministers with jurisdiction.

Chapter 9 Responses Based on the Spread of COVID-19

1. Responses Until Now

Taking into account the 1st and 2nd supplementary budgets in FY2020, more than 230 trillion yen of measures were taken in response to COVID-19.

In the future, amidst a gradually increasing level of socio-economic activity and while taking measures to prevent the spread of COVID-19, these budgets will be promptly executed in order to protect employment, businesses, and lives, and to achieve a powerful economic recovery and promotion of social change.

(1) Employment Maintenance and Business Continuity

① Employment Maintenance

- With regards to the employment adjustment subsidy, in consideration of the severe situation due to the impacts of COVID-19 and referencing domestic wage levels and examples from overseas, a special increase (to 15,000 yen) of the maximum daily amount of 8,330 yen was implemented.
- Based on the business conditions of SMEs and small businesses, from the perspective of protecting workers, and with employment adjustment subsidies as a general rule, a system was created where employed individuals can directly apply for employment subsidies (*).

(*) A new system was created for individuals employed by small businesses that allows the employees to directly apply and receive up to 80% of their pre-business suspension wages (up to a maximum of 330,000 yen per month), even if they could not get a business suspension allowance from their employer.

② Financing Support

(a) Introduction of a Zero Effective Interest and Unsecured Scheme for Private Financial Institutions

- Prefectural financing systems, etc. were utilized to implemented exceptional financing of zero effective interest and unsecured loans with deferred principle repayment of up to 5 years, the same as loans from the Japan Finance Corporation, for private financial institutions such as nearby local banks, credit unions, and credit cooperatives.

(b) Establishment of a Grant System for Small- and Medium-Sized Businesses to

Continue their Business

- Based on input that without being able to borrow businesses would not be able to continue operating, and that even businesses that borrow money may not be able to repay it, an exceptional grant measure (continuance grants) was established with the purpose of sustaining medium, mid-size, and small businesses that find themselves in difficult circumstances.

(c) Establishment of Rent Support Grants

- For rent, which makes up a large portion of fixed costs along with personnel costs, a grant system (rent support grants) was established in order to lighten this burden.

(d) Provision of Capital Funds, Including to Medium- and Large Companies

- Going forward, amidst a situation in which future business prospects are uncertain, subordinated loans and equity capital such as investment is being provided via policy-based financial institutions and public funds as a response to increases in debt, etc.
- In conjunction with this, the Financial Services Agency, with regards to the classification of receivables when new financing is conducted and when there are changes to conditions for repayment grace periods, etc., recognized them as normal assets similarly to before the spread of COVID-19. With regards to businesses whose business conditions have deteriorated since the spread of COVID-19, and in consideration of the effects of economic measures and of the high probability that the business situation will recover after the COVID-19 situation is resolved, the Financial Services Agency has urged smooth financing support for businesses and clarified that it respects the judgements of financial institutions regarding evaluations that are identical to evaluations from before the spread of COVID-19. At the same time, the Financial Services Agency amended supervisory guidelines and strongly urged support for management improvements of client companies through utilization of capitalized debt, and, with regards to the definition of "capitalized debt," the Financial Services Agency clarified that it ① has a long deferment period set, ② with regards to interest rate setting, it corresponds to the profit available for dividends based on capital, and ③ subordination is ensured.

(2) Recovery of Economic Activity Involving the Public and Private Sectors as the Next Step**① Public-Private Integrated Campaign**

Assuming that the spread of COVID-19 will be halted, and amidst the start of initiatives such as active use of home delivery and unattended audience events, it is necessary to consider new business methods that take into consideration avoiding the "Three Cs" (Closed spaces, Crowded places, and Close-contact settings) and securing distance between individuals. Public-private integrated campaigns will, while thoroughly carrying out measures to prevent the spread of COVID-19, promote the implementation of new business methods in industries such as accommodation, transport, food, and events.

(3) Construction of a Robust Economic Structure

① Measures for Production Base Supply Chains

Domestic investment will be supported for essential goods for citizen's health, such as medical and health-use consumers goods and pharmaceuticals, as well as for those items that are highly dependent on foreign countries. While constructing a reliable supply system, a supply net that can flexibly respond in times of crisis will be built, supporting production multilayering and multiplexing for products and materials that are indispensable in the supply chain.

② Utilization of Non-Contact and Remote Services such as Telework and Distance Learning Through ICT

COVID-19 has created sudden and unavoidable changes in lifestyle, both at work and at home. This has given rise to an irreversible change in that telework and home delivery services continue to be used, and will not return to the pre-COVID-19 state. In order for Japan's industry to be able to appropriately respond to these changes it is necessary to consider measures and regulatory reform that support the conversion of businesses to formats that match the post-COVID-19 society.

From the viewpoint of preventing the spread of COVID-19, the following measures will be taken to promote telework, distance learning, and remote medicine.

(a) Promotion of Telework and Expansion of Online Medical Diagnosis

As telework initiatives are being promoted at companies, clarify labor management methods for telework. In addition, strengthen support for the introduction of communications equipment for telework at SMEs, and, furthermore, support cyber security measures for SMEs.

Additionally, enhance non-face-to-face and remote services such as health consultations, as well as actively utilizing online medical care to protect not only patients, but also doctors and nurses from the risks of hospital-acquired infections.

(b) Online Education and Order-made Education (Giga School)

In the economic measures decided on by the Cabinet in December 2019, it was decided to provide each elementary and junior high school student with a computing device and, in conjunction with this, reforms for software aspects are essential. In conjunction with moving up the realization of one computing device per student, diverse human resources will be nurtured while reviewing educational programs, content, and software aspects. At the same time, SINET (*1) will be actively utilized as the foundation for a data sharing society. Specifically,

- i) Under the current system (School Education Act enforcement regulations), standard teaching hours are set for each subject and each academic year (standard number of lessons). Considering that individualized learning can be achieved through the use of advanced technology (ex: AI produced drills), there will be considerations on how to flexibly increase or decrease class hours for specific subjects, irrespective of the standard annual class hours for each subject.
- ii) Support schools so that they are able to introduce, free of charge, trials versions of a

variety of software

iii) Develop content for cross-curricular learning and present specific challenges in advancing STEAM (*2) learning.

iv) With respect to the use of digital textbooks for students, under the current system (notifications based on School Education Act enforcement regulations) there is a standard for up to 1/2 of the classes in each subject, but, in consideration of environmental improvements from one computing device per student, the standard will be revised to up to 1/2 of the total number of classes.

(*1) A high-reliability and high-security network that connects Japanese universities on a dedicated high-speed line.

(*2) Cross-disciplinary education to utilize learning in the subjects of Science, Technology, Engineering, Art, and Mathematics to solve problems in the real world.

2. Future Considerations

The spread of COVID-19 has given rise to questions about economies and societies that until now had a short-sighted focus on reducing waste to the maximal extent, such as, ①an economy and society where distance makes sense with unipolarity / concentration in large cities and delayed digital transformations (DX), and ②entire supply chains being disrupted if a problem occurs in a certain location.

Basic principles for a "With COVID-19" and "Post COVID-19" society are as follows, and plans for each are called for:

①A social image that enables decentralized living by establishing new work styles (telework, telecommuting, staggered work, second jobs and side jobs, etc.) and which promotes local revitalization through remote work through advancing DX,

②A social image that, from a long-term perspective, is responsive to change and which is both robust and resilient,

③A corporate image based on long-term visions, without being bound by short-term profits,

④A social image that is sustainable, including the realization of a carbon-free society and a circular economy.

As such, the following items, for example, will be considered in the future.

(1) Establish New Work Styles and Rectify Overconcentration

- Promote regional revitalization through regional DX implementation
- Improve environment for moving from city concentration to regional dispersion
- Secure robustness against regional disasters (disaster prevention and disaster mitigation) and develop transportation networks

- Strengthen human resources development and research through university reform to respond to regional needs
- Establish new working styles
- Proper protections for and sound expansion of freelance work
- Support for startups
- Support for youth and essential workers
- Review business principles and general principles of face-to-face, paperwork, and personal seals
- Respond to the digital divide and the security divide
- DX for regional SMEs and promotion of smart agriculture, forestry, and fisheries
- Online education, order-made education, and continuing education
- Promotion of 5G, including local 5G, post-5G, and so-called 6G (Beyond 5G)
- Osaka and Kansai Expo as testing grounds for future society

(2) Restoration of Trust and Contact Among People

- Resume the movement of people and goods with foreign countries and restore the flow of people to realize Japan as a tourism-based country
- Expand and broaden inspection systems
- How to hold large-scale events
- Develop rules to gradually restore the flow of people, such as business people, experts, and even international students

(3) Current Challenges for Economic Management

(4) Stabilization of Financial Markets

(5) Industrial Revitalization and Business Restructuring

① Change Industrial Structure

- Respond to changes in business models and changes in industrial structures
- Construct supply networks that do not depend on specific locations or countries and that can flexibly respond in a crisis

② Promote Open Innovation

- Business transformation of large companies through open innovation, such as collaborations with startup companies
- Investment in intangible assets

③ Utilization of Robots

- Utilize robots in order to avoid contact

④ Small- and Medium-Sized Enterprises

- Coexistence and mutual prosperity model for SMEs and large companies

⑤ Expand Use of Contactless Services

- Data sharing and utilization of online medical examinations, online visits, and medical examination information, etc.
- Review of bank transfer fees, construction of a small amount payment system, and promote competition policies

(6) Respond to Energy Issues and Future Energy Strategy

(7) Form of Scientific and Technological Innovation

(8) Form of Government and Municipalities

- Expand utilization of Individual Number Cards and strengthen online procedures for using it
- Link Individual Numbers and bank accounts
- Standardize common office work under an open architecture in municipalities nationwide

(9) Respond to International Environment

- Strengthen economic security, strengthen security, and take measures regarding the companies that are critical for national security
- Create rules such as data distribution for DFFT (Data Free Flow with Trust)
- Maintain and strengthen the free trade regime through international cooperation
- Realization of an international financial hub