

# **Japan Revitalization Strategy**

## **-JAPAN is BACK-**

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## I. Overview

### 1. The Basic Concept of the Growth Strategy

Japan's economic stagnation of more than two decades has continued for far too long, and has had grave consequences on the Japanese economy and society.

The prolongation of deflation, coupled with the advent of a society with a declining birthrate and aging population that are resulting in a decreasing workforce, companies were forced to rein in capital investments and wages, and even hold off on R&D investments. Meanwhile, amid concerns about the future and cuts in incomes, consumers too have had to reduce consumption. All of this has made Japan unable to pull itself out of the vicious cycle of stagnating demand and accelerating deflation.

This period of long-term economic slowdown has been dubbed “the lost two decades.” Far graver than the economic losses, however, were the losses of confidence and future hopes among company managers as well as individuals.

Without confidence, companies cannot take risks in new growth sectors; human resources have limited opportunities to leverage their capabilities; technologies and ideas are left neglected; and individuals' financial assets and companies' internal reserves are underutilized. This naturally leaves human talents, goods, and funds structurally “idle.”

In less than six months since its inauguration, the Abe administration has launched the first prong or “arrow” (of the administration's three prongs of economic revival) of bold monetary policy aimed at dispelling the deflation mindset. It has also launched the second “arrow” of flexible fiscal policy aimed at igniting the dampened economy. Furthermore, the Abe administration has decided on, and set into action, processes which were deemed necessary but had been placed on the wayside, including participation in the Trans-Pacific Partnership (TPP) negotiations, the Electricity System Reform, and elimination of childcare waiting lists.

The consequent pick-up in consumption and corporate performance has brightened Japan's economic outlook for the Japanese people and international communities.

In this context, the Growth Strategy's role as the third “arrow” is clear. It should restore the confidence of company managers and of all people, and change expectations into actions.

Currently, Japan finds itself in the position of a “developed” country, facing many

serious challenges that it must address head on, challenges which other countries will one day also be facing. These challenges include the declining birthrate, aging population, and resource and energy issues. If Japan can become a world pioneer in resolving these challenges, an opportunity presents itself for Japan to become a global leader in new growth sectors.

Japan will once again implement aggressive economic policies that inspire motivation to tackle difficult challenges (“challenge”), carve out new growth sectors (“innovation”), both domestically and internationally (“open”), and mobilize, in one stroke, human talents, goods, and funds which had fallen idle (“action”).

If, as the stagnant economy starts to move again, Japan is able to promote replacement of old facilities and equipment with new ones, as well as to accelerate both investment in growth sectors and in labor mobility, then corporate earnings will increase, which will deliver returns for the people in the form of higher worker salaries and increased employment. This will lead to the realization of a virtuous cycle, where consumption will increase, triggering new investment, creating spillovers for communities and small and medium-sized enterprises (SMEs).

This Growth Strategy will mark a fresh start. By having all economic actors in the private sector actively and dynamically undertake full-fledged efforts to promote growth with a determination to take on challenges, a virtuous cycle will be set into motion for the first time, elevating the Japanese economy from stagnation to revival and to even greater heights, and in turn, enabling the economy to be placed on a growth trajectory.

Through the implementation of the three “arrows,” including this Growth Strategy, among other measures, Japan aims to achieve a vibrant economy that will register over 2% labor productivity improvement in the medium- to long-term, and around 3% nominal gross domestic product (GDP) growth and around 2% real GDP growth, on average, over the next ten years. By the late 2010s, the goal will be to achieve even higher growth. Based on these measures, it is expected that nominal gross national income (GNI) per capita will grow by more than 3 percent in the medium- to long-term, resulting in an increase of more than 1.5 million yen in 10 years.

To ensure that economic growth takes place, in addition to establishing macro targets, this Growth Strategy sets forth targets (Key Performance Indicators [KPIs]) that should be achieved for each set of policies.

A policy package has been laid out, including regulatory reform, budget, and taxation system measures, which may be implemented now to achieve the targets. However, these measures will not be all. This strategy is a “constantly evolving Growth Strategy” which will continuously add on and examine measures for the

achievement of the targets.

## 2. Roadmap to Growth

### **(1) Unleashing the power of the private sector to the fullest extent**

The private sector holds the key to strengthening the competitiveness of industries.

To ensure that the expectations for the exit from deflation created by the “first arrow” and “second arrow” do not end up being temporary, the vast quantities of funds which lie idle in companies must be directed towards investments that generate future values.

To this end, it goes without saying that the Government must do more than ever before to improve the competition environment for Japanese companies, including the development of a stable macroeconomic environment, overcoming delays in establishment of economic partnerships with other countries, the realization of low cost energy supplies, and the review of regulations and institutions which inhibit investment.

The Government will strongly support companies trying to strengthen their competitiveness by enhancing capital investment and structural reform, and by reducing tax burden of the companies with bold tax incentives on capital investment.

It is the private sector that will get the ball rolling, and therefore, Government measures must be designed for company managers to muster up the determination to make decisions, take actions, and compete with the world.

#### **(Speeding up the restructuring of industries and accelerating venture businesses)**

Bold moves should be taken to discard old facilities, equipment, and assets so that outdated facilities and equipment can be replaced with the state-of-the-art. R&D aimed at retaking the global lead should be accelerated. Funds, human resources, and capital should be actively mobilized in growth sectors. Daring business restructuring should be pushed through by companies and industries to promote such turnover of equipment.

As long as company managers start taking such actions, Japanese companies will be able to regain vitality, increase capital investments, and improve productivity, which in turn successively churn out attractive new products and services, succeed in global competition, and tap into the world's markets.

To encourage such moves by company managers, the Government will boldly promote capital investment and creation of new businesses at unprecedented speed. In addition, to ensure that shareholders and other stakeholders proactively support the forward-looking initiatives by company managers, corporate governance will be reviewed so that Japanese companies will excel in international competition.

**(Regulatory and institutional reform and opening up government enterprises)**

Will private sector creativity be fully utilized at the investment destination? What will change in sectors which had been heavily restricted? These are the most important questions that need to be answered in order to stimulate private investment.

The conventional theory was that it is difficult to capitalize on the private sector's creativity in social security sectors, such as medical care, nursing care, and childcare, as well as other sectors, such as agriculture, energy industry, and public services. This implies that these sectors may be converted into growth sectors depending on the approach taken. This also implies that there is significant room remaining for improvement in these sectors to efficiently provide good quality and low cost services and products to the people.

In sectors where the power of the private sector had not been sufficiently leveraged until now, or where the private sector could not previously enter, regulatory and institutional reform will be implemented and government enterprises will be opened up in order to realize a "minimum regulation country." This will not only promote private participation in regulated sectors and government enterprises, but attract private funds, human resources, technologies, and know-how to these sectors, so that these industries will become a new growth engine of the Japanese economy filled with motivated personnel and new technologies and provide employment opportunities.

For example, in the health sector accompanied by extensive public interest, Japan will become a world pioneer in developing practical applications of innovative medical technologies. This will be achieved by creating a Japanese version of the National Institutes of Health (NIH), and broadening the coverage of advanced medical treatment which may be received in combination with services covered by public health insurance system. In addition, Japan will approve the Internet sales of non-prescription drugs. Furthermore, the world's most convenient, efficient, and safest system will be established by enhancing ICT-supported medical care, nursing care, and preventative care,.

In agriculture, intermediary institutions that manage farmland will be established and utilized to speed up the consolidation of farmland. Furthermore, entry of diverse players including companies into the agricultural sector will be promoted based on a lease approach.

Social infrastructure development has thus far been exclusively dealt by the public sector. By making use of public private partnerships and private finance initiatives (PPP/PFI) based on concession agreements and other approaches, private funds and know-how will be boldly introduced into social infrastructure development. In doing so, safer, convenient, and more resilient social infrastructures will be developed efficiently. Additionally, innovation will be promoted by developing the world's leading business environment and by taking advantage of IT, including Big Data and public data.

Aiming to unleash the vitality of the private sector to the fullest, efforts will be made to revive a manufacturing industry that continues to succeed in global competitions, and create a high value-added service industry by replacing old facilities and equipment with new ones and accelerating venture businesses, as well as implementing regulatory and institutional reform and opening up government enterprises.

## **(2) Participation by all & fostering human resources who can succeed in the global competition**

Human resources are precisely the greatest resource that Japan boasts to the world. One of the biggest factors contributing to the grim outlook of the Japanese economy and society and to the economic slowdown is the insufficient exploitation of the potential of human resource capabilities amid the declining birthrate and aging population.

The employment and education systems created during the post-war high economic growth period have fallen into a “trap” of not being able to adapt to changing circumstances and thereby have stayed the same to this day. As a result, the capabilities of women and the elderly has not been fully harnessed, and the education of children and youth has not kept up with global trends nor with changes in the times.

However, this means, if the current system is boldly transformed, that these human resources can be significantly utilized to realize economic growth, that the decline in the birthrate and the aging of our demographic structure can be halted and that Japan's potential growth rate can be increased.

### **(Creating women-friendly work environments and restoring vitality to society)**

In particular, it is essential for the “power of women” – Japan's greatest potential which had not been leveraged fully to date – to be fully utilized. This is critical from the standpoint of securing human resources who will support the new growth sectors

amid concerns over the decreasing workforce population due to the declining birthrate and aging population.

Promoting women's participation in the labor force and management will lead to the creation of new services and products that will reflect a diverse sense of values more than ever before, and bring vitality to the entire society. Besides, if more households will be with double incomes, it will lead to the increase in household income as well as purchasing power and set into motion a virtuous economic cycle, so that the people will enjoy a greater sense of fulfillment.

Therefore, the Government will aim to raise the women's labor participation rate to the world's highest level by providing childcare arrangements and other services so that working couples can raise their children with a sense of security and by supporting women's return to the workplace following their childcare leave as well as promoting the proactive recruitment of women.

**(Creating a society in which both youth and the elderly can work with vitality by taking greater advantage of their capabilities)**

The system of life-time employment, where young people graduate from school, find employment, and work for the same company until retirement is now a thing of the past.

As steps are taken to accelerate the replacement of old facilities and equipment with new ones, employment opportunities will be expanded in new growth sectors. The Government will shift its employment policy focused from on excessively sustaining employment stability to on labor fluidity, in order to move labor from mature sectors to growth ones without creating unemployment.

Rather than having to move from one temporary job to another that does not match the skills of individuals, the new policy will give hope to people that they will be able to brush up their skills with enthusiasm, find jobs which offer incomes that are commensurate with their abilities, raise a family and nurture the next generation. To accomplish this, public employment security office "Hello Work" information and services will be boldly opened up to private employment and recruitment agencies. By making use of the private sector's know-how, the Government will support for skills enhancement training and suitable job matching, among other services.

**(Developing Japan's youth into globally competitive human resources)**

Japan's youth face competitions from those across the globe. Japanese young people shoulder the future of the country. In order for them to win in global competitions, and to play active roles on the world stage in areas such as academic research, culture, and to make contributions in the international scene, it is an urgent matter to raise the level of education up to international standards.

Japanese universities will be elevated to world-class levels. As such, national universities will be given much more freedom in their operations. The Government's involvement in national universities will shift towards providing prioritized support to universities that are committed to become the world's leading universities. This will help to unleash the full potential of the universities. Furthermore, like the saying "strike while the iron is hot," English education from the primary and secondary education stages will be strengthened. Overseas study opportunities will be drastically expanded in higher education to foster globally competitive human resources.

### **(3) Creating new frontiers**

The only way to sustain economic growth in the medium- to long-term, is to either create an entirely new market by developing pioneering products, services, and systems; or to go after a larger share of the pie which has increased in the growing and expanding international market.

Before falling into a protracted slump, the Japanese economy was able to grow precisely because it succeeded in these two endeavors. This is epitomized by the phrase, "Made in Japan." Products made in Japan using new technologies were successively produced and were sold in all corners of the world.

Today, the R&D and marketing competition are far more intense than ever before. Against this background, Japan will regain its luster through a "Made by Japan" approach, by drastically reinforcing its Innovation Strategy and Strategy of Global Outreach.

#### **(Reviving Japan as a "technology-driven nation", "intellectual property based nation" through an all-Japan effort)**

Japan has long maintained capabilities for high levels of technology to this day. Both government and university research institutes as well as the private sector carry out world-leading research, and possess numerous promising technology seeds. Nevertheless, the R&D by the Government, universities, and the private sector have been carried out without coordination as well as a clear vision of the final product, and have failed to capitalize on each other's strength. As a result, the final product is often outdone by products of other countries' in global competition.

The Government will drastically strengthen the headquarter functions of the Council for Science and Technology Policy, identify strategic areas where Japan shall not lose out to international competition, and organize a "dream team" into which the human resources, intellectual properties, and funds of the Government, universities, and the private sector will be injected intensively, in order to succeed in global competition in new frontiers and to create new growth sectors.

Also, the Government will thoroughly support innovative research with a view to quickly elevate the outputs of world-leading basic research to practical use, and produce a series of successful examples similar to the iPS project. Through collective efforts of the Government, a “country that continues to succeed through technology” will be created. And through wisdom and creativity of the Japanese people, “intellectual property based nation” will be aimed at world highest level.

**(Leaping into the world and attracting the world)**

The world market continues to expand rapidly, driven by the emerging countries. For Japan with poor resources, whether or not Japan will be able to succeed in the competition is of critical importance.

The Government must remove institutional impediments which stand in the way of Japanese companies’ overseas activities, including through the expansion of economic partnership agreements as well as the conclusion of investment agreements and tax treaties. This is a prerequisite for tapping into the growths of emerging countries and of elsewhere to the maximum extent possible, and to attract investment in the Japanese market.

Countries are now competing with each other to tap into the growing international market. Many Japanese SMEs remain within Japanese borders, despite possessing the world’s top products and element technologies in infrastructure sectors, such as electric power, water, IT, and railroad. Furthermore, Japanese cultural content, Japanese food, and the Japanese healthcare system have an overwhelming competitive edge. Nevertheless, these companies were late in entering the world market, and investment in Japan and the number of tourists to Japan have remained static.

As far as the overseas activities of companies are concerned, the Government will make a dramatic shift from the existing thinking that business matters should be left solely up to the private sector. The public and private sectors will make concerted efforts to strategically acquire market share, including infrastructure export and the promotion of Cool Japan by the Prime Minister and other ministers. At the same time, arrangements will be established to attract investment and tourists into Japan. Furthermore, in order to encourage highly skilled non-Japanese human resources to engage in activities in Japan, the points-based preferential immigration treatment for highly skilled foreign professionals will be reviewed. These measures will increase real GNI, i.e. the gross income that Japanese people will receive, including the wealth from overseas.

#### **(4) Redistributing the fruits of growth to peoples' lives**

Even should Japan succeed in achieving the growth rates targeted in the Growth Strategy, the fruits of this growth must not remain solely on the supply side. Ultimately, the entire society must regain its vitality, and each and every person must be able to feel a sense of fulfillment and have hopes and dreams for the future.

In particular, through two long decades of economic stagnation, both companies and the people who work in Japan have gotten accustomed to conservative attitude and deflation mentality. In order to change this to a forward-looking mindset, it is important that discuss with a broad and long-term perspective on the following issues, separately from issues which should be settled individually between workers and employers such as wage and work condition negotiations.

- The distribution method of the fruits of growth
- Improving corporate productivity and increasing the flexibility of labor mobility
- Diverse and flexible work styles in the age of declining birthrate, aging population, and the diversifying of values and,
- Approaches to human resource development and uses.

Through the opportunities for the exchange of views with labor and business groups, the Government will establish fora in which the Government, employers, and workers can hold a candid and constructive exchange of views and reach a shared understanding for comprehensively resolving the issues, and will swiftly commence the discussions.

The Growth Strategy must not conflict with fiscal rehabilitation. The steady implementation of measures which were incorporated into the Growth Strategy, including social infrastructure development by making use of private sector funds, the achievement of a world-leading e-Government system, the acceleration of ICT use in medical care, and university reform, will also contribute to the realization of fiscal soundness. Furthermore, the achievement of economic growth will increase corporate incomes and national incomes, and contribute to fiscal rehabilitation in the form of increased revenue.

### 3. How to Realize the Growth Strategy

#### **(1) Implementing policies at unprecedented speed**

The biggest difference between this Growth Strategy and past growth strategies is the identification of targets. Rather than merely listing the measures for realizing the targets, this Growth Strategy indicates, as much as possible, a schedule with the target dates of the steps necessary to implement these measures (e.g., amendment of law, budgetary and taxation measures, institutional reform, and council deliberations).

For the private sector attempting to initiate action, it will be critical to have information on what it will be able to do and when.

In particular, in order to restart the Japanese economy from two decades of stagnation, policies with quick impacts and clear messages must be swiftly implemented.

Policies will be implemented at unprecedented speed. Details of measures that require prompt action will be released by the end of August. The measures themselves will be implemented as soon as preparations are complete.

#### **(2) Accelerating reforms with National Strategic Special Zones serving as the gateway**

In order to place the Japanese economy on a mid- to long-term growth trajectory, patient efforts to steadily implement and mainstream the Growth Strategy are essential. At the same time, in order for Japan to demonstrate a real commitment to transform and truly make advancements, it must move quickly in carrying out regulatory and institutional reform as well as developing and enhancing infrastructure.

For this reason, while this Growth Strategy is premised on the prompt and effective implementation of the measures contained therein, National Strategic Special Zones will be created to serve as a gateway for the execution of bold regulatory reform and other measures as a new approach to realize Japan's growth strategy under the leadership of the Prime Minister. Under the system of National Strategic Special Zones, the Government, municipalities, and the private sector will work as one rather than in conflict with each other. The system will be applied only to projects which have a big enough impact to attract foreign investment and will be implemented in a timely manner. This is an impact which could not be expected from the special zones

that have been established to date.

Other systems, such as the Special Zone Advisory Council chaired by the Prime Minister and the Special Zone Promotion Headquarters for each special zone led by ministers, mayors, and private business operators, will be promptly established in order to advance the project from the top down.

## 4. An Evolving Growth Strategy

### (1) Implementing the PDCA cycle by reviewing targets (KPIs)

This Growth Strategy presents “targets” (KPIs) that should be achieved for each set of major policies. “Targets” including indicators identified by international organizations, are established to enable objective, routine, and comprehensive evaluation of policy outcomes, including through international comparisons.

Furthermore, the individual measures necessary to realize the “targets” show a clear direction, methodology, and implementation period. As many of these individual measures will require detailed designs, amendment of law, budget requests, tax system reforms, and other procedures for implementation, the existing bottom-up PDCA cycle will need to be applied to monitor the progress of individual measures.

Nonetheless, in the end the “targets” must be achieved. Even if the individual measures presented in the Growth Strategy are executed, they may have insufficient impact, or due to changes in the circumstances, it may not be possible to achieve the “targets.”

Therefore, in addition to the bottom-up PDCA cycle, this Growth Strategy will perform a “target review” of a different dimension than previous growth strategies. Specifically, the following items will be verified from a top-down approach. 1. Were the stated “targets” achieved; 2. If not, what was lacking; 3. What are the problems with the existing measures; and 4. What should be improved, including the abandonment of ineffective measures.

Based on the verification findings, the measures will be reviewed in a flexible manner to ensure they produce outcomes. If the “target” itself needs to be reviewed as a result of changes in economic and other circumstances, the target will be reviewed in a flexible manner with a view to maintaining a “consistently-evolving growth strategy.”

### (2) Way forward for realizing full-fledged growth

This Growth Strategy includes scenarios and key institutional reforms for realizing

Japan's medium- to long-term economic growth. However, detailed institutional designs will not have been finalized for all issues by the time of the strategy's establishment. Furthermore, this Growth Strategy does not claim to have comprehensively addressed all issues that Japan faces in order to realize the growth. For example, it is discussed in the coming autumn and beyond that how Japan's energy portfolio will be and that how the quantitative targets related to the climate change will be.

Also, with regard to the employment system, although the Growth Strategy sets out a major policy shift from a policy of "employment stability" to "movement of labor fluidity without unemployment," there are other issues that need to be addressed in order to create a world-leading employment environment.

Japan must learn other countries' best practices with respect to their work styles, labor-related legal systems, customs, and business practices. The people are seeking a "society that supports flexible and diverse work styles" and a "society that provides people with the opportunity to try again as many times as they want. The Government must address head on the issues which need to be resolved. Also, the Government must improve the environment comprehensively to attract competitive overseas human resources who have diverse values, experiences, know-how and skills.

Social security sectors, including medical care, nursing care, childcare, and pensions, impose an increasing financial burden due to the declining birthrate and aging population. At the same time, they are sectors which could become the driving force of growth as vast new markets, depending on the institutional design. This Growth Strategy identifies the health and longevity industry as one of the strategic sectors. It includes policies for developing the industries related to the extending of healthy life expectancy and pharmaceutical and medical device industry, as well as measures for capitalizing on the vitality of the private sector in childcare. Nevertheless, challenges remain for realizing medium- to long-term growth, including how to transform the medical and nursing care sectors into growth markets and provide high quality services, as well as how to ensure the sustainability of the scheme.

Regarding agriculture, the Growth Strategy includes measures pertaining to the consolidation of farmland by responsible entities and the expanded entry of companies. Meanwhile, agricultural productivity must be radically increased to double the income of farmers and of farming communities. This requires fully drawing on the know-how of company owners by accelerating private company participation in agriculture, developing "the sixth industry" (collaboration of primary, secondary and tertiary industries), increasing added value by expanding exports, pursuing an agricultural industry that allows "weekends" and "salaries" to encourage the

participation of young people, and take bold structural reforms.

To support sustainable economic growth and “fiscal rehabilitation,” the Government will start immediately discussing the remaining issues in partnership with relevant organizations, including the Council on Economic and Fiscal Policy and the Council for Regulatory Reform.

## 5. Examples of Necessary Key Measures in Line with the “Roadmap to Growth”

This Growth Strategy sets out three action plans for executing and achieving the “roadmap to growth”: Plan for the Revitalization of Japanese Industry; Strategic Market Creation Plan; and Strategy of Global Outreach. Below is an outline of some of the representative measures presented by the plans for swift implementation in line with the “roadmap to growth.”

(Note: The following are examples of measures and are not listed in order of importance or priority.)

### **(1) Unleashing the power of the private sector to the fullest extent**

#### **(Speeding up the restructuring of industries and accelerating venture businesses)**

##### **1. Expanding private investment and promoting business restructuring**

Target:

◆Bring capital investment back to pre-Global Financial Crisis levels over the next three years (70 trillion yen/year [last fiscal year: 63 trillion yen])

- (i) Review support measures, including endorsement of efforts that promote the replacement of old production facilities and equipment with new ones (e.g., replacement of aging production facilities and equipment with state-of-the-art, highly production- and energy-efficient facilities and equipment) and tax breaks for companies which, accordingly, replace old facilities and equipment with new ones, and take necessary measures.

Review measures designed to encourage companies to invest in leading-edge equipment, including medical devices and 3D printers, by offering supports that utilize lease arrangements, and take necessary measures.

(Reach conclusion by end of August)

- (ii) Push for strategic and drastic business restructuring to dramatically increase earning capacity. Review support measures for companies that promote such business restructuring, including tax breaks and financial support, and take necessary measures. In sectors in which the structural oversupply problem has long been neglected, present guidelines and establish frameworks to promote remedy initiatives.

## 2. Creating new businesses

Target:

- ◆ Ensure that business startup rate exceeds business closure rate, and raise current 5% business startup and closure rate to 10% range on par with the US and UK
- ◆ Top 3 among OECD member countries in the Ease of Doing Business ranking

- (i) In regulated sectors, including the health and energy sectors, enable companies to start new businesses with confidence. To this end, establish: 1. An arrangement to confirm that the business is in the white zone (legal); and 2. A system that eases regulations on an exceptional basis for companies that have the motivation and technology to demonstrate safety, etc. (Special System for Corporate Field Tests).

(Reach conclusion by end of August)

- (ii) Significantly increase fund supplies for venture businesses. Make the existing angel tax system more user-friendly and review measures that promote investment in venture companies utilizing private company funds, etc, and take necessary measures. Push for the establishment of spinoffs from major companies and start-up businesses utilizing local resources.

(Reach conclusion by end of August)

Conduct a study on and identify institutional reforms which need to be made with regard to a mechanism that will connect new and growing companies, including venture businesses, and investors on an Internet website, and raise small amounts of funds from many investors (crowdfunding) by the end of this year.

(Formulate by end of the year)

- (iii) Revise the current personal guarantee system in which one failure may cause borrowers or guarantors to lose everything, and lead to their experience and know-how to be unutilized. Formulate guidelines which, for example, do not require a personal guarantee of the business owner, if certain conditions such as clear separation between the assets of the business and the personal assets of the business owners, are met.

(Formulate as quickly as possible by end of the year)

## 3. Reviewing corporate governance and examining the use of public funds, etc.

- (i) Amend the Companies Act and promote the installation of external directors who can supervise from an outsider's perspective without being bound to company constraints or interests.

(Submit to Diet during next session)

(ii) Consider and compile principles (Japanese version of the Stewardship code) for institutional investors to fulfill their fiduciary responsibilities, such as promoting the mid- to long-term growth of companies through dialogues.

(Compile by end of the year)

(iii) At meetings among intellectuals, review and obtain recommendations on cross-cutting issues pertaining to public and quasi-public funds, such as the management of funds (promotion of diversified investment), matters of governance including risk management structure, and measures for improving the returns on long-term investments in shares, bearing in mind the scale and nature of each fund.

(Reach conclusion by autumn)

**(Regulatory and institutional reform and opening up government enterprises)**

**4. Creating and developing a good health and longevity industry**

Target:

◆ Expand the markets for health promotion, preventive care and living assistance industries from the current 4 trillion yen to 10 trillion yen by 2020.

◆ Expand the markets for pharmaceuticals, medical devices, and regenerative medicine-related industries from the current 12 trillion yen to 16 trillion yen by 2020.

(i) To push forward the development of practical applications of Japan's outstanding innovative medical technologies, establish control tower functions (Japanese version of NIH) which will create arrangements to ensure integrated research management, the linking of research and clinical practice, and high quality clinical research and clinical trials that meet international standards.

(Submit bill to establish new independent administrative agency to Diet during next ordinary session)

(ii) To enable the combination of a range of both services covered by health insurance as well as safe and advanced healthcare services not covered by insurance, create a new dedicated system of assessment by external institutions, etc. By promoting the "system for accelerated assessments of advanced medical services (tentative title)" (Advanced Medical Highway Initiative) designed to accelerate and streamline the assessments, significantly broaden the scope of advanced healthcare services and that are able to be combined with services covered by health insurance.

(Start with anticancer drugs aiming for autumn)

(iii) Approve the Internet sales of non-prescription drugs under the appropriate rules while securing the safety of consumers. However, for products that have newly

become available as non-prescription, due to their different nature from other non-prescription ones, experts from the medical, pharmaceutical, and other fields will carry out necessary reviews regarding the arrangements that encourage people to exercise caution regarding sale and use of the drugs for medical purposes. Take the necessary measures after reaching a conclusion by around the coming autumn.

(Reach conclusion by around autumn)

- (iv) Accelerate ICT use in medical care, nursing care, and preventative care and create the world's most convenient and efficient system. Make use of electronic data, such as health insurance claim statements, share medical records and nursing care information on a community-wide basis, and actively utilize the National Database (NDB). In particular, drastically strengthen health and preventive care by asking all health insurance associations, etc. to formulate plans on analyzing and utilizing health insurance claim statement data, etc.

(Amend Guidelines of the Minister of Health, Labour and Welfare pursuant to the Health Insurance Act, etc. by the end of this fiscal year)

- (v) Strengthen the system of the Pharmaceuticals and Medical Devices Agency (PMDA) with respect to both quality and quantity. Accordingly, accelerate the assessment of pharmaceuticals and medical devices and eliminate the assessment lag.

(Eliminate lag by 2020)

- (vi) To ensure that companies can start new businesses with ease in the regulated sectors of medical and nursing care, confirm that the business is in the legal white zone and take measures, including the development of a legal system for the establishment of quality assurance arrangements to ensure that consumers can make safe purchases.

(Reach conclusion by end of August)

## 5. Turning agriculture, forestry and fishery industries into growth industries

Target:

- ◆ In the next ten years, 80% of all farmland should be used by skilled and diverse responsible entities. Combined with industry efforts, the cost of rice production by skilled and diverse responsible entities can be reduced by 40% compared to the current national average cost. The number of corporate farmers will increase to 50,000 companies.
- ◆ Expand the market for “the sixth industry” from the current 1 trillion yen to 10 trillion yen by 2020.
- ◆ Expand the export of agricultural, forestry and fishery products and food produce from the current 450 billion yen to 1 trillion yen by 2020.

◆ Formulate a strategy to double the income of farmers and of farming communities as a whole over the next ten years in advancing a transition to “the sixth industry”.

- (i) Establish a farmland re-distribution scheme where intermediary institutions that manage and lease farmland to responsible entities, such as corporate farmers, large-scale family farmers, consolidation farming associations, and companies, while outsourcing services to municipalities and private companies and building a community-wide system in consideration of farmland consolidation and intensification.

(Set out details by autumn, and swiftly implement measures including development of legal system)

After verifying the circumstances of corporate entry into agriculture, explore the further liberalization of corporate entry through farmland acquisition by easing requirements for the establishment of an agricultural production corporation.

- (ii) Fully utilize the Agriculture, Forestry and Fisheries Fund for Innovation, Value-chain and Expansion Japan (A-FIVE). Drive innovations in agriculture and increase added value by encouraging the development and expansion of new varieties and techniques and cross-industry partnerships, including medicine and welfare.

(Implement from this fiscal year)

- (iii) Aim to tap into global “food market,” which is expected to double in scale in the next ten years (340 trillion yen→680 trillion yen). To this end, formulate a country- and product-specific export strategy. Through an integrated approach, promote the use of Japanese food ingredients by the world’s culinary circles (Made FROM Japan), overseas expansions of Japanese food culture and food industries (Made BY Japan), and the export of Japanese agricultural, forestry and fishery products and food produce (Made IN Japan).

(Implement from this fiscal year)

## 6. Developing the energy industry and acquiring global market share

Target:

◆ Capture domestic and international market share of energy-related industries of approximately 26 trillion yen by 2020 (currently 8 trillion yen)

- (i) Fully liberalize the electricity retail market, and encourage entry of diverse groups and the integration with various business sectors through the Electricity System Reform in order to create new businesses that use inventiveness. Promote the adoption of smart meters necessary to freely choose an electricity supplier and rate plan, and develop rules on use of personal information.

(Implement by 2016)

Realize an electricity system that can trigger new innovations by taking steady

steps to further secure neutrality of the electricity transmission and distribution sectors.

(Implement by 2018 and 2020)

- (ii) Change service area divisions currently serviced by the nine power companies, and establish the Organization for Nationwide Coordination of Transmission Operators to realize efficient supplies of electricity across the country. Reinforce the interconnections between areas, and develop dispersed power systems that center on renewable energy and storage cells.

(Implement by 2015)

- (iii) To realize inexpensive and stable supplies of energy: 1. Restart nuclear power stations deemed safe by the Nuclear Regulation Authority; 2. Introduce low cost and highly efficient thermal power (coal and LNG) while taking into account environmental considerations, based on the clarification and acceleration of environmental assessments; 3. Import lower priced natural gas, including shale gas, and diversify LNG supplies by supporting Japanese companies' natural gas development.

- (iv) Facilitate and expand households' and SMEs' installation of solar panels, storage cells, etc., by holding down the initial costs. Support companies that make lump-sum equipment purchases and offer the equipment to users at no initial fee (clean energy finance).

(Reach conclusion by end of August)

#### 7. Establishing, managing, and updating social infrastructure by making use of private funds and know-how (PPP/PFI)

Target:

- ◆ Expand PPP/PFI programs to 12 trillion yen for 10 years from now on(1999~2012: 4.1 trillion yen)

- (i) Actively promote investment in updating social infrastructure by making maximum use of private and other funds through the utilization of profitable facilities and public real estate, as well as updating together with private urban development. In particular, utilize PPP programs to achieve the integrated revitalization of cities and expressways, including the implementation of measures to cope with the aging of Metropolitan Expressway together with private urban development using headroom, etc.

(From this fiscal year, review using as model cases of the Metropolitan Expressway Tsukijigawa area, etc.)

- (ii) Establish the Agency for the Promotion of the Private Finance Initiative through a public-private joint initiative. Private operators recover funds through user fee and supply risk money to PFI programs which establish social infrastructure. This encourages significant expansion of self-supporting PFI programs, etc. that collect user fees, in which, until now, private operators had very little involvement due to the risk of demand fluctuation.
- (iii) The concession system of public facilities promotes smooth fund procurement. Add the government administration airports, etc. to concession agreements in which private operators can exercise inventiveness. Accordingly, PFI programs will be expanded drastically based on concession agreements.  
(Bill pertaining to the government administration airports, etc. submitted during current session of the Diet)

## 8. Propelling innovation using IT

Target:

- ◆ Achieve the world's highest level of public data disclosure in a machine-readable way (with a dataset totaling over 10,000) by the end of FY2015

- (i) The Government will actively promote the utilization of big-data and open-data at the world's highest level. For this purpose, the IT strategic Headquarters will establish the rules for utilizing big-data which include personal information, while taking into consideration the balance between data usage and privacy protection. Also it will formulate the institutional reform policy, which will outlook new legal measures, including the establishment of third-party organization which has the power of dispute settlement etc.

(Formulate by the end of the year)

- (ii) Actively and promptly disclose public data in a machine-readable way which include geospatial information, procurement information, statistics, and disaster prevention and mitigation information. These data will be used to spur the creation of new businesses. To this end, a data catalogue site providing various public data (a Japanese version of "data.gov") will be launched on a trial basis, with a view to starting full-fledged operations from next fiscal year.

(Implement from the autumn onwards)

- (iii) Regulations and institutions that obstruct the utilization of IT will be reformed. For example, services and procedures that are currently predicated on person-to-person meetings or the exchange of hard copy documents, will be reformed. The "Intensive Action Plan for Regulatory and Institutional Reform to Expand Utilization of IT (provisional name)" will be formulated to ensure that IT is utilized in various sectors.

(Formulate with a target of the end of the year)

## **(2) Participation by all & fostering human resources who can succeed in the global competition**

### **(Creating a women-friendly work environment and restoring vitality to society)**

#### **1. Fully utilizing the “power of women”**

Target:

- ◆ Boost the employment rate of women (aged 25-44) to 73% by 2020 (currently 68%)

- (i) Implement “Plan to Accelerate the Elimination of Childcare waiting lists.” Prepare childcare arrangements for additional about 200,000 children over the next two years. Aim for the elimination of childcare waiting lists, without ignoring the quality, by securing childcare arrangements for another about 400,000 children by the end of 2017, in which year childcare demand is projected to hit its peak. To this end, the Government will develop childcare facilities that make use of rentals and government-owned land, secure childcare staff to support the expansion in childcare services, pioneer new systems including small-scale childcare services, support non-registered childcare facilities aiming to be registered, and support employer-provided childcare services.
- (ii) To support company initiatives that promote women’s active participation and enhance companies’ workplace environment, urge companies to employ more women in managerial positions and as officers and promote disclosure of information. Support companies that promote women’s active participation, balancing of work and childcare, and skill enhancement during childcare leaves and after resuming work.

Support the re-employment of women caring for their child/children, e.g., provide re-learning programs and offer internships for homemakers.

(Implement from this fiscal year)

### **(Creating a society in which both young people and the elderly can work with vitality by taking greater advantage of their capabilities)**

#### **2. Moving labor from mature sectors to growth sectors without creating unemployment**

Target:

- ◆ In the next five years, decrease by 20% those who have been unemployed for more than six months, and raise the rate of hiring general workers who changed their job within a year to 9% (2011: 7.4%).

- (i) Boldly shift from a policy of merely maintaining current job positions, to a policy of supporting motivated and able employees to move to positions in growth sectors after expanding opportunities for improving their capabilities.  
(Reverse the budgets of funds to support the movement of labor (FY2012: 240 million yen) and Employment Adjustment Fund (FY2012: 113.4 billion yen) by FY2015)
- (ii) Take maximum advantage of the power of the private sector in matching people with jobs. Make job vacancy information which could only be used by public employment program and grants restricted to jobs through public employment program to private employment and recruitment agencies.  
(Reach conclusion by end of August)
- (iii) Boldly support adult re-learning programs on an unprecedented scale, including voluntary efforts to receive education and training that will lead to the acquisition of qualifications. Through such programs, help motivated young people, etc. with non-regular positions to maximize their potential and rise up in the career ladder or change careers.  
(Review at the Labour Policy Council and aim to submit bill to revise the Employment Insurance Act to the Diet during the next ordinary session)

**(Developing Japan's young people into globally competitive human resources)**

**3. Unlocking the full potential of universities (e.g. reform of national universities)**

Target:

- ◆ Place more than ten Japanese universities in the ranking of top 100 world universities in the next ten years.

- (i) Immediately reform national universities to support prioritized budgetary allocations for pioneering initiatives. Accelerate reform over the next three years.  
(Formulate national university reform plan in summer)
- 1. Human resource and wage reform, including the introduction of an annual salary system on a full-fledged basis and a system of combined wages using funds from external parties such as private companies.
- 2. Post instructors across universities and departments, reallocate budgets and other resources, realign organizations, and visualize resource distributions within universities.
- 3. Based on the outcomes of the above, introduce arrangements that make strategic and prioritized distributions of grants for operational expenses.  
(Introduce from FY2016)

- (ii) Carry out drastic governance reform, including amendment of laws and ordinances, such as the School Education Act, and submit the necessary bill to the Diet during the next ordinary session. Review necessary systems and establish the internationally competitive “Super Global University.”

(Implement from FY2014)

#### 4. Developing globally competitive human resources

Target:

◆ By 2020, double the number of Japanese students who study abroad (university students, etc.: 60,000 people→120,000 people)

- (i) Strengthen English education from the primary and secondary education stages. Review measures, including the provision of English education at the lower grades of elementary school, establishment of English as an elementary school subject, teaching system, etc., and teaching English courses only in English in junior high schools.

(Start review from this fiscal year)

- (ii) Adapt education to globalization, and educate globally competitive leaders from the upper secondary education stage. To this end, create “Super Global High School (tentative title).”

(Implement from next fiscal year)

- (iii) Offer all motivated and able young people, including high school and university students, opportunities to study abroad in academic courses, etc. To this end, create a new system through public-private cooperation.

(Reach conclusion by end of August)

- (iv) Introduce international English exams such as TOEFL in the exam for National Public Service and university entrance exams, etc.

(For National Public Service exam, introduce from FY2015)

### **(3) Creating new frontiers**

**(Reviving Japan as a “technology-driven nation”, “intellectual property based nation” through an all-Japan effort)**

#### 1. Collective efforts to create a “country that continues to succeed through technology”

Target:

◆ Become the No. 1 global innovator within the next five years (currently 5th in World Economic Forum rankings)

- (i) Strengthen the functions of the Council for Science and Technology Policy as headquarter for identifying strategic sectors, focusing on results, and carrying out R&D through collective efforts. Accordingly, this overcomes Japan's current situation which, despite having technological prowess, technology does not culminate in final products and services due to uncoordinated R&D among the Government, universities, and the private sector.  
(By August, establish schedule, including for legal revision)

- (ii) Identify core technologies under the leadership of the Council for Science and Technology Policy and undertake cross-ministry initiatives based on a roadmap that covers the phases from basic research to applications (commercialization, development of practical use), in order to create markets in strategically important sectors. Create the "Strategic Innovation Creation Program (tentative title)," which provides priority allocations of resources for these initiatives over several years.

(Reach conclusion by end of August)

- (iii) Funding Program for World-Leading Innovative R&D on Science and Technology (FIRST Program) is creating world-leading research outputs, including in the area of regenerative medicine led by Prof. Yamanaka of Kyoto University. As such, the Innovative R&D Support Program will be created as a follow-up to FIRST.

(Reach conclusion by end of August)

**(Leaping into the world and attracting the world)**

2. Tapping into the growth of emerging countries, etc., as much as possible by promoting economic partnership, etc.

Target:

- ◆ Trading FTA ratio of 70% by 2018 (currently 19%).
- ◆ By 2020, double the export amount of SMEs compared to 2010 levels.

- (i) Promote economic partnership negotiations, including TPP, RCEP, Japan-China-ROK FTA, and Japan-EU EPA and deepen economic partnerships with the world's major countries. Accelerate efforts for the conclusion of investment agreements and the expansion of tax treaty networks.

- (ii) Provide extensive supports for the overseas activities of SMEs with the "potential" and "motivation" to fully succeed in global markets. Provide "one-stop support" by strengthening the cooperation of public support providers, such as JETRO, supplement know-how on overseas activities by dispatching senior personnel, and establish one-stop overseas consultation offices that provide consultation services for legal, labor, intellectual property and other issues that are

encountered overseas and introduce SMEs to relevant organizations.

(Establish by the end of this year)

### 3. Through public-private sector joint efforts, capturing a share of the world's infrastructure market that is expected to grow

Target:

- ◆ Raise infrastructure sales from the current 10 trillion yen to 30 trillion yen by 2020.
- ◆ Capture 1.5 trillion yen (currently 0.5 trillion yen) share in overseas medical technology and service markets by 2020.

- (i) To strengthen sales of Japanese products and services through an all-Japan, public-private effort, make at least ten sales pitches each year to foreign nations by the Prime Minister and ministers.
- (ii) Enhance policy support tools, including the use of the JBIC's Loan Facility Enhancing Global Business Development, the strengthening of local currency-denominated financing support through JBIC and NEXI, the active use of ODA including JICA's Private Sector Investment Finance, and enhancement of trade and investment insurance.
- (iii) Make maximum use of Medical Excellence JAPAN (MEJ) and aim to capture a 1.5 trillion yen market share in overseas medical technologies and services by 2020.

(Establish around 10 Japanese medical centers by 2020, with focus on emerging countries)

### 4. Promoting globalization by advancing Cool Japan and increasing the number of foreign visitors to Japan and encouraging foreign direct investment in Japan

Target:

- ◆ Triple the overseas sales of broadcast contents by 2018 from the current level (6.3 billion yen).
- ◆ Double foreign companies' direct investment in Japan to 35 trillion yen by 2020.
- ◆ Increase the number of foreign visitors to Japan to 10 million in 2013 and over 30 million in 2030.

- (i) Efforts to sell contents and related product overseas will be strengthened, centering on the Japan Brand Fund (tentative) and the secretariat of the Project for Localization & Promotion of Japanese Visual Media (J-LOP).

To this end, : 1) fundamentally strengthen measures against IP piracy; 2) secure a distribution framework for Japanese content via overseas broadcasting firms and content distribution websites; and 3) increase the provision of content that meets the needs of our partner countries while responding to local content

regulations.

(Implement within this fiscal year)

- (ii) In order to speed up the sale of popular content overseas, facilitate the streamlining of management procedures for rights contracting. To this end, among other activities, : 1) establish a 'one-stop' contact point to handle IP rights management (strengthening the functions of the audiovisual Rights management association [aRma]); and 2) promote agreements on rights contracting management that includes broadcasting overseas.

(Implement within this fiscal year)

- (iii) In light of the 40th Year of ASEAN-Japan Friendship and Cooperation, relax visa requirements for tourists from ASEAN countries to Japan, which are expected to increase greatly in the future.

(Implement by this summer)

- (iv) Realization of easier entrance into Japan for the highly skilled and talented foreign nationals is expected to contribute to the growth of the Japanese economy. To this end, reconsider the income standards used for the points-based preferential immigration treatment for highly skilled foreign professionals and reduce the time that foreign nationals are required to reside in Japan before receiving permanent resident status (from 5 years to 3 years). Start the new system within the year.

(Commence within this fiscal year)

## II. Three Action Plans

## II Three action plans

To implement and achieve the Growth Strategy, the government has developed three action plans by carefully selecting policies to be taken on a priority basis. The government will implement the “Industry Revitalization Plan” to strengthen the industrial infrastructure. In addition, based on the strengthened infrastructure, the government will implement the “Strategic Market Creation Plan” to create new markets where solutions of social issues are pursued and at the same time will implement the “Strategy of Global Outreach” to obtain global market share.

The “Industry Revitalization Plan” is a plan to be implemented immediately in order to remove stagnation of human talents, goods, and funds, developed during the lost two decades. Through this plan, the government will encourage the private sector to change its nature, add vigor to industries and foster human resources in order to achieve competitive edge in the global market. The government itself will actively strive for being a country with minimum regulation to relieve people and companies from burden of rules and regulations. The government will also completely eliminate its inefficiency due to vertically segmented government agencies so that Japan can fully unleash its potential. Achieving these will secure ability to implement proactive economic policies through cooperation between the government and the private sector.

The “Strategic Market Creation Plan” is a mid-to-long term strategy for the future in order to create new growing sectors by solving many social issues which other countries will one day also face and by the government leading the world in solving social issues. The objective of this plan is to eliminate anxieties through solving social issues, making them growing industries.

The “Strategy of Global Outreach” is a strategy for Japan to strengthen its competitiveness by proactively and strategically making the most of globalizing Japanese economy through the combined efforts of the government and the private sector. The objective of this strategy is that companies and Japanese people from various classes enjoy benefit from the growing global economy.

Through the implementation of the “Industry Revitalization Plan,” Japan will obtain “competitiveness in the world” to realize future that is envisaged in the “Strategic Market Creation Plan” and in the “Strategy of Global Outreach” and to realize growing market. In other words, by clarifying growing sectors “where Japan should have competitive edge”, the direction in which Japan should follow will become clear.

As described above, the three plans have synergy effects one another. Therefore, the government will formulate and implement progress schedules specifying targets to be attained (KPI: Key Performance Indicator), deadlines, details for each policy group and proceed with the three plans concurrently.

Opinions and recommendations from the Forum for Promoting Active Participation by the Young and Women, the Education Rebuilding Implementation Council, IT Strategic Headquarters, The Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation, the Council for Science and Technology Policy, and Council for Regulatory Reform have been included in the action plans.

The government will continue to closely cooperate with these councils to implement the plans.

# 1. Industry Revitalization Plan

## 1. Industry Revitalization Plan –revitalizing human talents, goods and funds

In order to make companies and human resources to be strong and competitive in the global market, the government will intensively vitalize industries, reform employment systems and strengthen power of human resources while urging the private sector to be decisive. The government will significantly enhance innovation capability by abolishing vertically-segmented administrative system and by having science technology policies and IT strategies with a global viewpoint. The government will strive for being a minimum regulation country through regulatory reform, thorough utilization of special zones and drastic improvement of competitiveness as a business hub.

By achieving these, the government will recover manufacturing that can survive against international competition, create high value-added service industries and realize a society that facilitates activities of companies and brings out the full potential of individual.

### 1. Accelerating structural reform program (Vitalizing industries)

In order to make Japanese economy strong enough to compete in the global market, the government will position the next five years (from FY2013 to FY2017) as the period for accelerating structural reform to focus on initiatives to correct three distortions in Japanese economy: under-investment, over-regulation and excessive competition.

To this end, the government will strive to

- expand private investment, promote replacement of old equipments with new ones, and strengthen sources of innovation;
- reform overregulation and create a flexible system under which people can easily challenge new businesses;
- resolve excessive competition, improve earning capacity and recover manufacturing that can survive against international competition.

The government will decide policies by this summer and promptly submit the “Industrial Competitiveness Enhancement Act (provisional name)” to the Diet. Centering on the act, the government will mobilize all policy resources intensively and require corporate managers to make a bold decision of reform and to exercise strong leadership in order to achieve self-sustaining continuous economic growth though increased private investment and income.

#### (1) Stimulating private investment

,Private capital investment is expected to increase to 2 trillion yen or more this year thanks to the improvement of competitiveness as a business hub and ripple

effects of the tax system to promote production equipment investment, and the tax system for innovative R&D program, investment promotion fund to promote investment in state-of-the-art equipments, which have been implemented as economic measures. In addition, positioning the next three years as the “period to intensively promote investment,” the government will mobilize all measures including tax systems, budgets, financial measures, regulatory reform, and improvement of systems to promote domestic investment and encourage private investment from this year onward. The goal is to increase capital investment by 10% over the next three years from 63 trillion yen in FY 2012 and bring capital investment back to the level before Lehman's fall (about 70 trillion yen/year [the average of five years by 2007]).

○ **Promoting investment in state-of-the-art equipments**

- The government will strongly encourage to replace old production equipments with state-of-the-art ones featuring higher productivity and higher energy efficiency and so on. The government will examine including tax incentive to support companies which proceed with the replacement under these initiatives.
- In order to win the global competition, the government will advance the consideration of measures to support the use of leasing and to promote drastic capital investment for advanced medical equipment, 3D printers, etc. and conclude the results by the end of August this year. Based on the conclusion, the government will take necessary measures including legislative ones.
- As for standard home and small and medium-sized enterprises, the government will promote initiatives based on private business and spread solar panels, storage batteries by cutting initial costs. To this end, the government will advance the consideration of financial support for companies that will start business to provide users facilities without initial costs by supplying long-term fund necessary for the investment to purchase facilities in bulk together with utilizing know-how of public-sector financial institutions combined with investment and financing. The government will conclude the results by the end of August this year and take necessary measures including legislative ones.
- The government will make effort to maintain and enhance innovative R&D program and advanced manufacturing functions which are “fundamental ones” within Japan. Considering structural change of the supply chain, the government will intensively support manufacturing

aiming to realize the independent supporting industries while complement roles played by downstream large companies so far.

(2) Establishing a system which enables challenges to frontiers being free from anxiety

The government will proceed with fundamental regulatory reform including electric power system reform and amendment of the Pharmaceutical Affairs Act in targeted areas, human resources, education, employment, etc. for the Strategic Market Creation Plan to open up new frontiers. In addition to these initiatives, the government will establish a system where corporations can challenge new businesses flexibly and freely.

○ **Creating a system to confirm legality**

- With the aim for corporations to be able to engage in businesses with certainty in “gray zone” areas where it is not clear that the businesses related to health improvement and prevention services are targeted by regulation or not, the government will formulate a comprehensive policy package to establish a system to confirm legality of the businesses. The government will advance discuss to conclude the results by the end of August this year and then take necessary measures including legislative ones.

○ **Establishing a system of special arrangements for Corporate Field Tests to allow testing of new products and technology**

- The government will advance the consideration of establishment of a system that verifies the nature of new regulations and assurance of safety by allowing regulatory special arrangement for companies with motivation and technical capabilities with the purpose of field tests in order to create new businesses and utilize new technologies and conclude the results by the end of August this year. Based on the conclusion the government will take necessary measures including legislative ones.

○ **Increasing a sense of security concerning the use of new businesses**

- In order for people to use new products and services while feeling secure, the government will advance the consideration of establishment of a system that evaluates quality of products and services by an independent organization and conclude the results by

the end of August this year. Based on the conclusion the government will take necessary measures including legislative ones.

(3) Promoting investment in business ventures and investment to challenge businesses again fully utilizing resources in and outside Japan

The government will develop a system that creates venture businesses and new businesses by fully utilizing latent technology, ideas, funds, human resources in large corporations and research institutions, undiscovered local businesses and resources.

To this end, the government will implement comprehensive measures that secure human resources who bear responsibility for venture businesses and new businesses (including specialists who will strategically negotiate intellectual rights, etc.), improve judgment and ability of coordinating possessed by persons who act as an intermediary between entrepreneurs and investors, private companies, etc. and expand supply of risk money utilizing resources in and outside Japan. In order to allow more and more funds to flow from individuals to venture companies and effectively use funds and ability to judge of private companies, the government will strive for measures to make investment in venture companies and new businesses easier for private companies. Through these initiatives, the government will activate the replacement of old industries with new ones to create a situation where the number of new companies exceeds the number of companies that closed businesses and where new-business opening rate and business closing rate will reach the same level as that of U.S. and U.K. (10% level) (current situation: both new-business opening rate and business closing rate are 4.5% (annual average from 2004 to 2009)).

- **Cultivating personnel who bear responsibility to create venture businesses and other new businesses, personnel who have mature judgment and supporting personnel**
  - The government will cultivate personnel who will challenge new business and create growing companies through business model formation supported by managers of leading venture companies, capitalists and professionals as well as develop initiatives to cultivate personnel who support business and to strengthen their cooperation by sharing know-how of hands-on support obtained from this and expand comprehensive support system involving investors, public-sector financial institutions, the private sector, etc. who provide funds after businesses were established.

- **Encouraging individuals to invest in business ventures (improving operation of the tax system for angel)**
  - The government will improve the operation of the Angel tax system for better understanding by venture companies and accountants who support venture companies for streamlined procedures by this summer and thoroughly inform the system to facilitate its use.
- **Encouraging the private sector to invest in business ventures**
  - The government will advance the consideration of measures to facilitate investment in venture companies using funds from the private sector in addition to individual investors and conclude the results by the end of August this year. Based on the conclusion the government will take necessary measures including legislative ones.
  - In order to promote supply of risk money effectively by the Innovation Network Corporation of Japan and to enhance support venture companies, the government will streamline the decision making process and improve the support system concerning investment in venture companies in the organization.
- **Diversifying fund raising (Crowdfunding, etc.)**
  - The government will consider fund raising framework such as crowdfunding (\*) with the aim to increase supply of risk money in commercializing technologies and ideas and to utilize local resources. Taking account of needs of market players and protection of investors, the government will consider matters requiring system reform at the Financial System Council and conclude result within this year. The government will strive to increase supply of risk money to companies that newly join the market after startup of business from household economy by promoting spread of NISA (tax exemption small amount investment system).
    - \* A system to raise funds via Internet sites by linking new/growing companies with a lot of investors who invest a small amount of money.
- **Revising the personal guarantee system**
  - With regard to the business practice of requiring business manager's personal guarantee in financing, the government will establish a guideline about the personal guarantee system as soon as possible by the end of this year with related parties of SME finance. This guideline will recommend that the personal guarantee should not be

required under certain conditions including the case where corporate assets and personal assets are clearly separated. The guideline also aims to give incentives to managers for early business restructuring by assuring certain amount of personal property to be retained even after the execution.

- The government will also promote the use of alternative ways for loan, such as loan with guarantee contract with condition precedent, and ABL (Asset Based Lending), etc..Public-sector financial institutions will play more roles in expanding loan systems with the exemption or eased conditions of personal guarantee and in strengthening cooperation between public-sector and private sector financial institutions.
- **Utilizing operating resources of existing companies (supporting spin-off/carve-out and promoting open innovation)**
  - The government will proceed with immediate full operation of a team dedicated to the support of spin-off/carve-out (support of business formation including handling of rights such as intellectual properties, labor, and social security).
  - The government will promote open innovation by engaging in initiatives to create new business by utilizing and combining existing operating resource through cooperation among this dedicated team, the Development Bank of Japan, etc. and personnel having mature judgment in business and supplying risk money which triggers private funds in an integrated manner. Based on this, the government will strive to develop an environment that creates venture companies and new businesses with the lead of the private sector within the “period of accelerating structural reform.”

#### (4) Promoting business restructuring and reorganization

The government will aim to recover manufacturing that survives against world technology and business competitions by reforming the structure causing over-competition in Japan, by facilitating innovation through bold investment, by dramatically increasing earning capacity, etc.

To this end, the government will promote business restructuring and reorganization, and will support smooth movement of operational resources and labor. In particular, in order to urge business managers to make bold decisions for “aggressive” business management, while introducing a system that encourages shareholders and stakeholders to request companies to improve management,

the government will provide generous support to measures to reduce financial burden due to organization restructuring and labor movement without unemployment.

- **Promoting management reform to dramatically improve earning capacity**
  - In order to achieve innovation through bold investment, the government will strongly promote strategic/drastic business restructuring (including spin-off/carve-out) to dramatically increase earning capacity. In addition, the government will achieve measures including tax incentives and financial support for companies that facilitate business restructuring and will take necessary measures while strictly following up implementation situation of these measures.
- **Promoting reorganization in the field that has excessive supply structure**
  - Along with formulation of the “Industry Competitiveness Enhancement Act (provisional name),” the government will establish a framework to urge efforts toward restructuring for areas whose structure of oversupply/over competition has been left unsolved for many years. Based on this framework, the government will take necessary measures such as measures for smooth labor movement without unemployment in order to support companies that engage in drastic structural reform.
- **Strengthening corporate governance**
  - In order to back up aggressive business management, the government will encourage active use of outside directors. Submitting a bill to amend the Companies Act to the Diet at an early date and taking measures to promote the introduction of independent outside directors, the government will enhance initiatives to secure at least one outside director.
  - With the aim of promoting sustainable growth of companies, discuss and establish the principles for a wide range of institutional investors to appropriately discharge their stewardship responsibilities through constructive dialogues with invested companies by the end of this year while considering discussion of the Council on Economic and Fiscal Policy concerning the market economy system in Japan.
  - In order to correct low earning abilities of businesses that have been

left unsolved over years, the government will urge the Ministry of Economy, Trade and Industry and other relevant ministries and agencies to study measures to promote management improvement and business restructuring.

- The government will encourage securities exchanges in Japan to take measures that lead to enhanced corporate governance, for example, by clarifying listing rules regarding appointment of outside directors and developing new indexes for high-profile companies in terms of profitability and management.

○ **Supporting business takeover and succession**

- The government will expand the “Business succession support centers” currently operated only in seven places as a one-stop contact point of business succession throughout Japan to facilitate matching of business succession through cooperation with local financial institutions, etc.
- The government will make efforts to relieve the burden of the business succession due to personal guarantee through the establishment of a guideline about personal guarantee system which will recommend that personal guarantee should not be required under certain conditions including the case where corporate assets and personal assets are clearly separated, and through promoting the loan systems with the exemption or eased conditions of personal guarantee offered by public-sector financial institutions.

(5) Promoting overseas operations aiming to become a global leading company

The government will intensively support finance and human resources of companies that achieve dramatically increased profitability through business restructuring, business reorganization and other efforts, boldly go into M&A overseas and expand their business into global markets to become a global leading company (not necessarily a global major that wins critical mass in the global market or global major company but a global niche top company; that is a company which is excellent in a specific area and shows its presence in the world).

In addition, the government will support companies that have entered global market so that they can reduce risk of business operations overseas.

○ **Promoting overseas M&A activities/overseas expansion**

- The government will advance the consideration of support measures including financial measures and make a conclusion by the end of August this year. Based on the conclusion, the government will take necessary measures including legislative ones.
  - The government will intensively supply capital and long-term fund that are necessary for a small and medium-sized enterprise striving to become a global niche top company and to enter overseas market by utilizing know-how of public-sector financial institutions, etc.
  - The government will encourage the use of “JBIC (Japan Bank for International Cooperation) Investment Facility Enhancing Global Business Development” and “JBIC Loan Facility Enhancing Global Business Development” that were established this year in order to extensively support global business development such as overseas M&A by Japanese companies.
  - The government will support the global intellectual property strategies of small and medium-sized enterprises (exemption from or reduction of cost concerning patent application, etc.).
- **Reducing risk of overseas business**
    - In order to reduce risk associated with overseas business activities of Japanese companies and facilitate the overseas activities, the government will advance the consideration of reform of trade insurance systems to enhance function of trade insurance in areas not covered by private insurance at an early date and conclude results. Based on the conclusion the government will take necessary measures including legislative ones.

## 2. Reforming the employment system and reinforcing human resources capabilities

In the midst of economic globalization and aging population combined with the diminishing number of children, in order to lead the economy to new growth, recognizing that human resources are the greatest resource for Japan, the government has to formulate drastic policies and clarify goals and deadlines of the policies to secure the number of workers (quantity of labor) and improve labor productivity (quality of labor).

To this end, the government will immediately take countermeasures to the falling birthrate and at the same time, aiming to raise employment rate of people aged between 20 and 64 from the current level of 75% to 80% by the end of 2020, the government will make efforts to realize world-class higher education and labor

movement without unemployment. On the other hand, the government will expand opportunities for the young, women and the elderly to take an active role in the society. Based on this, the government will establish a society where everyone participate in social activities, improve their ability and fully exercise their ability.

(1) Policy change from excessive employment stability to labor fluidity (realizing labor movement without unemployment)

The government will revise policies of employment stability that has expanded since Lehman's fall to respond to rapidly deteriorating employment situation. In order for individuals to change their job smoothly, to exercise their ability, and to play an active role for economic growth, the government will drastically shift policies to support labor movement including support for ability development. Based on these, for five years from now the government will strive to decrease the number of people who are out of job for more than six months by 20% with 9% of employment turnover (\*) (for general workers excluding part-time workers).

\* Employment turnover means the ratio of newly employees with work experience within one year before the employment to the current employees (7.4% in 2011, the ratio of 9.2% is the highest since 1975).

○ **Drastically increasing budgetary resource, etc. to support labor movement**

- The government will advance consideration in order to reverse budget scale by 2015 by shifting large amount of budgetary resources from employment adjustment fund (113.4 billion yen in 2012) to labor movement support fund (240 million yen in 2012) and conclude results by the end of August this year. After that the government will reflect the results into the budget request.
  - Not only small and medium-sized enterprises but also large companies will be targeted.
  - The government will develop funding measures when a company that moves its employees uses training offered by a private human resource company.
  - Funding will be utilized twice when entrusting support and when realizing re-employment.
  - The government will develop funding measures for training (including OJT) implemented by a company that accepts employees.
  - The government will promote development of career consulting technique to make labor movement involving career change

successful.

- **Reviewing the employment insurance system to support re-education of the young etc.**
  - The government will review the employment insurance system to promote job retraining of working people so that the young who are non-permanent employees are able to change career and improve career. The government will submit an amendment bill to the next Ordinary Diet. At the same time, the government will take support measures to provide assistance of expenses for employers who have their employees take job retraining programs.
- **Enhancing intermediary functions of temporary transfer/ transfer by the Industrial Employment Stabilization Center of Japan**
  - The government will greatly enhance intermediary function of the Industrial Employment Stabilization Center of Japan to support labor movement without unemployment by temporary transfer/transfer, provide career consulting services, develop support plans responding to individual issues, and implement lecture/job training utilizing private-sector institutions.

## (2) Enhancing matching function by utilizing the private-sector human resources business

While promoting disclosure of information held by the public employment security office “Hello Work” to public, the government will make maximum use of the private-sector human resource business in order to promptly respond to a wide variety of needs of the young who are out of employment after graduation, etc. and women wishing to return to work, etc.

- **Disclosing information on job offer/job seeking held by “Hello Work”**
  - The government will start disclosing information on job offer held by “Hello Work” to the private-sector human resource business and municipalities at an earliest date as possible within the next year and will provide variety of other services. The government will advance consideration and conclude results by the end of August this year. Based on the conclusion, the government will take necessary measures.
  - The government will conduct a needs survey of job applicants and the private-sector human resource business on disclosure of job seeking

information held by “Hello Work” and conclude results within this year. In addition, the government will start providing support for smooth guidance when job applicants of “Hello Work” hope to use the private-sector human resource business in a rapid manner.

- Based on the experience of the “Hello Work” special zone, etc., considering intention of municipalities, the government expands strengthened linkage between “Hello Work” and employment agencies run by municipalities all over Japan.
- **Reforming and improving the system of financial incentive for trial employment, etc.**
  - The government will offer financial incentive for trial employment (about 56 thousand employees were covered by the fund in 2012) and other fund for employment to companies not only employ people through introduction by Hello Work but also introduction from the private-sector human resource business and colleges from which they graduated.
  - The government will expand the applicable scope of financial incentive for trial employment to those who are out of employment after graduation, have blank in their career due to child rearing, etc. and are considered to have difficulty in obtain full-time employment without trial employment in addition to the young not in education, employment or training and part-time workers who are the main target of the fund. The government will advance consideration to conclude results by the end of August this year and will reflect the results into the budget request, etc.
- **Utilizing the private-sector human resource business better**
  - The government will advance the consideration of effective employment support by making maximum use of the private-sector human resource business for the operations described below concerning counseling, occupational training, placement, etc. to conclude results by the end of August this year and will reflect the results into the budget request, etc.
    - Providing career counseling services and issue job cards to part-time workers who need detailed assistance (About 21 thousand job cards were issued at “Hello Work” all over Japan in 2012.)
    - Supporting people who are out of employment after graduation to

obtain full-time employment utilizing Employment Placement Dispatching services (\*)

- Offering occupation training and placement to those who are away from work due to child rearing/care in an uniformed manner

\* Employment Placement Dispatching means a type of Worker Dispatching in which employment placement is prepared to be carried out after a certain dispatching period.

### (3) Realizing various ways of working

The government will review systems to realize flexible and diversified ways of working so that individuals can take an active role in society according to their lifestyle and wishes.

#### ○ **Reviewing laws on working hours**

- The government will study and analyze the situation of discretionary work system for planning work and laws on working hours in a prompt manner. The government will start comprehensive discussion in terms of work-life balance and increase of labor productivity at the Labor Policy Council from autumn this year and conclude results within one year.

#### ○ **Discussing issues concerning the Labor Contract Act for researchers, etc.**

- Since influence of the Labor Contract Act on career development of young researchers are pointed out, the government will immediately start discussion on issues concerning the Labor Contract Act such as career path of researchers, personnel and labor management at universities cooperating with relevant departments while considering actual working conditions of the research field and conclude results as early as possible within one year. Based on the conclusion the government will take necessary measures.

#### ○ **Reviewing the worker dispatching system**

- The government will hold discussion by specialists concerning nature of registered-type dispatching/dispatching to the manufacturing industry and current system where dispatching period varies significantly depending on whether the job falls under so-called “26 special job categories” and conclude results by the end of August this year. In addition, the government will take necessary legislative measures after having discussion at the Labor Policy Council.

At the same time, the government will promote model cases to support career development of dispatched workers.

- **Facilitating introduction of “pluralistic ways of working which will give feeling secure”**
  - Aiming to spread and promote model cases of “diversified full-time employment” focusing on job duties, the government will collect, inform/enlighten good practices and set up a council of specialists by the end of this year in order to summarize points to remember about employment management such as specified working conditions and publicize it promptly. Based on these initiatives, the government will encourage trial introduction to companies.
  - The government will improve systems for ability evaluation such as certificate exams in industries and promote “visualization” of vocational ability.
- **Improving environment to raise minimum wages for continuous economic growth**
  - In order to create a virtuous cycle of wage growth in all income groups and increased earnings of companies, looking at future management of the economy, the government will make efforts to raise minimum wages. During the course, the government will expand support of small and medium-sized enterprises to improve productivity, etc.

#### (4) Promoting active participation by women

The governments will intensively maximize high potentiality within women so as for women to take an active role by decreasing the number of women who leave work due to childbirth/child rearing and by increasing the percentage of women in leadership position as a core of the growth strategy. The government will promote environment where women can take an active role based on recommendation of the “Forum for Promoting Active Participation by the Young and Women.”

Through these efforts, the government will strive for solving the “M-shaped curve problem” and attaining 73% of employment rate for women aged between 25 and 44 in 2020 (about five points increased from the level of 2012).

- **Offering incentives to companies that make efforts to promote active participation by women and to support balancing work life and**

**family life, etc.**

- The government will strengthen support by utilizing subsidy system and tax measures for companies, proceed with initiatives through public procurement, improve a system that recognizes good practices, run campaigns, etc. to increase the number of women who serve as an executive officer and who are in a managerial position (encourage a listing company to appoint at least one women to an executive officer), promote disclosure of information on appointment of women, create database of women resources, etc.

○ **Supporting active participation by women according to the lifestyle of women**

- The government will develop working environment where it is easier for men and women who wish to take childcare leave or select short-time working hours to do so until their child will be three years old and create a system to subsidy companies which make efforts to improve ability of employees who are on childcare leave or return to work.
- The government will develop and support a “plan for support of returning work after child-raising leave (provisional name)” and consider extending/enhancing the Act on Advancement of Measures to Support Raising Next-Generation Children that will expire at the end of next year. In addition, the government will support women researchers in particular who have difficulty in balancing careers and child-raising. In addition, the government will encourage more men to actively take part in family chores and child-raising.
- The government will comprehensively support reemployment by utilizing internship and trial employment, expand “Mothers’ Hello Work”, etc., support single-female parents with employment and support working people with re-education. The government will also encourage new businesses by women ranging from businesses rooted in the community to businesses going to enter the global market by supporting funding and management know-how.
- Facing the problem of declining birth rate which could undermine the foundation of economy, in addition to strengthening support of child-raising and changing ways of working, based on “urgent countermeasures to break through crisis of declining birthrate” (determined at the countermeasure meeting for society with declining birth rate on July 7, this year), the government will provide

comprehensive support for marriage, pregnancy and childbirth such as provision of information on pregnancy, childbirth, etc. and more support after childbirth.

- **Creating an environment where both men and women can strike balance between work and child raising, etc.**
  - The government will promote various and flexible ways of working by implementing field test projects to establish new model to spread telework, regulate long work hours, facilitate educational and enlightenment activities, promote work-life balance further and discuss measures to reduce burden of expenses for a baby sitter, a housekeeper, etc. In addition, the government will advance the consideration of tax system/social security system on which shall not be affected by the selection of ways of working.
  - On the basis of the “After-school Child Plan,” the government will improve after-school child clubs and after-school children's class.
- **Promoting initiatives to expand employment/promotion of women in public employees**
  - As the proverb “Whoever suggests should start” says, the government will make public employees take a lead in employment/promotion of women, support of balancing between work and child rearing, etc. by men and women.

In particular, since the problem of childcare waiting lists is hindering women from participating in society, improving childcare service is an urgent issue. Therefore, the government will steadily implement a “new system to support children/child raising” for family support, comprehensively provide high-quality child education/childcare, support child raising in the community, etc. and develop “accelerating the zero childcare waiting list project” for five years from this year in order to take as many measures as possible for municipalities without waiting for the start of new system two years later. The government will strive to eliminate “childcare waiting lists” by ensuring acceptance of about 200 thousand children for two years from now, about 400 thousand children including latent needs for childcare by the end of 2017, the peak of childcare needs while maintaining quality of childcare. In that regard, the government will accelerate preparation of facilities by various operating bodies including social welfare corporations and business corporations.

○ **Urgent project (this year/next year)**

- During the implementing period of “accelerating the zero childcare waiting list project,” the government will position this year/next year as the “period for urgent intensive efforts,” and strongly support municipalities with willingness through the support package consisting of the following five main parts:

- (1) Developing childcare centers by lease and utilizing government-owned land (facilities)
  - Increasing facilities expense. Utilizing lease suitable for urban areas.
- (2) Ensuring nursery teachers who support the increasing number of children who need childcare (human talents)
  - Promoting comeback of potential nursery teachers, improving treatment, supporting unqualified nursery teachers for qualification acquisition who work at non-registered childcare facilities.
- (3) Bringing forward new systems including small-scale childcare services
  - Bringing forward new systems such as small-scale childcare services, overtime childcare at kindergartens, etc. (ensuring childcare facilities that immediately accept children)
- (4) Supporting non-registered childcare facilities that wish to be approved
  - Subsidizing rental fee and cost for renovation, relocation, qualification acquisition, operation, etc., and changing these childcare facilities into registered childcare facilities with ensured quality within five years in a structure way.
- (5) Supporting employer-provided childcare services
  - Relaxing subsidy requirements, “more than half of the employees children”

○ **Reviewing requirements of installation of exterior stairways**

- The government will immediately review requirements for subsidy from the government that mandate installation of exterior stairways for escape when setting employer-provided child care services on the fourth floor or above in order to conform to the municipalities ordinance that specifies standards for establishment of registered childcare facilities. In addition, the government will advance the consideration of scope and alternatives of reasonable evacuation

standards in order to relax establishment standards for registered childcare facilities laid out by the government while ensuring the equal level of safety and alternatives.

#### (5) Promoting active participation by the young/the elderly

The government will strive to create “Society for All,” the society where anyone who has willingness can take an active role. In particular, it is important to nurture the young who forge the future of Japan so that the young can develop their ability to the full extent to compete and succeed in the world competition. Therefore, based on recommendation of the “Forum for Promoting Active Participation by the Young and Women,” the government will promote success of the young who drive growth of Japan.

##### ○ **Promoting success of the young**

- Setting a goal of the number of students participating in internship, the government will establish a system that coordinates universities in the community and the industrial world, expand opportunities for internship, research of local businesses and matching, enhance a system that supports ranging from career education to being employed in a consistent way. In addition, considering opinions from relevant organizations, the government will inform the importance of internship thoroughly to promote the use of it. Moreover, the government will improve Scholarship Loan (implemented by Japan Students Services Organization) so that the young, etc. can study at university regardless of their economic situations.
- As a total support ranging from job search to ability development after joining a company, the government will strive to increase the number of companies called a “company supporting the young” that discloses detailed employment information and actively employs and cultivates the young, enhance function of the Hello Work to support new graduates by considering those who spend three years or less after graduation as new graduates concerning matching of students and companies, provide new support to small and medium-sized enterprises that implement training of their young employees supporting people who are out of employment after graduation to obtain full-time employment utilizing Employment Placement Dispatching services [reposted], and support retention after employment.
- The government will improve response to companies which are

suspicious of using young employees once and throw them away such as overwork and unpaid overtime work by strengthening measures such as counseling system, dissemination of information, supervision, etc.

- The government will establish a system where small and medium-sized enterprises in the community cooperate to cultivate human resources that will be driving force of the local economy and will assist smooth temporary transfer among companies, training seminars for new employees on a conjoint basis.
- While utilizing business competitions, in order to facilitate starting new business, the government will promote information dispatch via portal sites, establish a support system by specialists and examine effective ways of funding through utilizing crowdfunding, etc.
- The government will help part-time workers etc., and become regular employees by improving operation of “Wakamono (the young) Hello Work,” and by developing/implementing training courses to raise employability by organizing industry-academic-government consortium on a local level and support employment of the young not in education, employment by offering counseling by NPOs, etc.
- The government will make efforts to smoothly change the start of recruiting time for students who will graduate in 2015 onward to secure learning time, facilitate overseas education (publicity activities will be started on or after March 1 of the year immediately prior to the year of graduation/completion and subsequent employment selection will start on or after August 1 of the year of graduation/completion) and spread information on good points of small and medium-sized enterprises, etc.
- The government will encourage the private sector to utilize information held by “Hello Work” [reposted]
- The government will promote reeducation of working people by newly developing and implementing customized occupational education programs to cultivate highly-skilled human resources and core human resources through cooperation between universities, graduate schools, vocational schools, etc. and the industrial world as well as assisting those who studied under the programs. In addition, with regard to specialized vocational high schools, the government will promote restructuring of subjects based on needs of society and companies while encouraging the schools to deepen cooperation with the community and the industrial world. Furthermore, the government

will review flexible operation of Scholarship Loan (implemented by Japan Students Services Organization) and employment insurance systems.

○ **Promoting active participation by the elderly**

- Aiming for a society where one can be in active service throughout life, the government will support small and medium-sized enterprises that engage in continuous employment of the elderly to develop occupational field, enhance support of re-employment of the elderly and promote model cases for employment by matching with diversified local needs.
- The government will promote support of disabled people, people with refractory disease, cancer, etc. to participate in society by encouraging employment of these people.

(6) University reforms

Based on recommendation of the “Education Rebuilding Implementation Council” concerning overview of university reforms, with respect to national universities, from the viewpoint to strengthening industrial competitiveness, the government will strive for world’s top-level education through globalization, academia-industry collaboration, cultivation of innovative human resources, expanded use of young/foreign faculty members, etc. To this end, the government will immediately undertake establishment of systems to evaluate universities, reallocation of resources such as faculty members /budget and organizational restructuring beyond the framework of universities and faculties , clarification of the allocation of resources within the university, mass employment of foreign faculty members, revise their payroll and personal systems by the full-fledged introduction of the annual salary system , a mixed salary system permitting remuneration from companies,etc.,and improve the strategic and prioritized allocation of the management expenses grants for national universities. Within the next three years from now, the government will encourage bold and pioneering reforms to accelerate the reforms, and prepare specific/comprehensive reform plans to complete the reforms before the third Mid-term Target period starts (from fiscal 2016).

In addition, the government will review systems as necessary, and establish the “Japan’s Global Universities (provisional name)” that compete in the world. The government will make efforts so that ten or more Japanese universities will be ranked in the top 100 universities in the world within the next decade.

- **Forming a world top-level university group by globalizing education systems**
  - The government will immediately focus on supporting universities that aggressively proceed with reforms such as globalization of human resources/education systems, and increase in the number of lectures in English.
- **Drastically strengthening innovation capability and developing human resources in science and technology**
  - By the end of current fiscal year, the government will formulate a “Strategy for Developing Human Resources in Science and Technology” aiming to improve content of education, ensure education quality, and secure the human resources in science and technology through dialogue with the industries, and newly set up the “Industry-Academia-Government Roundtable Council (provisional name)” to advance the strategy.
  - Aim to establish 20 or more new university-launched industries or business within the next decade and in order to enhance their innovation capability, the government will allow investment by national universities in university-launched venture support funds, etc.,. To this end, the government will promptly submit necessary bills to the Diet.
- **Offering ample opportunities to competent young and foreign researchers through personnel and salary system reform**
  - Aim to offer about 1,500 young and foreign faculty members full-time faculty positions in three years from now, the government encourage immediately national universities to full-fledgedly introduce of the annual salary system and the mixed-salary system permitting remuneration from companies, etc..
- **Strengthening foundation for university reforms**
  - The government will enhance systems including the National University Corporation Evaluation Committee and carefully follow up progress of university reforms.
  - Fundamental governance reforms, including study of the revision of the School Education Law and other ordinances and intra-university regulations, should be carried out in order to clarify the role of faculty councils and revise the duties of department heads and the functions of university boards of directors, and strengthen the operational

functions of auditors, etc. and the government will submit bills to the Ordinary Diet, if necessary.

- The government will encourage national universities to immediately start the clarification of the allocation of resources such as faculty members and budget within the university, and improve strategic and prioritized allocation of the management expenses grants for national universities. Moreover, the government will establish new evaluation indices from 2016 and radically revise the system of the management expenses grants for national universities.

#### (7) Strengthening human resources capabilities for global operation activities

In order to cultivate human resources that can survive global competition, based on recommendation of the “Education Rebuilding Implementation Council,” the government will double the number of Japanese students who study abroad from 60 thousand students (2010) to 120 thousand students by the end of 2020 by utilizing international English examinations, providing opportunities to study abroad for all students who have the desires and talents and forming university groups that lead education responding to globalization. The government will also strive to double the number of excellent foreign students from 140 thousand students in 2012 to 300 thousand students by 2020 (achieving the “The 300 thousand International Students Plan”).

In addition, the government will expand opportunities of re-education corresponding to the changes in the industrial structure.

- **Utilizing TOEFL, etc. for the national public service exams and university entrance exams**
  - The government will introduce external English exams in the national public service comprehensive work exams from 2015 and promote the use of TOEFL, etc. for university entrance exams and approval of graduation.
- **Providing opportunities to study abroad for all students who have the desires and talents**
  - In order to offer opportunities to study at overseas high schools/universities to all the young with desires and talents who will take an active role in the world, the government will promote donation to reduce economical burden of students to study abroad and create a new system for benefit etc., where public and private sectors cooperate with each other. In addition, together with support

measures, the government will advance consideration on specific packages of necessary measures including preparing educational environments in universities by promoting sister school relationships, credit transfer with overseas universities and so on, and conclude results by the end of August this year. Then the government will reflect the results into the budget request.

- The government will change the start of recruiting time [reposted] and create environment for autumn admissions that facilitate various experiences and activities.
  - In parallel with securing opportunities to study abroad, the government will select overseas areas to be focused to obtain excellent foreign students strategically, improve and support overseas bases of universities, etc. The government will also strengthen networks to recognize people who studied in Japan and actively accept excellent foreign students.
- **Forming school groups that lead education responding to globalization**
    - The government will establish a new type of schools (“Japan’s Global High Schools (provisional name)” that offer education to nurture people who show leadership in the world.
    - The government should develop and introduce a International Baccalaureate education programme in Japanese for some of the subjects, and thereby greatly increase the number of accredited schools (200 schools by 2018).
  - **Enhancing English language education in elementary and secondary schools**
    - The government will examine the result of foreign language activities for fifth and sixth graders within this year. At the same time, the government will start examination of the possibility of starting English instruction from an earlier grade, increasing classroom hours for English, making English an official subject, reviewing teaching staff allocation in elementary schools, and conducting of English classes at the junior high school-level in English this year, and make changes as necessary.
  - **Expanding opportunities of re-education of adult learners in**

### **response to the needs of Industry**

- The government will support universities and professional training colleges to develop and provide specialized educational programs which are co-organized with Industry [reposted].
- The government will encourage the Service Productivity & Innovation for Growth to revitalize its activities to be nationwide, decuple the number of participating companies by the end of next year and develop human resources and support corporate management in the service industry on a full scale aiming for the high-value added service industry.

### **(8) Utilizing highly skilled overseas personnel**

The government will review the points-based preferential immigration treatment for highly skilled foreign professionals as a series of facilitation of comprehensive environmental improvement to promote active participation by overseas human resources with advanced skill and management know-how in Japan.

- **Reviewing the points-based preferential immigration treatment for highly skilled foreign professionals**
  - The government will review preferential treatment for highly skilled overseas personnel including reviewing annual income criteria for certifying highly skilled overseas personnel (reviewing the application scope of rewards to be considered as annual income, etc.), and shortening the period of stay for permission of permanent residence (change from the current 5 years to three years, etc.) and will start a new system by the end of this year.

### **3. Promoting Science, Technology and Innovation**

In recent years, achievement of innovative R&D Support program is not turned into actual utilization smoothly and Japanese manufacturing that had competitive edge is facing difficulty in the competition with emerging countries. Japan “excels in technology but loses in business” and in some cases, Japan “even loses in technology.” It is necessary to promote investment in Japanese Innovative R&D Support Program to revitalize Japan as a “nation based on the creativity of science and technology.” From now, the government will restore its system, promote innovative R&D support programs focusing on strategic fields, translate the achievement into practical applications, and promote intellectual property strategies and standardization strategies in order to acquire market share. Based on these,

setting a goal of becoming the most innovative in the world within five years from now (Japan is the fifth in the ranking of the World Economic Forum (\*) at present), the government will strive to be a “nation which continues to be competitive in technology as well as in business.”

To this end, the government will reinforce the headquarter functions of the Council for Science and Technology Policy, eliminate silo structure within the government and deploy policy resources with priority into strategic fields. In order to maximize achievement of government’s innovative R&D support program, the government will create an environment suitable for science, technology and innovation in universities and research institutes, drastically promote exit-oriented innovative R&D support programs together with institutional reform, and create a system for practical applications/commercialization. Furthermore, the government will encourage the private sector to actively invest in innovative R&D support programs, accelerate development from closed innovation into open innovation and create a virtuous cycle of science, technology and innovation that lead to practical applications/commercialization.

Powerfully promoting Comprehensive Strategies on Science, technology and innovation (decided by the Cabinet on June 7 this year) through intensive and integrated efforts by relevant government agencies is the key for success of growth strategies. For this, while maintaining integrity with relevant measures, the government will intensively take the following measures:

\*The Global Competitiveness Report 2012-2013 Index 12th pillar: Innovation

#### (1) Reinforcing headquarter functions of the “Council for Science and Technology Policy”

In order to reinforce headquarter function of the “Council for Science and Technology Policy” necessary to allocate resources based on growth strategies by eliminating silo structure within the government, the government will formulate a progress schedule including improvement of organizations, budget requests (Cabinet Office budget), and law amendment by the end of August this year and will implement them from next year.

- **Strategically formulating the government-wide budget concerning science and technology**
  - The government will introduce a new mechanism where the Council for Science and Technology Policy plays a leading role in formulating the government-wide budget concerning science and technology at the stage of budget request next year.

- **Drastically strengthening function of the secretariat of the “Council for Science and Technology Policy”**
  - With the cooperation of relevant ministries, the industrial world, universities, etc., the government will reinforce the secretariat using excellent personnel with expert knowledge for long time.
  - The government will encourage cooperation with relevant ministries and government-affiliated think tanks to collect, examine analyze relevant information in and outside Japan necessary for planning.
  - In order to accelerate innovation creation, the government will actively utilize vitality of the industrial world for the operation of the “Council for Science and Technology Policy.”
- **Actively promoting PDCA while emphasizing outcome**
  - In order to accelerate solving national issues, the government will promote PDCA of R&D focusing on outcome and analyze/evaluate situations (progress and its obstacles if any), concerning creation of innovation and improvement of environment. The “Council for Science and Technology Policy” will request relevant ministries to take remedial actions as necessary.

## (2) Promoting the Strategic Innovation Creation Program

The role of science, technology and innovation is very significant to achieve the “Strategic Market Creation Plan.” In order to solve important national issues, the government will identify core technologies and create strategic markets through efforts based on a roadmap looking at the entire course from basic research to the exit (practical applications/commercialization). The government will create the “Strategic Innovation Creation Program (provisional name)” to allocate resources intensively to cross-ministry initiatives based on this roadmap over several years. The government will work out the concrete measures at the Council for Science and Technology Policy by the end of August this year, review R&D budget for the whole nation in order to maximize its efficiency and effectiveness, and then, include the necessary expenses into the Cabinet Office budget.

- **Establishing the Strategic Innovation Creation Program**
  - In order to fulfill comprehensive coordination function with each ministry effectively/efficiently, the government will establish the “Strategic Innovation Creation Program (provisional name)” in the Cabinet Office, and promote R&D, etc. looking at the entire course from basic research to the exit through cooperation with the industrial

world, the academic world and ministries.

- **Framework to promote the program**

- The government will develop a framework for workable PDCA to coordinate relevant measures of each ministry, appointment of a program director, etc.

### (3) Establishing Innovative R&D Support Program

The government will make efforts to translate the achievement of the current FIRST (Funding Program for World-Leading Innovative R&D on Science and Technology) into practical applications unfailingly. Furthermore, in order to raise the level of R&D on the whole, as a part of growth strategies, referring to the framework of DARPA (Defense Advanced Research Projects Agency) in the U.S., the government will establish a program (Innovative R&D Support Program (provisional name)) to select innovative research themes which have significant impact from a long-term perspective and boldly promote unique researches under the responsibility of the authorized program manager. While making use of nature of the current FIRST in terms of budget use, the government will advance considerations to conclude results by the end of August this year and reflect the results into the budget request, etc.

The government will select themes that will bring major change of the nature of economic society/industry in the future and involve knowledgeable people in the industry more deeply in the selection process.

### (4) Enhancing functions of national research institutes

In order to intensively and effectively promote R&D and achieve growth strategies, the government will review desirable goals for efficient business operation of research institutes and formulate budget with flexibility based on the details of R&D and evaluation to enhance function of research and development institutes.

- **Establishing the world's best research institute system**

- With respect to research institutes, the government will review the system/organization of incorporated administrative agencies, cooperating with all the relevant ministries, and will establish a new system. It makes the world's top-level operation of incorporated administrative agencies according to characteristics of R&D (long-term, uncertain, unforeseeable, and specialized) (aiming to submit a bill to the next Ordinary Diet).

○ **Responding to specific issues to be improved**

- The government will immediately make a clear distinction between issues that require legislative measures and issues that can be improved through operation. The government will promptly take measures for issues that can be solved by improving operation of the current systems (such as salary, procurement, handling of self-generated income, carry-over beyond mid-term object period, and other issues that require improvement). In particular, in order to provide incentives for active use of external funds, the government will review systems where subsidy for operating expenses is reduced in proportion to the amount of self-generated income (such as donation income).

(5) Securing funds for research support personnel

The government will promote measures including projects to promote the enhanced research universities, etc. so that researchers will be able to concentrate on their research to achieve their goals. The government will ensure that personnel such as research administrators who support research are allocated.

In addition, the government will promote voluntary initiatives at universities to secure human resources that support researches and will strive to secure 30% of indirect costs in the system of competitive research funds. Furthermore, in order to ensure human resources that support researches stably on the long-term basis, the government will make efforts to categorize human resources according to their types, establish a position as specialists, and build a nationwide network under the industry-academic-government cooperation.

The government will consider these measures to reach a conclusion by the end of August this year and reflect them in the budget request, etc.

(6) Increasing R&D investment by the public and private sectors

Aiming to revive private investment on R&D (compared to GDP) to be the top in the world in three years from now, the government will promote industry-academic-government open innovation and effective use of R&D facilities in research institutes/universities, support technology development/practical applications for R&D venture enterprise, reform regulations to facilitate intellectual property strategies/international standardization and innovation and improve environment for company investment on R&D by a new tax system for R&D, in order to offer more incentives to R&D

investment.

Through these efforts, in addition to the goal that R&D investment by both the public and private sectors will be 4% of GDP or higher, the government will strive to make R&D investment by the government be 1% of GDP. In this case, the total amount of the government R&D investment should be about 25 trillion yen during the period of the fourth Science and Technology Basic Plan (estimated on the assumption of the government R&D investment to be 1% of GDP, nominal growth rate of GDP to be 2.8% on average during the same period) (decided by the Cabinet on August 19, 2011). The government will strive to secure necessary expenses to promote measures included in the basic plan, in parallel with efforts to restore fiscal soundness even in the situation where financial conditions become worse and critical.

#### (7) Strengthening intellectual property strategies/standardization strategies

Considering expanding global economic activities, the government will drastically strengthen intellectual property strategies/standardization strategies by accelerating review, promoting top standard system, creating a world class certification system to realize innovation cycle where industries including small and medium-sized enterprises and people smoothly make innovation happen and obtain rights to use the innovation both in and outside of Japan.

- **Achieving speedy/high quality examination comparable in the world**
  - By improving/enhancing examination systems such as using fixed-term examiners, the government will strive to make the period of waiting for examination be 11 months by the end of this fiscal year and make the subsequent time necessary for grant of rights be 36 months or shorter by the end of FY2015. The government will start an integrated examination, which is a system to examine various technologies, etc. as a whole, from this fiscal year.
- **Supporting protection/acquisition of rights on a global scale including emerging countries**
  - The government will improve dispatching of human resource to emerging countries in Asia and acceptance of trainee and also expand scope of application of the Patent Prosecution Highway (the system for early examination of patent application that is patented in other countries). Furthermore, the government will finalize a draft concerning the review of the industrial design protection system corresponding to the Hague Agreement within this fiscal year, and

subsequently submit the relevant bills to the Diet in a swift manner, in order to make protection of product design, etc. easier on the international scale. The government will establish a system to provide the private sector Chinese patent documents translated into Japanese within six months after the Japan Patent Office receives the data by the end of FY2015.

- **Reviewing the employee invention system in order not to impede companies from activities on the global scale**
  - In order to reduce managerial risk associated with global business activities of companies in the world, the government will review the system such as to make a patent right for an employee invention belong to the company or to leave attribution of a patent right for an employee invention to the determination by contract between the employer and the employee, and summarize issues by the middle of next year then to reach conclusion.
- **Reviewing standards/certification systems bearing overseas activities in mind**
  - In order that knowledge of Japanese companies will be used more effectively, the government will make efforts to increase the number of the holding of chair or secretariat positions for standard development in international standardization organizations from 78 positions at the end of 2010 to be the third (95 positions) in the world by the end of 2015 so that strategically promote international standardization. Moreover, the government will examine the desirable important foundation for certification compatible in the world to conclude results within this fiscal year and improve the foundations sequentially by enhancing domestic certification organizations, etc.

#### 4. Becoming the world's leading IT society

Toward activated innovation led by the private sector utilizing IT, in order to achieve the world top-level business environment, the government will vigorously promote a new IT strategy (approved by the Cabinet on June 14 this year), drastically review regulations/systems and improve the foundation concerning telecommunication, cyber security and human resources.

##### (1) Reforming regulations/systems suitable for the age that the existence of IT is “natural”

Regarding innovation through utilizing IT and data, the government will advance radical reform of regulations/systems so that Japanese companies do not fall behind other countries. In the course of this effort, the government will examine the necessity of additional legislative measures to promote IT utilization (the “basic law” to promote utilization of IT).

- **Formulating intensive action plans for reform of regulations/systems**
  - In order to expand IT utilization, the “IT Strategic Headquarters” will examine and review relevant systems (including ones whose operation is not clearly interpreted) including services and procedures that are currently predicted on face-to-face meeting or the exchange of hard copy documents while cooperating with the “Council for Regulatory Reform,” and will formulate “the Intensive Action Plan for Regulatory and Institutional Reform to Expand Utilization of IT (provisional name)” by near the end of this year.
- **Promoting the world’s best environment for utilization of open data and big data**
  - In order to develop the world’s best environment that encourages use of open data and big data, the government will promptly establish a new review organization under the “IT Strategic Headquarters” and will formulate rules of data utilization through cooperation with the “Council for Regulatory Reform” considering the balance between data usage and privacy protection as early as possible this year. At the same time, the government will develop the institutional reform policies, which will outlook new legal measures, including the establishment of third-party review organizations which have the power of dispute settlement within this year.

## (2) Promoting private sector access to public data and developing innovative electronic administrative services

As the government CIO was enshrined in law, the “IT Strategic Headquarters” and other government agencies will establish electric citizen/users centric administrative services. Based on this, the government will achieve world’s highest level of public data disclosure in a machine-readable way (with a dataset totaling over 10,000) by the end of 2015, decrease the number of systems by half from the current 1,500 information systems in the next five years by encouraging use of cloud system and reduce operational cost by 30% during the next eight years (excluding those that require special consideration).

- **Promoting private sector access to public data**
  - The government will make public data open in principle via the Internet in the forms and under the rules that make business use easier, while giving considerable thought to personal information and security. To this end, the government will launch the data catalogue site (a Japanese version of “data.gov”) for general guidance and crossover search of public data on a trial base by autumn this year, post information which should be preferentially disclosed to the private sector, such as geospatial information, procurement information, statistics and disaster prevention/alleviation on the site and start full operation from next fiscal year.
- **Reforming operation and enhancing IT governance in the government**
  - The government will make drastic effort toward business process re-engineering (BPR) when making IT investment. The government will formulate a roadmap toward the reform of government information system within this year, abolish or merge overlapping information systems and rigorously adopt cloud system in government information system. In addition, the government will establish PDCA cycle of IT investment management through utilizing the Japanese version of the “IT dashboard” (the system where people can access lists of the government’s IT investment situations via the Internet) as early as possible next fiscal year.
- **Providing more convenient electric administrative services**
  - By introduction of the Social Security and Tax Number System starting from January 2016, the government will promote operational reform in the area of social security/tax, etc. where the Social Security and Tax Number are used and achieve convenient administrative service with less complexity, correct and speedy processing. In particular, the government will develop the “My Portal (provisional name)” for the procedures whose needs from citizen are high by July 2017 and start convenient on-line services for individuals.
  - The government will categorize rules on identification procedures according to their types and review identification procedures on the assumption of on-line use, in order to achieve both improving the level of convenience for entering contracts or for using services and

ensured protection of privacy and accuracy of identification.

### (3) Realizing safe/convenient life environment through IT utilization

In order to realize society where people can live safely/conveniently by utilizing big data, etc., the government will make efforts to solve important cross-sectional issues by utilizing IT through cooperation among relevant ministries.

#### ○ **Solving cross-sectional issues by utilizing IT**

- The “IT Strategic Headquarters” will identify issues and regions to be solved in areas of local revitalization, improvement of administrative efficiency, geospatial information, agriculture, medical service/health, resource/energy, disaster prevention/alleviation, road traffic, education, etc. by the end of August this year, and formulate specific measures, such as regulational reform and policy implementation, to intensively address the issues. Furthermore, the government will strive to spread the success cases as a package overseas to make international contribution and to help enhance international competitiveness of Japan.

### (4) Developing the world’s top-level telecommunication infrastructure

Developing both fixed and wireless telecommunication infrastructure which is overwhelmingly fast, unlimitedly low-priced, open and able to provide a wide variety of service will enhance competitiveness of all industries which use the infrastructure. To this end, the government will further encourage competition in the telecommunication area and strive to keep the current No.1 position in OECD member countries for the comparison of broadband charges (per unit speed).

#### ○ **Translating the world’s top-level telecommunication infrastructure into practical applications**

- In order to strive for practical applications of the world’s top-level photonic network technology (400Gbps) and network virtualization technology, the government will make the test bed (field test environment using these technologies) widely open to industry, academia and government from next fiscal year to assist private carriers, etc. in developing new services.
- In order to translate the world’s most advanced fourth-generation mobile communication system (4G) into practical applications early, the government will develop systems necessary to introduce new technologies within this year and allocate new frequency bands by the

end of next year. Moreover, the government will secure frequencies for additional allocation to support for further advancement of 4G and international expansion of Japanese technology by the end of 2015 FY in an internationally harmonized manner.

○ **Reviewing competition policies for lower charges and diversified services**

- The government will start, from this summer, verification processes concerning competition policies in the telecommunication area including measures for further liberalization of NGN (Next Generation Network) and promotion of competition in mobile markets and will wash out issues to be considered within this year. Based on this, the government will determine the direction of specific institutional revision including the Telecommunications Business Act by the end of next year.

(5) Promoting cyber security measures

In order to build robust and vigorous cyber space which is suitable for the world's top-lever IT society, the government will aggressively develop cyber security measures under the "Cyber Security Strategy" by enhancing security level and response systems in governmental organizations and important infrastructure and by promoting international strategies.

○ **Strengthening measures against incidents in important infrastructure fields**

- In order to enhance protection of important infrastructure from cyber attacks, the "Information Security Policy Council" will advance consideration on the range of important infrastructure and the framework for information sharing between business operators of important infrastructure and governmental organizations and will formulate new action plans by the end of this fiscal year.

○ **Formulating international strategies concerning cyber security**

- In order to enhance multilateral partnership among countries/areas having strategic strong tie with Japan and accelerate international expansion of security technology that is our competitive edge, the "Information Security Policy Council" will formulate new cyber security international strategies by the end of this fiscal year. The government will also encourage starting domestic evaluation/certification about security of control systems within next fiscal year to promote

improvement/export of infrastructure.

(6) Cultivating/securing highly-skilled IT human resources that will be the source of industrial competitiveness

The government will cultivate/secure highly-skilled IT human resources having ability to create new innovation through utilizing IT and data.

○ **Acquiring a new type of skills for the 21st century utilizing IT**

- The government will organize and promote measures to expand education using one information terminal for each student on a full scale before 2020 begins. The government will also promote innovation of classes such as interactive education, remote education on a global basis, etc. by advancing development of digital teaching materials and improving teachers' instruction ability. In addition, the government will establish framework to continuously cultivate practical IT human resources through industry-university-government cooperation by the end of next fiscal year and promote IT education including programming education from the compulsory education stage.

○ **Clarifying and utilizing skill levels of IT human resources**

- The government will identify skills/tasks necessary for specialists in each field of IT by next summer and revise standards for clarifying skills of IT human resources on a universal scale by the end of 2015 FY. At the same time, the government will facilitate using the standards as the conditions of IT specialists for the recruiting and evaluating activities such as recruitment of assistants to CIO at public organizations.

5. Further strengthening Japan's international competitiveness as a business hub

In order for Japan to become a nation where it is easier for companies to develop business activities, it is of great necessity to improve industrial infrastructure by measures such as easing energy/environmental constraints and to strengthen the competitiveness.

As a first step toward the goal, by 2020, the government will drastically improve business environment aiming to be ranked in the top three from the current 15th place among developed countries in the Ease of Doing Business ranking of the World Bank and to be ranked in the top three from the current fourth place of the

Global Power City Index.

In addition, the government will strive to enact the amendment bill of the Antimonopoly Act to abolish the trial system conducted by the Japan Fair Trade Commission as early as possible.

### (1) Realizing “National Strategic Special Zones”

The conventional special zone system such as Comprehensive Special Zones aiming to strengthen international competitiveness in industry is based on the initiative of the community. In order to powerfully and speedily create a business environment which is an attractive investment destination for foreign corporations, the government has to make efforts based on the nation’s growth strategy, utilizing power of the private sector, under the leadership of the Prime Minister,.

To this end, considering initiatives in regional communities, from the viewpoint of national strategies, under the leadership of the Prime Minister, the government will establish the “National Strategic Special Zones”, a powerful system to proceed with drastic regulatory reforms, etc.

The objective of the special zone is to make a breakthrough as an experimental site for regulatory reform. To this end, the targeted projects should have powerful impact on the growth of national economy, and the government, municipalities and the private sector engage in the projects as one, not conflicting with one another. While limiting the number of the special zones to the necessary extent, the government will implement bold regulatory/system reform by examining tax incentives corresponding to system designs for the reform, thereby taking necessary measures.

The government will steadily continue to proceed with the current special zone system and such measures including “Future City” Initiatives interlock with the special zones. In addition, regarding Okinawa which is the nearest to the rapidly growing Asian market, as a national strategy, utilizing the special zone system, the government will actively proceed with promotion measures in a comprehensive manner.

- **Study at the “National Strategic Special Zones working group,” etc.**
  - Under the minister in charge of Regional Revitalization, in the “National Strategic Special Zones working group”, the government will prepare system designs, select specific projects, regulatory reform items, and establish policies by summer this year.
  - Based on this, the government will establish the Special Zone Promotion Headquarters consisting of the government, municipalities and the private sectors and will promptly develop necessary

legislative measures in the Diet.

- Issues to be addressed by the “National Strategic Special Zones” are, for example, “to form international cities whose environment such as residential space, etc. is one of the most attractive in the world,” “to establish an international base for medical services and for innovations.” In terms of these viewpoints, the government will strive to create the best environment for business activities that will trigger growth by taking special measures in the special zones, actively utilizing regulatory/system reform items applicable nationwide and improving important infrastructure.
- Having all these in mind, as follows are regulatory/system reform items that are being studied by the National Strategic Special Zones working group at present and that should be dealt preferentially:
  - 1) Reviewing regulations on land use such as floor-area ratio/use to promote residence in cities  
When forming international cities, to accelerate residential environmental improvement of cities, not only municipalities that have authority to decide city planning, but also the government itself select an area to strategically take a lead in city planning, take measures in different sphere from the traditional one such as shift of volume to office buildings for construction of condominium buildings, together with the aforementioned system planning for special zones in a rapid manner.
  - 2) Improving medical service for foreign people given by foreign doctors  
As for the “clinical training system” that allows only training as medical practice of foreign doctors, the government will submit a bill to review the system nationwide to add instruction/clinical study and to extend the period as a part of an amendment bill of the Medical Service Act by the end of this year.  
In addition, while ensuring the quality, the government will strive to improve medical services for foreign people living in the special zones.
  - 3) Reviewing requirements to establish international schools  
In order to improve educational environment for children of so-called international schools on which the government places importance regarding work of foreign people, the government will strive to ease requirements for school sites/building and strongly promote review of rules that make it difficult to set up an international school in Japan.
  - 4) Reviewing issues concerning the Labor Contract Act for researchers [reposted]

- 5) Enhancing function of airports in the Tokyo Metropolitan area and improving access with the center of Tokyo [reposted]
- 6) Opening up public school operation to the private sector  
In order to provide diversified education at public schools, considering opening up public school operation to the private sector (public-build and private-operate schools by consignment to the private sector) will be effective, the government will start study on flexibly opening up the operation to the private sector at least in the special zones and conclude results as soon as possible.

- **Developing a framework to promote the special zones**

- The government will establish the “Special Zone Advisory Council” led by the Prime Minister, appoint the minister responsible for the special zones, and promptly develop a governmental framework to proceed with the special zone project in a top-down style.

## (2) Opening up operation right of public facilities, etc., to the private sector (expanding utilization of PPP/PFI)

Opening the public sector that assumes improvement/operation of domestic infrastructure to the private sector enables effective/efficient improvement/operation of infrastructure even under tight financial situations and also creates opportunities to enter major markets and to strengthen international competitiveness. Making use of proposals by the private sector, to drastically shift PPP/PFI to businesses that invite private investment, the government will implement action plans to utilize PPP/PFI, the project corresponding to 12 trillion yen within the next decade.

- **Expanding applicable scope of the concession system**

- By shifting administration by the public sector to management by the private sector, the government will promote introduction of concession system of public facilities such as airports, water and sewerage and roads, a new management approach that improves service and creates new value utilizing public facilities. Specifically, as for airports, the government will make efforts to expand the applicable scope to government-owned airports such as Sendai Airport at early date in a stable manner. The government will also actively introduce the concession system and promote utilization of the system for the toll-road project of the Local Road Public Corporation.

- **Utilizing various methods**

- Through the utilization of facilities that will bring profit and public real estate and cooperation with private city development, the government will actively promote methods that realize investment by making the most of private funds and renewing the existing facilities. In particular, the government will take measures against decrepitude of expressways in the capital including use of space above the expressways keeping pace with private urban development and promote utilization of PPP projects for integrated regeneration of cities and expressways.

- **Establishing the Agency for the Promotion of the Private Finance Initiative**

- The government will establish the Agency for the Promotion of the Private Finance Initiative (Infrastructure Fund by joint initiatives between the public and private sectors), promote introduction of private funds into PFI projects that collect funds from usage charge income making national funds as a trigger to nurture infrastructure investment markets, reduce financial burden and create business opportunity for the private sector.

### (3) Improving infrastructure such as airports, ports and harbors

In order to facilitate movement of human talents and goods on a global scale, the government will enhance the function of airports in the Tokyo metropolitan area and strategic ports and harbors.

- **Enhancing the function of airports in the Tokyo Metropolitan area and improving access with the center of Tokyo**

- By increasing the number of international flights at Haneda Airport by 30 thousand flights at the end of this year, that at Narita Airport to 300 thousand flights during next fiscal year as well as improving connection between domestic airlines and international airlines at each airport in the Tokyo Metropolitan area, the government will strive to enhance function of airports. At the same time, the government will make efforts to develop lines directly linked to the center of Tokyo by utilizing the existing railways and deep underground of the center of Tokyo.

- **Strengthening logistics networks**

- In order to achieve logistics cost and convenience as competent as that in the world, the government will enhance the function of ports and harbors to respond to large ships, deal with the needs of extended operation hours, and improve transport access to ports and harbors/airports. To this end, the government will improve three ring roads in the Tokyo Metropolitan area by raising the maintenance rate of them from the current 50% to 80% or higher in the next five years, and improve ring roads in three major metropolitan areas. Furthermore, regarding deepwater container terminals of strategic ports and harbors for containers from foreign countries, the government will increase the number of berth from the current three berths to 12 berths by the end of 2016. At the same time the government will achieve efficient operation of ports and harbors by the operating companies of ports and harbors in an integrated way by the end of 2015, create demand of cargo booking and cargo from broad areas aiming to regain overseas cargo transshipment and enhance logistics networks.

#### (4) Improving competitiveness of cities

In order to attract foreign companies to place business bases of Asia in Japan, it is important to strengthen international competitiveness of cities through initiatives to improve city environment and life environment, secure good public order, enhance disaster prevention ability by ensuring diversity of cities, renewing old buildings, etc. To strengthen international competitiveness of large cities, the government will make efforts toward drastic regulatory reform by taking the lead in utilizing the “National Strategic Special Zones,” support life function for foreign people that is the issue to be addressed by large cities as a whole, and city sales promotion.

- **Improving environment by utilizing the “National Strategic Special Zone,” etc., aiming to be an international city**
  - As for the “National Strategic Special Zone,” the government will flexibly respond to regulations concerning city development including requirements for floor-area ratio and land use depending on various needs of offices and houses and facilitate prompt response through adjustment among relevant parties made by Special Zone Promotion Headquarters.
  - The government will improve environment of certain areas that are involved in international business activities including improvement of

medical institutions and education facilities for foreign people so that talented people from overseas have comfortable life.

○ **Improving city/living environment**

- In order to create a highly transparent/objective real estate market, the government will improve information on various real estates, develop system to offer the information, and establish evaluation standards for real estate based on international standards (by the end of next year). At the same time, the government will improve living environment by establishing standards for inspection of the existing houses and houses that keep good quality for a long-term (within this year), formulating policies on building evaluation for the existing houses (within this year), etc. to form a wide variety of high-quality housing stock for improved housing stock from expansion of flow.

As for local cities, the government will rebuild the city structure to aggregate all city functions such as housing, medical service, social security service, etc. in downtown so as to maintain/improve vigor of cities in spite of the decreasing population.

○ **Realizing a compact city**

- The government will formulate the city rebuilding strategies within this year. At the same time, in order to realize a compact city in local cities, the government will aggregate houses and life functions into the downtown utilizing the private sector by combining support measures and land use systems, intensify empty lands, establish systems to promote the use of vacant buildings, facilitate effective use of public real estates such as former school sites, former city hall sites. Through these initiatives, the government will advance “realistic restructuring” led by the private sector and site location for visit-type urban-oriented industry to promote renovation of city structures.
- The government will encourage investment and new business by new systems to promote liquidation of vacant stores and promote initiatives in small-scale cities including merged cities mainly to stimulate private investment for revitalization of downtown.

(5) Vitalizing financial/capital markets

By taking in the growth of Asia, the government will vitalize stock markets and improve asset management markets to build a No.1 financial/capital market in

Asia.

- **Considering measures for vitalizing financial/capital markets**

- In order to strengthen the international competitiveness of Japan's financial/capital markets, the government will set up a working group consisting of the Financial Services Agency, the Ministry of Finance and specialists from the private sector. The working group will consider measures for vitalizing the markets including the feasibility of financial special zones and draw an outline of the measures by the end of this year.

#### (6) Management of public and quasi-public funds

The government will consider ways to desirably manage public pensions and financial assets held by incorporated administrative agencies, etc. (public and quasi-public funds).

- **Desirable management of public and quasi-public funds**

- At meetings among intellectuals, the government will review and obtain recommendations by autumn on cross-cutting issues pertaining to public and quasi-public funds, such as the management of funds (promotion of diversified investment), matters of governance including risk management structure, and measures to increase returns on long-term investments in shares, bearing in mind the scale and nature of each fund.

#### (7) Overcoming constraints of environment/energy

Aiming to overcome electric power/energy constraints after the Great East Japan Earthquake and to reduce costs, the government will steadily implement action plans toward the “most advanced nation in the energy field having variety of supply systems and efficient consumer behavior” to obtain results of improvement. The government will develop a new basic energy plan by this year and determine the base and direction of energy measures in the medium- and long-term.

In addition, the government will conduct a zero-based review concerning the 25% emission reduction target of greenhouse gases prior to 19th Session of the Conference of the Parties to the UNFCCC in November (COP19). Furthermore, the government will formulate “Proactive diplomatic Strategy on Global Warming” with the aim of contributing to the world by fully utilizing Japanese advanced technologies and promote the full scale introduction of the Joint Crediting Mechanism (JCM). The government will also develop the new Low Carbon

Technology Plan at the “Council for Science and Technology Policy” and promote R&D.

○ **Pushing through the Electricity System Reform**

- In order to reduce electricity costs by promoting efficiency of electric supply according to the “The Policy on Electricity System Reform,” the government will strive to pass a bill to amend the Electricity Business Act early and steadily proceed with electricity system reform ( 1) enhancing nationwide system operation, 2) promoting full retail choice and full liberalization of power generation, 3) further securing neutrality of the Transmission / Distribution sector through the legal unbundling) aiming to complete the reform by 2020 at the latest.

○ **Utilizing nuclear power generations whose safety is confirmed**

- The government will leave the safety of nuclear power plants to the specialist judgment of the Nuclear Regulation Authority. When the Nuclear Regulation Authority admits the compliance to regulatory standards, the government will respect the judgment and will proceed with the restart of the nuclear plant. In this case, the government will make efforts to obtain understanding and cooperation of relevant parties including the municipality of each nuclear facility site

○ **Introducing highly efficient thermal power generation (coal/LNG)**

- The Ministry of the Environment and the Ministry of Economy, Trade and Industry agreed with the clarification of requirements and streamlining the procedure of environmental impact assessments for power plants. Based on the agreement, the government will advance introduction of highly efficient thermal power generation (coal/LNG) with environmental considerations, and make efforts to improve power generation efficiency further by advancing technology development.

○ **Reducing procurement costs for LNG**

- In order to reduce procurement costs for LNG, the government will continue to make efforts to realize import of LNG from North America, assist Japanese companies in participating development in Russia/Mozambique to diversify supply sources. In addition, the government will strengthen cooperation among LNG consuming countries through the “Second LNG Producer Consumer Conference” held in this September to enhance bargaining power.

- **Curbing electricity price**
  - Taking into account future efforts toward efficiency to reduce LNG procurement price, the government will strictly examine electricity price.
- **Ensuring stable supply by maintaining/improving supply chains for oil/ LP gas**
  - The government will strive for stable supply of oil/LPG by optimizing and adding high value to facilities of oil industrial complexes, strengthening risk response ability of oil/LP gas supply infrastructure such as refineries and SS (service stations), preventing industrial accidents, improving mobility of stockpiles, securing stable supply of oil/LP gas in the community, etc.
- **Full-scale Introduction of the Joint Crediting Mechanism**
  - In order to start the full-scale operation of the mechanism this year, the government will immediately prepare a roadmap for arrangement of relevant domestic systems and consultations for international recognition. In addition, the government will consider necessary support to strongly drive adoption of Japan's advanced low carbon technologies in developing countries and will promote the development of projects through cooperation among relevant ministries, agencies and organizations including JICA and JBIC.

## 6. Innovation of small and medium-sized enterprises (SMEs)

Management resources such as 4.2 million SMEs across the nation and human talents, goods, and communities across the region are the world-class industrial infrastructure that supports the regeneration of Japan's manufacturing industry and serves as the origin of high-value added industries. The innovation of this industrial infrastructure will regenerate regional economy and enhance our global competitive level.

Therefore, the government will ensure that business startup rate exceeds business closure rate and business startup and closure rate rises to 10 % range on par with the US and UK, support SMEs to expand into growth sectors, increase the number of profit-making SMEs from 0.7 million to 1.4 million by 2020, and aim for the realization of overseas expansion of another 10 thousand companies over the next five years. Moreover, certified experts who support SMEs in their daily operations, their

concerned companies, support organizations such as professionals, SME-related organizations and regional financial institutions in addition to the government and local governments work together to use, mobilize, and commercialize regional resources as brands, accelerate the restructuring of SMEs, and promote initiatives in the frontier areas in Japan and overseas. Along with that, the government will aim for “the most comprehensible” policies for SMEs on the ground from their point of views and carry out an ongoing review of accessibility improvement of support system such as further reduction and simplification, etc. of application forms.

### (1) Using, mobilizing, and commercializing regional resources as brands

Numerous resources such as human talents, goods, and communities in each region remain unused. Therefore, the government will expand the conventional idea of regional resources into that for various regional management resources, build the support network for discovery and commercialization of regional resources and further commercialize them as brands in order to combine them organically.

- **Promoting business startups by using and mobilizing regional resources**
  - In order to promote business startups by using regional resources, the government will conduct support from business start-up to management know-how across the nation on a one-stop basis. Moreover, it will increase responsible entities for business startups that use regional resources such as enhancing a network of entrepreneurs through support portal websites, conducting business competition, improving functions of shopping streets and central urban districts.
  - The government will offer comprehensive support by deploying all the political resources including the review of Act on Promotion of Business Activities by Small and Medium Sized Enterprises Utilizing Resources Derived from Local Industries with respect to business startups which use regional resources or mobilize (combine and merge) them.
  - In order to build world's pre-eminent industries, the government will create new clusters centered on regional core firms and activate regional companies after redefining promising candidate sites for industrial clusters.
- **Diversifying fund raising (crowdfunding, etc.) [reposted]**

○ **Creating premium regional brands**

- The government will enhance the consistent support from discovery to market development of the most promising regional resource as “a premium regional brand”
- The government will wrap up a final draft concerning the review of the trademark system that enables the protection of highly valuable regional brands by expanding the scope of entities eligible for registration of the regional collective trademarks to Societies of Commerce and Industry and Chambers of Commerce and Industry etc. within this fiscal year, and subsequently submit the relevant bills to the Diet in a swift manner. By dispatching intellectual property experts who help application process and offering financial support concerning consultation and application, the government will decrease the burden relevant to regional collective trademarks and promptly establish the right by improving application know-how and promote the use of regional collective trademarks.
- The government will assist associations and other organizations in setting their own quality standard in compliance with high-level JIS and building their own certification system for thorough quality control of local goods and their quality appeal. Therefore, it will start the consideration of implementation of JIS for high functionality and achieve the conclusion within this fiscal year. JAS will promote the use of high level standard based on the Act for Standardization and Proper Labeling of Agricultural and Forestry Products to contribute to the commercialization of local goods as brands.

○ **Establishing “the Council on Regional Industrial Competitiveness” (provisional name)**

- In order to reflect community-based “real voices” across the country, the government will establish the Council on Regional Industrial Competitiveness (provisional name) consisting of the managers of companies who support communities and other members in each regional block. The council in each regional block will specify its own strategic industry, find undeveloped resources in its region, and determine the strategy and so on associated with the industrial human resource development required in the region. It will be regularly followed up along with the progress of development of this strategy in each region.

## (2) Accelerating the restructuring of small and medium-sized enterprise (SMEs)

The government will drastically increase the number of business startups in the country and ensure that business startup rate exceeds closure rate, aiming for raising business startup and closure rate to 10% range on par with the U.S. and U.K. Along with that, in the midst of increasingly serious situations of aging managers and difficulty of finding successors, it will facilitate the transfer of useful management resources by generation change of managers and business succession to persons other than relatives and consequently accelerate the restructuring of SMEs.

Moreover, it will promote community-based finance so that regional financial institutions will actively work to fulfill their consulting functions and to provide risk money for administrative improvement of companies which play important roles in regional economy, support for their business revitalization and business transformation, development of new industries, and nurture of potential companies.

### ○ **Consistent support from business startup to the initial stage**

- The government will facilitate private financing for business startups by emphasizing and enhancing the development of business projects concerning business startups on assistance measures of enhancing public financing and supporting business startups including extension of grace period during the initial stage when an entrepreneur founds a business and is in the most severe financial difficulties so that he or she can overcome the hardest initial stage from the business startup to the reporting of a profit.

### ○ **Revising the personal guarantee system [reposted]**

### ○ **Supporting business takeover and succession [reposted]**

## (3) Supporting small and medium-sized enterprises (SMEs) which will enter the strategic market.

SMEs should overcome entry barriers in growth sectors and actively promote the matching and the use of Internet for corporate linkage to enter growth sectors such as environment/energy, health/medical care, and aerospace sectors.

### ○ **Building professional support system for moving into growth sectors**

- The government will review the 22 technologies based on Act on Enhancement of Small and Medium Sized Enterprises' Core Manufacturing Technology to reinforce the manufacturing industry and facilitate the direct entry of small and medium-sized enterprises (SMEs) into the growth sectors such as medical care and environment, etc. It will promote R&D of 3D modeling system as a national project by using our strength in materials and machine control technology, etc. In addition, it will send in experienced persons to these industries for a long time to obtain international certification.
- It will reduce the cost and shorten the period concerning medical device development and screening by SMEs through dispatch and development of experts to assist cooperation between SMEs and medical institutions and support of expenses for pharmaceutical consultation and application.
- **Promoting the development of new sectors targeted for major companies and various business sectors**
  - The government will promote the preparation and cooperation of matching venues for major companies and various business sectors by using support portal websites and exhibitions and build a human network which plays an important role in developing new sectors by discovery and development of supportive human resources

#### (4) Supporting small and medium-sized enterprises (SMEs) which expand internationally

In order to further promote overseas expansion of SMEs, the government will extend and deepen its assistance for their overseas expansion by enhancing support from point to line to plane and realize overseas expansion of another ten thousand companies for the next 5 years.

- **Enhancing and strengthening hands-on support system**
  - The government will enhance and strengthen a consistent hands-on support system for companies aiming to expand operations overseas by using the Japan External Trade Organization (JETRO), an incorporated administrative agency, and company veterans with international business experience. It will also reinforce domestic consultation services through training consulting personnel at Organizations Supporting Management Innovation such as finance institutions and proactively search for and support promising

companies utilizing networks between support organizations.

- The government will promote the development of new sectors targeted for overseas companies by transmitting information of SMEs in multiple languages by supporting overseas websites, clearing, and distribution as a package.

○ **Developing overseas support platforms**

- At present, the government will accelerate the preparation of major strongholds such as developed markets, emerging markets and production bases of overseas support platforms in preparation in 10 bases across 8 countries. It will also respond in depth to professional service support for legal, labor, and intellectual property problems and troubles such as business downsizing and withdrawal in the worst-case scenario. In addition, it will enhance the use of government-private sector joint missions for SMEs and fund raising support from local financial institutions conducted by Japan Finance Corporation.

<Important notices>      Guidelines for official support by public-private sector fund

In Industry Revitalization Plan, in case of using public-private sector fund, the government shall implement this plan based on the guidelines stipulated below from the viewpoints of preventing moral hazard of private sectors by public sector involvement.

○ Guidelines for official support by public-private sector fund

- (1) New funds shall be established to the minimum extent necessary under conditions where market economies are difficult to function properly (Principle of Subsidiarity). The purpose of new funds shall be limited with political significance such as pump-priming effects of the realization of the government's growth strategy, contribution to regional economic revitalization, and creation of a new industry and market (Principle of Externality).
- (2) It is assumed that time limits to maintain funds and time-axis for individual investments shall be set and individual investments shall be given over to private sectors properly.

- (3) The government shall set highly transparent standard of investments and the investment decision of a fund will be made mainly by persons who don't belong to administrative agencies on the basis of technical and objective point of view.

The system of screening, monitoring and warning by independent and professional third party organizations will be introduced to block political and administrative interventions of individual investments.

- (4) Because each fund has different portfolio according to its policy purpose, risk, income and expenditure management as a whole of investment destinations shall be conducted.

- (5) Overall performance evaluations of individual funds shall be made comprehensively in a medium and long-term perspective based on the purposes of establishment and management of funds, paying attention to political significance such as effects on Japanese economy and employment through investment destinations.

## 2. Strategic Market Creation Plan

## 2. Strategic Market Creation Plan

Social issues such as energy constrain, health and medical care will certainly form huge global markets in the future. Japan is a pioneer in these issues and has the potential of obtaining a market with its high level of technology. However, the reasons below have hampered market formation.

- Bounded by regulations and institutions as well as conventions.
- Inadequate infrastructures for developing businesses.

The backwardness in competing sectors in the world's most advanced R&D is difficult to make up for.

Therefore, the government has chosen the four themes below among social challenges the world and our country face as themes “which Japan has an international advantage in,” “which can be expected to grow in global markets,” and “which can include certain strategic fields.” The government will regard “the year 2020” after the period of intensive reform and “the year 2030” from the standpoint of medium-term political development as time axes and prepare “the roadmap” to continuously deploy policy resources from R&D to deregulation with priority.

- |          |                                                                                            |
|----------|--------------------------------------------------------------------------------------------|
| Theme 1: | Extending the nation’s “healthy life expectancy”                                           |
| Theme 2: | Realizing clean and economical energy demand and supply                                    |
| Theme 3: | Building safe, convenient, and economical next-generation infrastructures                  |
| Theme 4: | Building regional communities that use their unique local resources to appeal to the world |

Theme 1: Extending the nation's "healthy life expectancy."

Envisioned society: Establishing "Appropriate care cycle society":

From preventive care, treatment to early back to home care.

Strategic area: Health promotion and preventive care services, living assistance services, pharmaceuticals and medical devices, housing for the elderly, etc.

Market size: (Domestic)  
26 trillion yen (2020), 37 trillion yen (2030)  
Cf. 16 trillion yen (present)  
(Overseas)  
311 trillion yen (2020), 525 trillion yen (2030)  
Cf. 163 trillion yen

Size of employment: 1.6 million people (2020), 2.23 million people (2030)  
Cf. 0.73 million people

(1) Ideal situation in 2030

Our healthy life expectancy is the longest in the world. Our medical care and nursing care system offers high quality services at the relatively low expense, maintaining free access to the system under the universal health-care system and contributes to the longevity.

However, for the reasons below, public demand for the care is rapidly increasing:

- Increasing number of the elderly aged 75 years or older with characteristics of high consultation rate for chronic diseases, high disease rate, and high nursing care utilization rate.
- Increasing the elderly who live alone and cannot expect support within the family
- Upgrading the service in medical care and nursing care

In 2030, the government should minimize the increase in the nation's demand for medical care and nursing care by improving preventive care services and should aim for "a society which extends the nation's healthy life expectancy" by providing higher quality medical care and nursing care.

Therefore, it will aim to realize the following three envisioned society in light with "health and medical care strategy" (mutual agreement among concerned ministers on June 14 this year).

- 1) The society where people are able to live a healthy life and get old by enhancing effective preventive care services and health management
- 2) The society which can provide the world's most advanced necessary medical

care by activating medicine-related industries

- 3) The society where people who are out of work due to illness or injury can return to work as quickly as possible by access to better medical care and nursing care

As a result, the government will aim for “Appropriate care cycle society” where people are able to have necessary preventive care service from a variety of options and to get the world’s most advanced medical care and rehabilitation in case of necessity while people make an effort for healthy life and prevent disease.

## (2) Individual envisioned societies and efforts toward realization

[1] The society where people are able to live a healthy life and get old by enhancing effective preventive care services and health management.

### I). Envisioned society and present problems

The government will aim for a society where individuals and companies take initiatives on their own health management and preventive care with high consciousness and people can easily get access to necessary services (i.e. preventive care and medical care services) everywhere.

Meanwhile, at present, there is poor motivation for preventive care due to the following factors:

- i) Individuals tend to have little incentive to continuously prevent disease and manage their health such as diet control, exercise, etc. when they are healthy.
- ii) Insurers do not take adequate measures to motivate individuals, recognizing the necessity of health management and preventive care.  
Maintaining employees’ health contributes to the company's bottom line through effective use of human resources and the reduction of insurance cost. However, it is hard to say that managers recognize the issue.
- iii) The services for health management and preventive care have not grown as an industry or market due to these factors.  
Especially since institutional ambiguity which should provide services between the private and the public sectors, makes service providers hesitate to enter into the market and consumers have difficulty in receiving services at ease.

### II). Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

In order to overcome the current situation, the government will highly motivate individuals, insurers, and companies and create an industry to extend healthy life expectancy. These initiatives will lead to the creation of a system where services are easily accessed everywhere and realize “self-medication” and other initiatives to promote self-management of health.

That is to say, the government will create and develop markets and industries as strategic areas which play an important role in health promotion and preventive care (ex. services for guidance about exercise and diet based on instructions from medical institutions, services for conducting simple tests, etc.) and living assistance services (ex. creating a system to provide home delivered meal services in cooperation with medical care, etc.) by expanding potential markets with high consciousness and motivation, and adopting most effective and efficient political measures including reform and clarification of regulations.

○ **Developing an industry to extend healthy life expectancy**

- The government will develop a comprehensive political package to establish an appropriate care cycle and to foster a new industry independent of social health insurance to extend healthy life expectancy. It will take initiatives to create a market and compensate for risk through removing “gray zones” in regard to relevant regulations (its objective is to clarify whether the provided service is legitimate), a system for quality guarantee and information sharing of new products and services, and the use of lease arrangements. It will advance the consideration and achieve a conclusion by August this year and take necessary measures such as legislative ones.
- Moreover, the government will establish “Next-Generation Health Care Industry Council (provisional name)” along with consolidation of the legal system in order to immediately develop a system for providing individual consultations to make sure that projects each company will start to implement are legitimate without waiting for legal measures and in order to develop a framework to maintain the quality for private services.
- The government will set a standard for amount of exercise and healthy diet based on the evidence of disease prevention effects.

○ **Developing a new system concerning the promotion of preventive care and health management**

- The government will amend guidelines (announced) of The Minister of Health, Labour and Welfare based on the Health Insurance Law, etc.

by the end of this fiscal year, requiring all the health insurance societies to analyze data such as health insurance claims and so on, to develop, announce, implement and evaluate a project program called “Data Health Plan (provisional name)” to maintain and improve health conditions of the subscribers based on the analysis. In addition, it will promote similar initiatives to be taken by national health insurances.

- With regard to good practice cases such as a project to prevent aggravation of diabetic nephropathy in order to avoid artificial dialysis, aiming to widely promote them by the end of next fiscal year, the government will advance the consideration of such projects, conclude the results by the end of August, and reflect them in the budget request.
- As per the effects of specified health check-ups and guidance, the government will compare health conditions and improvement of lifestyles between those who have received the specified health guidance and those who have not, as well as analyzing health care cost for such guidance. Based on the comparison and analysis, it will obtain certain results from verification of the effects for two years until the end of the next fiscal year, announce the results and promote the initiatives such as healthcare projects conducted by insurers.
- As to the adding/subtracting system of the supportive contribution to medical insurance for the elderly aged 75 and over, the government will consider a better system for the future based on the implementation status from this fiscal year and opinions of concerned parties as well as verification of the effects of healthcare guidance.
- The government will promote good practices for health improvement among citizens and employees by municipalities and companies. In addition, it will attempt to mature and enhance individual and corporate “health awareness” and “motivation” by further promoting “Smart Life Project” based mainly on broad corporate linkage for health promotion.
- The government will promote better contribution of local pharmacies and pharmacists to encouraging self-medication of citizens by making pharmacies the community-based hub for providing information, giving advice on proper use of non-prescription drugs, etc. and offering consultation and information service concerning health.

○ **Using health enhancement function of food**

- Concerning processed food such as so-called “health food,” etc. and agricultural, forestry and marine products, the government will commence studies within this fiscal year on new measures to describe functionalities based on scientific grounds under corporate responsibility and implement the measures after obtaining results within the next fiscal year. It will give consideration with a feasible management system including security in mind, referring to the dietary supplement labeling system in the U.S. where not the public but companies and other organizations can evaluate scientific grounds by themselves and describe the ground of evaluation and functionality.
- The government will figure out and evaluate health enhancement function of food and develop and promote ingredients and food products with health enhancement function.

Furthermore, the government will support expanding and developing health-related market and industry by establishing the world's most advanced research and analysis platforms such as health and disease database.

○ **Promoting digitization of medical care and nursing care information**

- The government will promote the use of data such as health insurance claims owned by the public to improve medical quality and reinforce research platforms. Even private companies can provide data such as health insurance claims when researches they are conducting are subsidized by the government. Therefore, it will make sure the scope of applicants offering data is to be thoroughly informed. In addition, it will consider the facilitation of data provision and the scope of applicants to promote timely utilization by a wide range of agents.
- The government will expand throughout the country good practices where insurers analyze data such as health insurance claims by using ICT and take the initiative in promoting good health among subscribers and carrying out moderation in health care cost.
- The government will disseminate community-based health care and nursing care coalition including home care widely across the country with ICT by sharing medical records and nursing care information in each community.
- With regard to adverse drug reaction data system, the government will acquire enough useful information by improving hub hospitals to collect data and promoting regional partnership, so that such information can be made best use of for drug effectiveness and safety

evaluation as well as extension of healthy life expectancy.

- In order to improve medical quality, academia will promote initiatives to accumulate, analyze, and use daily medical acts, treatment outcomes and outcome data (effects of medical treatment) by integration with each of medical fields across the country.
- **Promoting the use of medical information and introducing identification number system**
  - The government will promote and expand community-based medical information linkage networks and create optimistic environment by taking necessary measures to utilize and protect medical information. It will also promote improvement of an environment in which each individual can utilize his or her own medical and health data and consider proper usage of information to lead to appropriate encouragement for health industry, as well as introducing an identification number system for medical information after obtaining national-understandings. As the first step toward such objectives, it will facilitate an environment such as standardization of data and system specifications, and consideration of administration rules including preparation of guidelines, etc.
- **Internet sales of non-prescription drugs**
  - The government will approve the internet sales of non-prescription drugs under the appropriate rules while securing the safety of consumers.
  - However, concerning “products that have newly become available as non-prescription drugs” and “products designated as powerful drugs”, experts in medicine and pharmacy fields conduct required reviews of a system to promote deliberate sale and use of these items equivalent to those for prescription drugs in terms of ingredients, dose regimen, dosage, and onset situations of adverse drug reactions, since these items differ from other non-prescription drugs in nature. After reaching a conclusion by autumn this year, the necessary measures will be taken.
  - When making the examination, the government will give rational and objective consideration regardless of sale over the Internet or face-to-face selling.
- **Granting health care points**

- The government will implement a large-scale demonstration to establish models for promoting health (preventive care) by using a framework for comprehensive special zones and utilizing ICT system and medical check-up data in national health insurance by local governments and corporate health insurance society from next fiscal year. Among these initiatives, it will promote large-scale demonstration experiments in the future by using health care points (points granted for initiatives and achievements concerning health promotion such as exercise, etc. and used in facilities for health and nursing care services and regional malls etc. ).

[2] The society which can provide the world's most advanced necessary medical care by activating medicine-related industries

I) Envisioned society and present problems

The government will aim for a society which creates a virtuous cycle that further develops Japan's innovative medical technology by leading the world in developing pharmaceuticals, medical devices, and regenerative medical products which are the core of Japan's outstanding innovative medical technology required to conquer cancer, incurable diseases, rare diseases, infectious diseases, dementia, etc. and introducing them in the wake of a quick approval process, and exporting them to the world.

However, in reality, as of 2011 the total amount of import excess for pharmaceuticals and medical devices is about 2 trillion yen. As for approval status for regenerative medical products in December of 2012, nine items were approved by the U.S., 14 items by South Korea, and only 2 items by Japan.

II) Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

In order to overcome the current situation, the government will create the world's most advanced innovative products (i.e. pharmaceuticals, medical devices, regenerative medical products) which can obtain an expanding market in the world by promoting practical application, and using manufacturing technology which Japan has an advantage in. Thus, it will establish control tower functions to overlook research for triumph over disease as national challenges.

- **Establishing control tower functions (Japanese version of NIH) in medical R&D**
  - The government will establish control tower functions (Japanese version

of NIH) in medical R&D to accelerate practical application of innovative medical technologies. It will take specific measures as follows:

- The government will establish the Promotion Headquarters consisting of the Prime Minister, the Ministers in charge, and related ministers in the Cabinet as control tower headquarters. The political leadership will promote the initiatives below:
  - (1) Developing comprehensive strategy concerning medical R&D and deciding focused research areas and their objectives,
  - (2) Securing a budget to fulfill the control tower function and implementing strategic and focused budget allocation by centralizing medical R&D budget (such as adjusting cost, etc.) appropriated by each ministry required for the implementation of the strategy
- The government will establish an independent administrative institution in charge of practical tasks for integrated research management. It will also manage researches for application from a basic stage to a more advanced stage that the nation should conduct strategically including selecting individual research themes, monitoring progress of research, ex-post evaluation, etc. based on comprehensive strategy. Therefore, it will establish an independent administrative institution served as a core function on a practical level, using program directors, program officers, etc.
- It will build a system which ensures implementation of international standard high level clinical research and trials to apply research to clinical practice.  
 It will take necessary measures to ensure implementation of international standard high-level clinical research and trials that satisfy demand level of companies at clinical trials core hospitals and early-stage and exploratory clinical trial centers. In order to have a proper grasp of implementation status of clinical research and trials (target diseases, content of implementation, progress status, etc.), it will build a database to overlook these situations exhaustively, paying careful attention to protection of intellectual property, etc. It will also enhance clinical research and trials by actively taking advantage of private funds.
- Based on these measures, the government will work on detailed

institutional design including establishing the Promotion Headquarters by the end of August this year, etc. By reflecting the result to the budget request, etc. and submitting the necessary bills to the next ordinary diet session, it will aim to establish a new independent administrative institution.

(Notice) An independent administrative institution shall be established based on Scrap and Build Principle and the public sector shall not be bloated.

Furthermore, it will promote the development of the system to apply research to practical use such as encouraging the system for speed-up of assessment procedures and quality enhancement to lead the world in practical application of innovative products and win their world's first approval. In addition, it will drastically improve international competitiveness of medicine-related industries. Therefore, it will intensively provide support for regulatory and institutional reform, R&D, and overseas deployment.

- **Significantly broadening the scope of advanced healthcare services**
  - In order to enable the combination of a range of both services covered by health insurance as well as safe and advanced healthcare services not covered by insurance, the government will create a new dedicated system of assessment by external institutions, etc. By promoting the “system for accelerated assessments of advanced medical services (provisional name)” (Advanced Medical Highway Initiative) designed to accelerate and streamline the assessments, it will significantly broaden the scope of advanced healthcare services. Therefore, it will start with anticancer drugs aiming for autumn this year.
- **Regulatory and institutional reform to accelerate the development of pharmaceuticals and medical devices and regenerative medical research**
  - The government will aim for an early passage of a bill to amend Pharmaceutical Affairs Act (expansion of certification of medical devices by private third-party organizations, creation of early approval system with conditions and a limited term of regenerative medical products, etc.) and a bill to ensure safety of regenerative medical products, etc. (submission of plan for providing regenerative medicine, etc., creation of a system to enable medical institutions to consign cell culture processing to companies).
  - The government will promote personnel exchange among reviewing

authority, Pharmaceuticals and Medical Devices Agency (PMDA), National Institute of Health Science, and universities and establish the development and evaluation method of innovative products including regenerative medical products and medical devices by forming various guidelines.

- The government will support R&D for new drug development by building a network to support drug discovery of strategic office located at National Institute of Biomedical Innovation served as headquarters function in collaboration with RIKEN, the National Institute of Advanced Industrial Science and Technology (AIST), etc. ahead of the creation of the establishment of “Japanese version of NIH” to apply fundamental study results produced by universities to practical use as innovative medical products
- The government will develop a new standard for quality control, etc. in culture processing and production of cells, etc. used for regenerative medicine under industry-government-academia collaboration, and create an environment to promote the practical application of regenerative medicine by improving the system to store administered human stem cells, etc. for a long time.
- The government will promote development and practical application of medical devices and improve its support system by promoting the establishment of health and medical strategic cluster by collaboration among industry-government-academia and medical institutions ahead of establishment of “Japanese version of NIH” to solve needs and challenges in medical front by medicine-engineering collaboration taking advantage of high-level manufacturing technologies of small and medium-sized enterprises (SMEs), etc.
- The government will promptly lead research using human stem cells to high-quality clinical research and trials along with the use of strategic consultation on pharmaceutical affairs by building the consistent support system from R&D to practical application based on “Highway Initiative for Realization of Regenerative Medicine,” etc.
- The government will take necessary measures as needed as well as placing Clinical Trials Core Hospitals, etc. as core medical institutions in the Medical Care Act in a manner fully consistent with consideration toward the creation of “Japanese version of NIH.” Moreover, it will also improve the implementation system for advanced and professional clinical research and trials by streamlining National Hospital Organization Central Review Board and Central Ethical Review Board

with advanced specialists and an adequate system and establishing ARO (an organization to implement and support clinical research and trials including multicenter study).

- The government will take initiatives from fiscal 2008 until fiscal 2012 involved by “Council for Science and Technology Policy,” and enhance pharmaceutical consultation conducted by PMDA based on the achievements of Special Zone for State-of-the-art Medical Treatment (“Super Special Zone”) aiming for pharmaceutical consultation from the early stage making use of company veterans and flexible management of research funds. Along with that, the government will build a system to promote practical application and commercialization of R&D by regulatory reform (post “Super Special Zone” (provisional name)).
- The government will enhance post-marketing information collection system including the development of the system to confirm safety on a long-term basis in collaboration with concerned academic societies to provide useful medical devices and regenerative medical products for the public quickly and safely.
- The government will advance consideration to reflect clinically useful innovative innovation more properly in the evaluation of new medical materials of pharmaceutical, medical devices and their combinations and review it in the medical fee revision in the next fiscal year to draw a conclusion.

#### ○Promoting innovative research and development

- While promoting R&D for innovative pharmaceuticals and medical devices and state-of-the-art medical studies such as regenerative medicine, the government will focus on reinforcing platforms through cultivating human resources, supporting studies that will contribute to establishing evaluation methods for safety and efficacy of innovative pharmaceuticals, medical devices and products of regenerative medicine, upgrading medical and drug discovery processes by using supercomputer simulation, encouraging pharmaceutical companies and others to use the upgraded processes and so forth.
- While promoting practical use of regenerative medicine, effective development of biopharmaceuticals and individualized medicine, the government will thoroughly support R&D and demonstration of state-of-the-art medical technologies in the consecutive processes

from clinical trials to approval by 2020. The subjected medical technologies include noninvasive early detection approaches for diseases associated with adult lifestyle habits, minimally invasive early detection and treatment devices for cancers, cerebrovascular diseases, cardiac diseases and so forth, small surgical assistant robots that can put less stress on patients, regeneration of physical functionality such as neurorehabilitation (improvement and recovery of cranial nerve function).

- The government will continue to focus on supporting medicine studies such as the iPS project with a view to put the outputs into practical use.

#### ○ **Strengthening the Pharmaceuticals and Medical Devices Agency (PMDA)**

- In order to lead the world to put innovative pharmaceuticals, medical devices and products of regenerative medicine into practical use, the government will try to further accelerate the assessment process and improve quality, with attention to securing post-marketing product quality as well as safety measures. In particular, the government will aim to completely eliminate the assessment lag (\*) for pharmaceuticals and medical devices by 2020, at the same time, the government will strengthen the necessary system for the assessment process with respect to quality and so on.

\* There are roughly two types of lags; assessment lag which is caused by the difference between assessment period (from filing application to obtain approval) in the United States and Japan and development lag which is caused by the difference in time which pharmaceutical companies file applications to the review authority in the United States and Japan.

- In order to start clear roadmap consultation from early phase of development, the government will strengthen pharmaceutical strategy consulting sessions.
- At the same time, to cope with the PMDA-WEST scheme, the government will set up a function which handles strategy consulting sessions in Kansai area in advance by autumn of this year followed by prompt establishment of an organization which will implement field investigation for manufacturing practice and quality control of manufacturing facilities.

#### ○ **Building a national database for patients with intractable diseases,**

etc.

- The government will build a national database for patients with intractable diseases that have no cure and the number of patients are only few, and for patients with specific chronic disease of children, and promote studies in development of therapies with a view to putting them into practical use.

#### ○ **Global outreach of medical market**

- By making maximum use of Medical Excellence JAPAN (MEJ), the government aims to promote global deployment of Japanese medical technologies and services through the close public-private cooperation in the global markets. Aiming at capturing a 5 trillion yen market share by 2030, around 10 Japanese medical centers will be established by 2020 focusing on emerging countries. In this process, alliance with Strategy on Global Health Diplomacy and utilization of ODA and policy finance will be also planned to realize continued business deployment hand in hand with industry which will genuinely contribute to medical progress in the partner countries.
- To achieve the goal, along with the approaches described above, with the objective of disseminating Japanese high quality medical services, the government will steadily promote measures including (1) promoting export, etc. of medical devices, pharmaceuticals and infrastructure suited to the actual local conditions of the partner countries and (2) creating and developing secure environment in which foreign people can receive medical services.
- To clarify the availability of investment to local corporations by medical corporations which satisfy certain requirements such as having healthy financial conditions.
- Making use of excellent R&D capabilities of Japanese pharmaceutical industry, pharmaceuticals R&D and supply support for developing countries will be promoted through public-private cooperation.

[3] The society where people who are out of work due to illness or injury can return to work as quickly as possible by access to better medical care and nursing care

#### I). Envisioned society and present problems

The government will address the creation of a care cycle in which people can use necessary medical and nursing care services smoothly even they are at home and by measures such as physiotherapy, early rehabilitation that enables

early return from hospitals to society will be realized. In particular, with the growing population of the elderly, potential demands for such rehabilitation support and in-home care support are expected to increase further.

However, currently, there are the following problems,

- i) There are no sufficient arrangements for environment in which, the elderly, particularly single people, can live while receiving necessary medical and nursing care services without anxiety.
- ii) Although there are potential needs, current care support equipment has not been used widely due to reasons such as high prices or lack of user-friendliness as the size is too large to handle.

Thus, the needs of the society have not been met.

## II) Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

In addition to creating markets and industries for promotion of health, preventive and lifestyle-support services (as stated already), the government will aim to reinforce systems for providing medical and nursing care services, develop a system for providing housing for the elderly, facilitate access to quality medical and physiotherapy services and activate care robot industry so that the elderly, disabled persons and others can have secured lives in their community.

- **Fostering industry for extending of healthy life expectancy**  
**[Reposted]**
- **Promoting digitization of medical and nursing care information**  
**[Reposted]**
- **Advancing medical and nursing care services**
  - In order to stably provide high quality nursing care services, etc. the government will promote publication of financial statements of social welfare corporations so that transparency will be enhanced, at the same time, create a system to advance operation of such corporations by measures such as promoting expansion of corporations, disseminating and deploying medical information network for sharing regional medical and nursing care information and executing “visualization” of medical and nursing care related information.

- **Reinforcing the systems for providing lifestyle-support services and housing**
  - In order to activate industries related to lifestyle-support for the elderly and realize a society in which people can continue to live in familiar community, based on the concept of self-help and mutual-help, the government will enhance diverse lifestyle-support services provided by the elderly themselves, NPO, volunteer organizations, social welfare corporations, private companies and so on.
  - To help low- and middle-income elderly people lead a secure life in their community, the government will try to secure new housing through effective use of empty houses, empty lots of abolished schools, etc.
- **Building community where people have secure life and live and work within walking distances**
  - In order to realize “Smart Wellness Housing and City” which is a goal of planning secure, healthy, energy-saving and barrier-free community that allows people to live and work within walking distances and create next-generation housing and community planning industries, the government will address the following measures.
    - 1) To make use of private funds, aiming at utilizing Health Care REIT, develop, disseminate, educate, etc. guidelines for acquisition and operation of housing, etc. for the elderly, etc. (within next fiscal year)
    - 2) While consolidating housing and bases for living for the elderly and promoting a watching-over system, etc. using ICT, in order to make use of public and private stocks, the government will take measures such as developing guidelines for appraisal of buildings for existing houses (within the present fiscal year) and evaluation standards for existing houses and performance of renovation (within present fiscal year), so that improvement of housing values, strengthening cooperation among operators and promotion of smooth relocation, etc. will be supported
    - 3) To realize a compact city and increase transportation opportunities, based on role sharing and agreement of parties concerned, the government will create a system to enhance public transportation (reach conclusion within the present fiscal year) and implement measures to supplement public transportation to suit aging society
- **Creating comprehensive regional care system to cope with aging in urban areas**

- To cope with rapid aging in urban areas, the government will invite experts and concerned parties of local governments to discuss problems and formulate measures around autumn this year as to how to secure provision of services such as housing, lifestyle-support, and nursing care (issues relating to utilization of private companies and mutual help and developing in-home and in-hospital care services) as well as how to accept urban senior citizens in rural areas.
- **Five-year plan for developing nursing care robots**
  - In preparation for rapid expansion of nursing care robots, “five-year plan for developing nursing care robots” will be implemented in this fiscal year. This plan includes promotion of a competition style development of low cost and convenient nursing care robots for transfer assistance, watching over support, etc.
  - Prior to initiating R&D, in order to ensure that developed robots can be used practically, safety standards will be created followed by establishing a certification system based on the standards within the coming year.
  - Matching seeds with the needs, etc. will be conducted to further accelerate development by companies so that devices based on robot technologies will be utilized in self-sustained life and lifestyle-support for disabled persons.

Theme 2: Realizing clean and economical energy demand and supply

|                     |                                                                                                                                                                                                                                                                                                                        |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Envisioned society: | Building a society with clean and economical energy by utilizing diversification, bidirectionality and networking.                                                                                                                                                                                                     |
| Strategic area:     | Renewable energy, low cost and highly efficient thermal power, storage battery, next-generation device, parts and materials, energy management system, next-generation automobiles, fuel cell, products and services of energy-saving technology such as energy-saving appliances, energy-saving housing and buildings |
| Market size:        | (Domestic)<br>10 trillion yen (2020), 11 trillion yen (2030)<br>Cf. 4 trillion yen (present)<br><br>(Overseas)<br>108 trillion yen (2020), 160 trillion yen (2030)<br>Cf. 40 trillion yen                                                                                                                              |
| Size of employment: | 1.68 million people (2020), 2.10 million people (2030)<br>Cf. 0.55 million people                                                                                                                                                                                                                                      |

(1) Ideal situation in 2030

While the energy situation is changing due to increasing demands in emerging countries including Asian region, to changing supply structure after the Shale Gas Revolution, and to increasing environmental load in the world and in various regions, the government will pursue to realize a society in which people can feel easy to use necessary volume of clean inexpensive energy whenever needed. Also by overcoming the restriction on time and place, eliminating waste of energy in supply and demand and thoroughly utilizing all the energy, the government aims to reduce environmental load and realize optimal energy use in Japan as a whole.

The goal is to become the most advanced country in terms of energy that realizes the following three envisioned society.

- 1) A society where clean and economical energy is supplied
- 2) A society where efficient distribution of energy is realized through competition
- 3) A society where energy is consumed wisely

To achieve this goal, in the process of structural reform of energy which will be addressed from now on, the government aims to steadily grow the buds of new technologies and businesses to make them flourish so as to ensure that fruits will be produced and lead to creating environment and energy industries that support the

growth, at the same time, by utilizing diversification, bidirectionality and networking, the government aims to build a society with clean and inexpensive energy.

In addition, in order to actively contribute to solving global environmental problems which are under serious circumstances, through deploying Japan's excellent environmental and energy technologies, the government aims to acquire rapidly growing environment and energy markets in all over the world including emerging countries.

## (2) Individual envisioned societies and efforts toward realization

### [1] A society where clean and economical energy is supplied

#### I) Envisioned society and present problems

The government aims to create an “environment where energy is closer to people and easy to use” so that citizens and companies can, as usual, feel easy to use necessary volume of clean inexpensive energy whenever needed even though there are unexpected changes of the energy situation such as supply disruption of energy sources and wild ups and downs of prices.

On the other hand, since the Great East Japan Earthquake, fuel cost of thermal power generation has drastically increased due to increased use of old thermal plants. Also, by introduction of feed-in tariff system, use of renewable energy has been increasing, but the usage level is still low. As for new energy that supports future such as methane hydrate, there are obstacles to overcome; therefore, considerable time is necessary to put such energy into practical use.

#### II) Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

In order to make a breakthrough in these situations, the government will promote thorough use of renewable energy sources including land and offshore wind power, solar power, small-scale hydraulic power, geothermal power, biomass and other renewable energy sources. The first step is to operate the feed-in tariff system in steady and stable manner, then, by thorough implementation of regulatory and institutional reform including streamlining the procedure of environmental impact assessments and streamlining safety regulations, arrangement of an environment by supporting expansion of transmission network and implementation of demonstration experiments, investment from the private sector will be encouraged. In addition, the government aims to further strengthen fields in which Japan has advantages so

that investment for renewable energy will become strength of Japanese economy, not cost.

- **Regulatory and institutional reform, etc. to introduce renewable energy**
  - While promoting regulatory and institutional reform including streamlining the procedure of environmental impact assessments (usually procedures take three to four years, hence, reduce the period by half) and rationalization of safety regulation, the government expands introduction of wind power generation by urgent introduction of large grid storage batteries, creating an condition to reinforce Hokkaido–Honshu Electric Power Interconnection Facility, supporting expansion of transmission network and conducting demonstration experiments, introduction of wind power generation systems will be expanded.
  - The government will increase investment to geothermal generation. The government will promote regulatory and institutional reform including streamlining the procedure of environmental impact assessments (usually procedures take three to four years hence, reduce the period by half) and streamlining safety regulations to promote small geothermal generation using existing hot spring wells, and promote understanding of local people.
  - The government will promote renewable energy projects at local level while mobilizing private financial resource.
- **Promoting offshore floating wind power generation**
  - The government aims to overcome technical challenges of offshore floating wind power generation, establish evaluation methods for safety, reliability and economic aspect and environmental assessment method through demonstration projects by 2015. At the same time, the government will achieve commercialization by around 2018 while promoting establishment of international standards.

In addition, the government promotes thorough utilization of highly efficient thermal power generation to reduce cost for energy. Tender will be introduced for expansion, installation and replacement of thermal power sources in principle so that efficiency as well as transparency will be increased. Also the government will clarify requirements and streamline the procedure of environmental impact

assessments to provide an environment where private companies will be able to make smooth investment for highly efficient thermal power (coal/LNG). At the same time, the government aims to accelerate development of advanced technologies, introduce thermal power generation of the highest efficiency level in the world and deploy them positively to overseas.

○ **Clarification of requirements and streamlining the procedure of environmental impact assessments for thermal power generation using coals, etc.**

- In promoting new approach for environmental impact assessments, the government will encourage developing a framework for the entire electricity industry to manage CO<sub>2</sub> emissions in a form consistent with the greenhouse gas emissions reduction targets that will be developed in the future. The review will be conducted adequately from viewpoints such as whether or not the proponent company participates in the framework and tackles to reduce emissions, and whether or not the company adopts technologies which are not lower than state-of-the-art technologies already operated as a commercial plant considering a possibility of adopting leading-edge power-generating technology under the assessment process based on the schedule up to completion of construction.
- The environmental impact assessment procedure for replacement of thermal power generation usually takes about three years. The government will shorten this term to a little more than one year at earliest by the effort such as of conducting it simultaneously with the local government. The government will also tackle to shorten the term in the construction of new thermal power generation.

○ **Supporting technological development of thermal power**

- The government aims to achieve practical use of advanced ultra-supercritical (A-USC) thermal power generation in 2020s (generating efficiency: around 39% at present to improve to around 46%).
- The government aims to achieve practical use of integrated coal gasification combined cycle (IGCC) power generation systems of 1500 °C class in 2020s (generating efficiency: around 39% at present to improve to around 46%).
- The government aims to establish technology of integrated coal

gasification fuel cell combined cycle (IGFC) by 2025 and achieve practical use in 2030s (generating efficiency: around 39% at present to improve to around 55%)

- For LNG thermal power generation, the government aims to achieve practical use of gas turbine of 1700 °C class by around 2020 (generating efficiency: around 52% at present to improve to around 57%).

In addition, the government will promote energy technologies that support future.

○ **Developing of maritime resources including methane hydrate for Realization of commercialization etc.**

- The government will support the development of methane hydrate that is expected to exist in considerable volume in the surrounding sea so that it can be used as a future energy source. The government will accelerate the development of technologies with an eye on commercialization by around fiscal year 2018. In doing so, while keeping a close eye on international situation, the government will promote technical development so that commercialization projects under the leadership of private companies will be launched during 2023 to 2027. Also through public-private partnerships, exploration, development of production technologies and so on will be promoted for other marine resources such as sea-floor hydrothermal deposits which contain rare metal, rare earth, etc. essential for renewable energy and next-generation automobiles. In addition, recycling of resources is promoted not only marine resources, but also resources such as rare metals of, so-called, “urban mines.”

[2] A society where efficient distribution of energy is realized through competition

1) Envisioned society and present problems

The government aims to create an environment where, like mobile phones, users can choose an energy provider freely and select a plan meeting their needs from a wide variety. Also through nationwide system operation, disseminating devices, parts and materials that thoroughly eliminate waste, as well as disseminating storage batteries, efficient energy distribution without limitations on time and place will be achieved to realize a society in which optimal energy use will be possible for Japan as a whole.

On the other hand, as it became clear at the time the Great East Japan Earthquake, due to reasons such as lack of nationwide supply-demand adjustment system, frequency conversion facilities (FC) between East and West and restrictions on the capacities of regional link lines, currently, there is a limit on nationwide utilization of supply capacity. Also, under current situation, there are no sufficient options such as a variety of rate plans, therefore, users cannot use or save energy to suit their lifestyle, and even if users are not happy with the current electricity company, there are no alternatives.

## II) Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

The government will promote the Electricity System Reform that is the first drastic reform in 60 years. The three main points for the reform are enhancing nationwide system operation, full retail choice and full liberalization of power generation and securing neutrality of the transmission and distribution sectors.

This will encourage entry of diverse players including consumers and integration and cooperation of various industries (gas, electricity, communications, etc.) so that the electricity industry as well as the electricity market will be activated, at the same time, diverse, flexible and stable building of electricity system will be accelerated.

In the process of this reform, it is expected that new industries and employment will be generated in the relevant fields and the electricity market which will be worth 16 trillion yen, at the same time, efficient management system at household, etc. and smart community will be disseminated and meticulous services meeting customer's needs will be created in diverse manner.

### ○ **Implementation of Electricity System Reform**

- First stage:           Establishment of the Organization for Nationwide Coordination of Transmission Operators  
Implement by around 2015 (after two years), aiming to submit the bill at the ordinary Diet session in this year.
- Second stage:   Full liberalization of entry to electricity retail business  
Implement by around 2016 (after three years), aiming to submit the bill at the next ordinary Diet session.
- Third stage:       Legal unbundling of the transmission and distribution sectors and abolishment of the regulations on retail

electricity rates

Implement by around 2018 to 2020 (after five to seven years), aiming to submit the bill at the ordinary Diet session in 2015.

Also the government will promote dissemination of storage batteries so that surplus electricity is stored to be used during night-time or in case of power outage. In addition, development of next-generation device, parts and materials will be promoted to incorporate them into every point from production, distribution and consumption so that products and systems become highly efficient to allow efficient use of energy.

○ **Developing technologies, seeking international standardization and expanding dissemination of storage batteries**

- Through support for establishing domestic initial market, conducting demonstration experiment projects, developing technologies, international standardization, etc., the government encourages Japanese companies to capture 50% of the global storage battery market in 2020.

Also for large grid storage batteries, the government aims to reduce costs to achieve around 23,000 yen/kWh (which is the same installation cost for the pumped-storage power generation) by 2020.

○ **R&D and commercialization of next-generation device, parts and materials (power electronics, etc.)**

- The government will promote R&D and commercialization of power electronics (technology for the control of frequency and voltage of electricity and conversion of alternating current into direct current in highly efficient manner), ultra-low power consumption devices, photonic technology and ultralight structural materials with high strength, etc. to create new markets.
- In particular, for power electronics which is the key technology for improving generating efficiency of renewable energy such as wind power and mega solar and further enhancing energy-saving appliances and next-generation automobiles, etc., the government aims to achieve full-fledged commercialization of next-generation technologies using new materials, etc. by 2020.

*[3] A society where energy is consumed wisely*

## I) Envisioned society and present problems

The government will create an “environment where energy is consumed wisely” and build advanced supply-demand structure. Such envisioned society will be; i) energy efficiency of devices is drastically increased and usage is improved, at the same time, through the networking, energy consumption is optimized without waste; ii) next-generation automobiles, etc. are widely used and energy saving in transportation sector is progressing; iii) cogeneration such as residential fuel cells ,so-called “ENE-FARM” are widely used so that energy can be used thoroughly without waste; □) houses and buildings have improved heat insulation performance and they control and generate energy they are using.

On the other hand, right after the Great East Japan Earthquake when supply-demand situation was tight, we had to depend on the planned outage, national power-saving edict and uniform energy saving request that affected level of living as well as production efficiency of factories. Next-generation automobiles are in the phase of technology development and creating infrastructure, therefore, dissemination of such vehicles needs more time.

## II) Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

In the past, the main purpose was stable supply as demand was considered given. However, from now on, by “energy management” through which consumers proactively engage in and contribute to energy supply-demand and control, wise consumption will be realized. The government will intensively promote infrastructure development and regulatory and institutional reform for various energy and life services focusing on the energy management system and megawatt trading under Demand Response scheme to accelerate dissemination.

### ○ **Expansion of smart community and establishment of energy management industry**

- Through conducting demonstration experiment projects on Demand Response scheme in four smart community areas including Toyoda-shi and Kitakyushu-shi and promoting Electricity System Reform, the government will promote establishing and expanding diverse electricity rate menus.
- The government will promote introduction of smart meters as the infrastructure for the new society to all households and factories in early 2020s. At the same time, the government will promote introduction of the energy management systems (HEMS, BEMS, etc.)

to create an environment where energy is consumed wisely all over the nation for optimizing energy consumption.

Also the government aims to promote energy-saving focusing on households and commercial sectors to the maximum extent as their energy consumption has drastically increased recently (2.5 times more since oil crisis). To this end, the government aims at introduction of fuel cell, phased obligation to comply with energy-saving standards for housing and buildings, promotion of energy-saving renovation of existing housing and buildings, extended application of the top-runner system, and net-zero energy housing and buildings. Also the government aims to disseminate lifestyle by which life quality will be increased while energy consumption will be reduced.

- **Phased obligation to comply with energy-saving standards for housing and buildings**
  - By 2020, the government will introduce phased obligation to comply with energy-saving standards for newly constructed housing and buildings with careful consideration to the regulation necessity, regulation level and balance with other sectors. To achieve this goal, the government will address necessary measures to create an environment for smooth implementation with careful consideration to improving construction techniques of carpenters and small- and medium-sized building firms regarding energy-saving houses and a position of traditional wooden housing.
  - In particular, energy-saving measures will be further disseminated and support will be given for development of new technologies, services and construction methods that contribute to energy-saving efficiency in houses, buildings, building materials, devices and so on.
- **Extending application of the top-runner system**
  - The new top-runner system will be introduced to building materials within this fiscal year. To the existing top-runner system, self-ballasted LED-lamps will be added by this summer.
- **Developing technologies and reducing cost of fuel cells**
  - In order to introduce fuel cells in the market of Japan faster than other nations at an accelerated rate, advanced R&D will be promoted, at the same time, the government will try to reduce cost while promoting full standardization, so that 5.3 million (about 10% of Japan's entire

households) residential fuel cells, so-called “ENE-FARM” will be introduced in the market by 2030.

In addition, further energy-saving will be promoted through innovative technology development and creating energy-saving standards in industry and transport departments. The government aims to capture 50 to 70% of next-generation automobiles to total new car sales by 2030, to this end, the government will take measures such as creating initial demand, supporting R&D to improve performance, developing infrastructure, and so on.

- **Supporting dissemination and improving performance of next-generation automobiles**
  - On top of promoting development of infrastructure for charging, the government will give purchase subsidy for next-generation automobiles for creating mass production effect and promoting price reduction and support R&D for extending driving distance and reducing costs.
- **International standardizations of batteries, charge control, etc.**
  - Together with smart grid, international standardizations of batteries and charger control will be promoted.
- **Support for introduction of hydrogen refueling stations and review of regulations relating to fuel cell vehicles and hydrogen infrastructure**
  - In preparation for the release of fuel cell vehicles to market in 2015, review regulations relating to fuel cell vehicles and hydrogen infrastructure, at the same time, through support for introduction of hydrogen refueling stations, the government aims to achieve world's fastest dissemination of fuel cell vehicles.

Theme 3: Building safe, convenient and economical next-generation infrastructures

|                     |                                                                                                                                                                                  |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Envisioned society: | Making use of cutting-edge technologies, realize intelligent infrastructures                                                                                                     |
| Strategic areas:    | Infrastructure management, driving safety support systems, developing space infrastructure                                                                                       |
| Market size:        | (Domestic)<br>16trillion yen (2020), 33 trillion yen (2030)<br>Cf. 2 trillion yen (present)<br>Overseas: 167 trillion yen (2020), 374 trillion yen (2030)<br>Cf. 56 trillion yen |
| Size of employment: | 0.75 million people (2020), 1.9 million people (2030)<br>Cf. 0.06 million people                                                                                                 |

(1) Ideal situation in 2030

Viewing infrastructures as social assets which function as basis of economic and social activities, by wisely using cutting-edge technologies and accumulated data, the government aims to reduce costs for the infrastructures in line with fiscal discipline, at the same time, realize an environment in which such functions are constantly exerted and safety and convenience will be increased in response to changing times.

In the process, making full use of equipment, systems and technologies such as sensors and robots, for which, we have world-leading technical capabilities, positioning and observation technologies provided by space infrastructures, data management and utilization technologies, etc. the government aims to establish a presence as a frontrunner in tackling aging infrastructure problem which is also a global issue.

To this end, the government will pursue to realize the following two envisioned societies.

- 1) A society where safe and resilient infrastructures are provided at low cost
- 2) A society where people and goods are provided with safe and convenient transportation

These will help Japan, ahead of the world, create an environment where social implementation of infrastructures is possible and by collecting technologies and investment from all over the world, the government will create a virtuous economic cycle to improve domestic infrastructure environment and strengthen business

competitive edge of our country in infrastructure business.

## (2) Individual envisioned societies and efforts toward realization

### [1] A society where safe and resilient infrastructures are provided at low cost

#### I) Envisioned society and present problems

The government aims to create a society where total life cycle cost is minimized by maintenance and repair at the most appropriate time and at minimum cost as accidents can be forestalled through early anomaly detection. This will be realized by making use of technologies including sensor, robot and non-destructive testing to grasp, accumulate and use data of damages, etc. of various infrastructures such as critical infrastructure for life, public infrastructure and industrial infrastructure.

However, actually, the relevant development is in the initial stage where trial implementation of sensors for grasping data has been started only recently, and so far, accumulated data are not much. Safety, reliability and economic aspect are yet to be verified and the majority of inspections and maintenance and repair are still conducted manually. Also there are several issues, for example, making public data such as transportation data open and “big data” and enhancement of geospatial information through development and construction of satellites.

#### II) Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

In order to overcome the current situation, the government will set a standard for infrastructure management which requires grasping, accumulating and using infrastructure data and adopting highly reliable and economical inspection, maintenance and repair technologies.

To this end, while involving local governments and private sectors, the government takes leadership to newly formulate basic plan for longer life of infrastructures which contains, for example, the way infrastructures management should be, direction and roadmap for the future, and then, the government will promote steady implementation of the plan through measures such as creating infrastructure database which makes it easy for facility managers to adjust construction schedule and developing platform for sharing data in a cross-sectional manner.

#### ○ **Formulating basic plan for longer life of infrastructures**

- By around this autumn, infrastructure longer life plan (basic policy) will

be formulated. By setting numerical targets, clarifying roadmap, utilizing new technologies, and so on, the government will aim to improve safety and reduce life cycle cost of infrastructures.

- Also based on the basic plan, the infrastructure longer life plan (action plan) covering all fields of the country as well as local governments will be formulated. This will help steadily promote formulating longer life plan of individual facilities to realize safety improvement and efficient maintenance and management of facilities of every infrastructure throughout the country.
- In the process, the government will clearly specify new technology introduction plans, etc. corresponding to development phases such as R&D, demonstration and implementation, at the same time, the government will support local governments by measures such as improvement of government structure.

In addition, the government will develop new technologies and management methods to support and improve new infrastructure businesses, formulate standard to promote social implementation of such businesses and promote systems reforms including procurement systems.

○ **Constructing inspection and diagnostics systems for infrastructure utilizing IT, etc.**

- The government will conduct intensive inspection to priority facilities within this fiscal year and create database for infrastructure so that partial operation of platform for maintenance, management, and updating data can be initiated from next fiscal year and while enhancing functions, full-fledged operation will be started after fiscal 2015.
- When credibility and economic aspect are verified for inspection, maintenance and repair by sensors, robots and non-destructive testing technique, etc. these new technologies will be introduced one by one (review of standards for inspection, etc. and reflection, etc. to government procurement, etc.)
- By promoting improvement, the government aims to secure additional methods, for example, by integrating and operating infrastructure and transportation data, etc. as geospatial information, improved monitoring technology will be obtained and by developing inspection, maintenance and repair technologies using robots, etc. efficient and effective maintenance and infrastructure updating will

be achieved, thus, we do not have to rely on manual work alone.

- Utilization of PPP/PFI will be promoted to introduce private sector technologies and knowhow.
- Overseas demonstration projects and technology application to overseas infrastructures will be expanded.

○ **Developing new materials**

- From next fiscal year, the related ministries and agencies will work together to promote development of R&D of new materials such as self-restoring materials that contribute to extending life of infrastructures.
- When credibility and economic aspect are verified for new materials by field trials, etc. such materials will be applied to infrastructures one by one.

○ **Developing and using space infrastructure**

- By also using private funds (PPP/PFI), the government will develop a four-satellite quasi-zenith satellite system by the second half of the 2010s, at the same time use of geospatial information will be promoted.
- It is necessary to introduce and operate several remote sensing satellites for disaster prevention with Asian countries in an integrated manner, and in the process, actual user needs, cost efficiency, etc. as well as effective use of satellite, which is currently under development, will be also taken into consideration. Also by promoting provision and integrated operation within the ASEAN region, the government aims to acquire regional standards of positioning data and satellite image data so that infrastructure systems using our IT technologies will be expanded globally.

○ **Achieving safe and convenient living environment utilizing IT [reposted]**

[2] A society where people and goods are provided with safe and convenient transportation

1) Envisioned society and present problems

The government aims to create a society where traffic accidents and congestion are drastically reduced and distribution service is provided at cost and

speed that does not make users be conscious of distance and time. The ultimate goal is to create a society where there is no traffic accident.

Although it is necessary to establish technologies which supplement declined physical performance or cognitive function of the elderly such as reaction speed, many of such technologies, which are expected to solve the problems, are still at the research phase and social implementation has made little progress.

In addition, although economic activities of individuals and companies are rapidly expanding centering on Asia, improvement of distribution services is yet to catch up such rapid expansion, therefore, it is necessary to make distribution-related systems seamless.

## II) Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

To overcome such situation, the government will promote safe and comfortable transportation of people and goods as a national project, by developing and building driving safety support devices and driving safety support systems utilizing inter-vehicle communication, road-to-vehicle communication, etc., self-driving system, traffic congestion prediction system and distribution system. To this end, the government will develop a system for promoting this project and share roadmap between the public and private sectors to focus on R&D and demonstration as well as building a system to implement them.

- **Developing driving safety support and self-driving systems and creating environment**
  - In order to realize envisioned society where safe and comfortable transportation of people and goods is provided, the government will clearly specify numerical targets and roadmap and promote R&D through cooperation among the related ministries and agencies, formulate and implement demonstration project under the leadership of the government and formulate driving support system upgrading plan through forming an alliance among domestic and foreign companies. Review will continue to reach conclusion by end of August this year, and then, necessary measures will be taken. To this end, governmental promotion systems will be established immediately so that the related ministries and agencies will tackle together.
- **Creating information service environment by big data relating to**

## **vehicles**

- In order to integrate and use various data owned by the public and private sectors and effective to control congestion and improve safety, the government will make data of public agencies (road traffic information, etc.) open and promote creating big data by integrating position and GPS data collected from general vehicles owned by private sectors, furthermore, the government will create an environment where public sectors are also able to utilize such data.
- Not only providing real-time congestion data, but by using weather, road construction, distribution volume, past congestion data, etc. the government will establish and disseminate a new system which actively predicts traffic congestion.

In addition, the government aims to speed up trade-related procedures and extend opening hours of ports and harbors, at the same time, the government will promote collaboration of distribution information systems with Asian countries to timely grasp cargo information so that efficient and smooth distribution will be realized.

## **○ Improving distribution system**

- The government aims to introduce Asian countries NACCS, a platform of Japan's comprehensive distribution information systems. Firstly, in Japan, the government will promote acceleration and paperless of trade-related procedures, etc., for example, integrating various electronic procedures to NACCS by October of this year. In addition, the government will try to extend opening hours of ports and harbors as necessary (24 hours opening of gate of ports and harbors and customs).
- Promoting collaboration of distribution information systems with other countries enables to timely grasp the place where cargo is being transported and by making delivery mode smooth, for example, from vessels to trucks and railroad, the government will improve overall efficiency of distribution.

#### Theme 4: Building regional communities that use their unique local resources to appeal to the world

Envisioned society: Proud regional communities rich with unique regional resource brands to appeal to the world and uses such resources to grow

Strategic areas: Japan brands such as agricultural, forestry and fishery products and food produce, “AFFrinnovation”(the sixth industry), content and culture

(\*”AFFrinnovation” (the sixth industry) is collaboration of Primary, Secondary, and Tertiary Industry)

Market size: **[Agriculture]**  
 (Domestic)  
 100 trillion yen production value of agricultural and food related industries to be expanded to 120 trillion yen (2020)  
 Of which, “AFFrinnovation”(the sixth industry)”currently contribute 1 trillion yen to be expanded to 10 trillion yen (2020)  
 (Overseas)  
 340 trillion yen value in the world’s food market (\*) to be expanded to 680 trillion yen (2020)

\* Source: Estimation by A. T. Kearney

**[Tourism]**  
 Domestic travel consumption of foreign visitors to Japan  
 1.3 trillion yen (2010) toward 4.7 trillion yen (2030)

Size of employment: **[Agriculture]**  
 Doubling newcomers to agriculture to settle and in ten years, increasing younger agriculture workers (under 40s) from present 200 thousand to 400 thousand  
**[Tourism]**  
 Employment effect from consumption of foreign visitors to Japan  
 0.25 million people (2010) toward 0.83 million people (2030)

#### (1) Ideal situation in 2030

All over Japan, we have abundant attractive regional resources including high quality agricultural, forestry and fishery products and tourism resources that attract the world and the Value which can be called “Japan Brand” does exist. By making use of such regional resources to appeal to consumers and companies all over the

world, the government aims to make regional communities earn in autonomous and sustainable manner to grow into affluent communities.

To this end, the government aims to realize the following two envisioned societies.

- 1) A rich rural society which produces world's best quality agricultural, forestry and fishery products and food produce
- 2) A society which makes use of potentials such as tourism resources to invite many world's tourists to regional communities

## (2) Individual envisioned societies and efforts toward realization

[1] A rich rural society which produces rich world's best quality agricultural, forestry and fishery products and food produce

### I). Envisioned society and present problems

By matching consumer-oriented market mindset and agriculture, forestry and fisheries taking advantage of characteristics of local areas, excellent agricultural, forestry and fishery products and food produce of Japan will be exported all over the world and local agricultural, forestry and fishery products and food produce will be disseminated throughout the global market. The government aims to create a rural society in which, while adequately and fully exerting multifaceted functions, agriculture, forestry and fisheries are converted into growth industries, and there is stronger collaboration between diverse main players such as young people, the elderly and companies and agriculture, forestry and fisheries, so that such society will be active and becomes basis for creating innovation.

Such conversion of agriculture, forestry and fisheries into growth industry is vital to support Economic Revitalization of Japan, however, under the current situation, agriculture of our country has serious structural problems including declining population of farmers, progress in aging and increasing deserted farmland. In order to solve these problems, it is necessary to take bold measures to enhance strength and overcome weakness and promote structural reform of agriculture. In addition, Japan has a comparative advantage in many aspects because we have high quality farmland, abundant forest and marine resources as well as technologies to produce safe, secure and high quality agricultural, forestry and fishery products and diverse agricultural, forestry and fishery products have created rich food culture, nevertheless, viewing them as industry, we have not been able to fully exert intrinsic global competitiveness.

### II). Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

With the objective of increasing the competitiveness of agriculture, forestry and fisheries, the government will promote measures such as strengthening production site, approach for demands and “AFFrinnovation”(the sixth industry) to combine them in an integrated manner, at the same time, the government will appropriately revise the Farm Income Stabilization Program (former Program for the Direct Payment of Income Support), promote measures for exerting multifaceted functions of agriculture, forestry and fisheries and review creation of new direct payment scheme. Making agriculture, forestry and fisheries the growth industry, the government will formulate and implement a strategy to double the income of agriculture and of farming communities as a whole over the next ten years in promoting transition to AFFrinnovation”(the sixth industry)”. In order to steadily promote these measures, “local revitalization board for agriculture, forestry and fisheries” established at the prime minister's office will discuss and decide future policy direction as early as possible under “the local revitalization plan for agriculture, forestry and fisheries (provisional name).”

Specifically, as a first step, agricultural production will be reinforced through efforts such as making the most efficient use of farmland. Also the government will accelerate consolidation and intensification of farmland to motivated entities, resolve the deserted farmland problem, and make farmland be used fully and reduce production cost by letting diverse motivated entities such as corporate farmers, large-scale family farmers, consolidation farming associations, and companies run farms. The target is, in the next ten years, 80% of all farmland should be used by motivated entities (around 50% at present). With combined efforts of industry in terms of materials and distribution, the cost of rice production by motivated entities can be reduced by 40% compared to the current national average (16 thousand yen per 60kg), also the number of corporate farmers will be quadrupled to 50,000 from the level of 2010.

To this end, for the following measures, details will be set out by autumn this year, and these measures will be swiftly implemented including development of legal system and budgeting. In this process, full attention will be paid to collaboration between agricultural industry and business industry and utilization of private-sector initiative. Utilization of trusts will be also reviewed.

- **Increasing competitiveness by consolidation of farmland to motivated entities and by prevention, resolution, etc. of deserted farmland**
  - In order to powerfully promote agricultural structural reform and cost reduction by consolidation and intensification of farmland to motivated

entities, prefectural institutions will be revised and utilized. Specifically, in order to promote efficient use of farmland, a farmland re-distribution scheme will be established. In this scheme, the prefectural institutions will lease considerable part of farmland within local areas (semi publicly owned), and after improving infrastructures such as transition of farmland to larger blocks, farmland will be rented with the intention of consolidation to diverse motivated entities (corporate farmers, large-scale family farmers, companies, newcomers, etc.) and intensification by individual motivated entities, which will expand their activities. In the process, the prefectural institution delegates tasks to municipalities and private companies, and develop a cooperative framework in each community.

- As for the measures to deserted farmland problem, farmland with a potential to be deserted, due to the reasons such as death of owners, will also be the target of the measures. And drastic improvement of procedures like confirming owners' intention to lend their lands to the prefectural institutions and simplifying public announcement system will be promoted, so that the institutions can be given right to use farmland by arbitration.
- Together with such measures, the government will promote developing and reviewing “Farmers and Farmland Plan” through thorough discussions among local farmers to form a consensus concerning consolidation of farmland to motivated entities.
- Also corporate entry into agriculture by leasing farmland, which was fully liberalized in 2009, will be positively promoted by utilizing the prefectural institutions. In addition, further liberalization of corporate entry into agriculture under ownership system, such as deregulation of agricultural production corporation will come under consideration, with reviews of corporate entry after liberalization of leasing farmland and deregulation of agricultural production corporation in 2009, while considering the impact on promotion of consolidation and intensification of farmland.
- In order to support consolidation of farmland to improve productivity, the government will promote improvement and consolidation of farmland such as enlargement of farmland blocks and improvement of agricultural irrigation facilities implemented by entities such as prefectural governments, by utilizing the prefectural institutions.

In addition, the government will create innovation by making use of new

technologies and cross-industry partnerships, etc. In this process, market-in mindset will be established in agriculture and market size of the “AFFrinnovation” (the sixth industry) will be expanded from present 1 trillion yen to 10 trillion yen in 2020.

○ **Promoting “AFFrinnovation” (the sixth industry) through collaborations, such as the collaboration of agriculture, commerce, and industry**

- “AFFrinnovation” (the sixth industry) will be promoted by full-fledged operations of an Agriculture, Forestry and Fisheries Fund for Innovation, Value-chain and Expansion Japan, promoting cross-industry partnerships, etc.
- In order to create healthy long life society through expanding markets focusing on health, to expand domestic demand and markets, and to expand exchange between cities and rural areas in coordination with welfare, education, and tourism, etc., from the next fiscal year, the government is looking to establish industry-government-academia alliance for systematically managing scientific knowledge of food and to do research on relation between dietary habit and health. Also to promote *Shokuiku* (food education) as a national campaign, the government will address to enhance understanding for food and agriculture, forestry and fisheries so that 35% of citizens experience agriculture, forestry, and fisheries in five years’ time.
- By developing and disseminating new varieties and new technologies and protecting and actively using intellectual properties, the government will promote creation of agricultural and livestock products with “advantage” and formulate and announce product specific-policy for development, protection and dissemination of new varieties and technologies within this year. Also the government will create a system to comprehensively solve common problems in the Japanese plant seedling industry such as facilitating acquisition of overseas genetic resources and making countermeasures against intellectual property infringements.
- Along with efforts such as increasing consumption in local areas under cross-industry partnerships and increasing use by supplying to school food service, “model area for food” led by a council consisting of diverse business operators will be set up within this year to promote consumption of domestic agricultural, forestry and fishery products.
- While promoting schemes such as building a framework for

supporting development of agriculture, forestry, and fisheries by making use of renewable energy, the government will focus on promoting industrialization and energy introduction such as utilization of local biomass in approximately 100 areas over the next five years.

Also the government will try to increase demand by measures such as promoting export of Japanese agricultural, forestry and fishery products and food produce. The target is to increase export from about 450 billion yen at present to 1 trillion yen in 2020. For this purpose, an Export Promotion Strategy for each market and each item will be formulated. While strengthening cooperation with Japan External Trade Organization (JETRO), etc., through an integrated approach, the government will promote the use of Japanese food ingredients by the world's cuisines (Made FROM Japan), overseas expansions of "Globalization of Japanese Food" (Made BY Japan), and export of Japanese agricultural, forestry and fishery products and food produce (Made IN Japan).

○ **Formulating Export Promotion Strategy for each market and each item**

- In order to increase export of products which characterize Japanese food (fishery products, rice and processed rice products such as Japanese sake, beef (Wagyu), fruits and vegetables, etc.) product-specific numerical targets for export of agricultural, forestry and fishery products and food produce, as well as targets for development of the export environment, etc., will be set up within the year.
- Quick export will be realized by conducting necessary procedures for export, including plant quarantine, in wholesale markets. At the same time, under collaboration of production areas, a system to realize stable supply of Japanese agricultural, forestry and fishery products throughout the year will be build.
- In order to disseminate HACCP (Hazard Analysis and Critical Control Points) system which corresponds to overseas safety standards, the government will establish a system to create manuals and give support for obtaining export HACCP by the next fiscal year so that information on safety and security of Japanese food can be communicated to the world. At the same time, a system to issue Certificate of Free Sale, which is sometimes required in export procedures, will be created within this fiscal year.

○ **Globalization of Japanese food culture and food industries**

- Through promoting collaboration of Japanese food ingredients with the world's culinary circles, cultivating human resources to disseminate Japanese food, etc. the use of Japanese food ingredients by world's cuisine will be promoted (Made FROM Japan).
- Through creating a business environment, cultivating human resources, taking measures against intellectual property infringements, giving support by investment, etc., Globalization of Japanese food (Made BY Japan) will be realized.
- Through formulating a Export Promotion Strategy for each market and each item, creating a business environment, giving support by investment, etc., Japanese agricultural, forestry and fishery products and food produce will be exported (Made IN Japan).
- In order to realize the above global expansion of food industry, measures including providing opportunities for government-private discussions, building a system to secure and use specialists and experienced human resources and an initiative for global expansion of entire food system will be implemented from next fiscal year.
- Through participating in “Expo Milano 2015” which will be focused on food, the government will diffuse the strength of agriculture, forestry and fisheries and food related industries as well as appeal Japanese food and traditional dietary cultures.

In addition, by taking measures such as developing new breeding techniques and agricultural, forestry and fishery products with high function and high added value, advancing production and distribution systems utilizing science, technology and innovation such as IT and robot technology, the government aims to expand and grow these markets and industries.

○ **Improving agricultural, forestry and fishery products and advancing production and distribution systems by new technologies**

- Aiming for realizing practical application by 2030, R&D will be supported to promote advancing agriculture, forestry and fisheries technologies making use of genome information, etc., (such as developing breeding techniques to improve important characters) and developing highly-functional and high added value agricultural, forestry and fishery products (developing a “personalized food supply system” to supply high added value food with preventive effects, etc. according to individual's personal needs and combining such system

with medicine, engineering and so on).

- R&D and large-scale demonstration projects will be promoted for advancing production and distribution systems of agriculture, forestry and fisheries by making use of IT, robot technologies, etc. (such as developing cultivation or production system of large-scale, labor-saving and light workload) and developing and disseminating energy resource production technologies by microorganism and biomass.
- By incorporating knowledge of exemplary farmers who have sophisticated production skills in various ways such as fostering human resources and improving profit, the government will establish new production method by 2016, at the same time, the government aims to build value chain by disseminating traceability system that make connection from farm to fork by data. With such technologies incorporating IT, the government aims to position overseas deployment of produced agricultural products and relevant technologies for growth after FY2017.

In addition, the government will support conversion of forestry and fisheries into “growth industries” by measures such as creating new demand for wood products, establishing a stable and efficient system to supply domestic wood, promoting coordination and consolidation of forestry practices and promoting highly profitable and sustainable fishery and aquaculture through expanding consumption and export of domestic fishery products and proper resource management.

[2] A society which makes use of potential such as tourism resources to invite many world's tourists to regional communities

#### I). Envisioned society and present problems

By capturing tourism demand in rapidly growing Asian countries and other countries in the world, the government will try to revitalize regional economies, and increase employment opportunities and other benefits.

Currently, Japan's potential of tourism resources such as rich cultural heritage and natural environment are not fully exploited due to reasons such as insufficient communication on attractiveness of Japan to the world.

#### II). Direction toward solution, strategic areas (markets and industries) and immediate key policy actions

In order to overcome the current situation, the government aims to establish a

comprehensive Japan brand through content, culture arts including traditional culture and regional culture and people and widely penetrate Japan brand all over the world so that “Japan Boom” will be created to attract many foreign visitors to “Japan.” The target is to receive 10 million foreign visitors in this year (8,370 thousand in 2012), and a higher goal is aimed at for 20 million, and then, toward 30 million in 2030. This will make Japan a top-class country in Asia in terms of tourism receipts (ranked 10th in Asia in 2011).

- **Cross-sectional planning and implementation of Visit Japan Promotion by relevant ministries, agencies and institutions**
  - By this summer, the government will create a scheme to publicize Japan brand under governmental integrated efforts such as regularly planning events to be carried out under collaboration of related ministries, agencies and institutions.
  - In order to promote publicizing Japan brand which is integrated with Cool Japan, through diverse measures including support for localization (such as support for subtitles, dubbing or coping with local standard) and promotion of Japan-related content, international joint-production of TV programs, purchasing broadcast slots of foreign TV programs through the Japan Brand Fund (tentative) which is to be newly established, support for so-called “Japan Channels” which broadcast Japan-related content in foreign countries, and support for overseas deployment of so-called “Japan Mall,” the related ministries and agencies (the Ministry of Economy, Trade and Industry, the Ministry of Internal Affairs and Communications, the Japan Tourism Agency, etc.) and private companies will jointly promote continuous publicizing of content to improve Japan brand and promote tourism.
  - Local cultural assets such as national treasures and important cultural properties will be conserved and maintained, at the same time, the government will review as to how to publicize information and how to utilize such assets within this fiscal year so that they can be actively publicized both inside and outside of the country and utilized as tourist resources.
- **Improving tourism environment such as relaxing visa requirements and making entry procedures faster**
  - To become a tourism nation, the government will take necessary measures toward relaxing visa requirements by taking into

consideration the situations of neighboring nations. As a first step, for ASEAN nation tourists which are expected to increase rapidly in the future, the government will relax visa requirements in the light of 40th Year of ASEAN-Japan Friendship and Cooperation as an opportunity, while giving due consideration for public safety. Visitors from Thailand and Malaysia will be made exempt for visa requirements, visitors from the Philippines and Vietnam will be given multiple entry visas and visitors from Indonesia will have their stay period extended for their multiple entry visas. Also to capture long-stay demand of foreign high-income class people, the government will consider implementation of a system which allows foreigners who meet certain conditions to stay for an extended period.

- While making entry procedures for large cruise ships faster and smoother and publicizing a one-stop desk to handle foreign cruise ship companies, the government aims to increase the number of immigration booths for foreigners and create fast lanes.
- The government will enhance airline networks through strategic promotion of Open Sky Policy including capital area airports based on increased capacities, and encouragement of LCC entries and develop the use environment for business jets.

Also it is important for foreign visitors to be able to stay comfortably any place all over the nation, enjoy attraction of the area they are staying and deepen sympathy for “Japan” brand. The government aims to realize a society where approximately one in six overnight guests is a foreign visitor in 2030 (in 2011, approximately one in 23 overnight guests is a foreign visitor).

#### ○ **Improving environment for foreign visitors to stay in Japan**

- The government will create common guidelines for multilingual support of information boards of public transportation facilities and roads, art museums, museums, natural parks, and tourist spots from a foreigner's viewpoint within this year, and based on these guidelines necessary development and improvement measures will be taken. Multilingual support in audio guidance will be promoted as well.
- Consideration for constructing the railroads that connects the Tokyo city center and capital area airports directly [reposted]
- Through measures such as discovering and polishing tourist resources to securely commercialize them as tours and fostering human resources, the government aims to increase and publicize attraction of tourist areas and fostering new business to support these

processes, also, creation of new tourist areas based on novel ideas will be promoted. In addition, the government will create a system in which overseas deployment of local resources will be supported through consultation for individual areas and concentrated promotion for such areas by the Japan National Tourism Organization (JNTO) early in this year.

- The government aims to establish a certification system for tour operators who arrange accommodations, etc. for foreign visitors. Also to introduce an accommodation information provision system, the government will decide on a concrete policy within this fiscal year to promote its implementation.
- The government aims to improve receiving environment such as providing food based on considerations for religious rules and restrictions.
- Taking into consideration the convenience of foreign visitors as well as the perspective on enforcement, the tax free system for consumption tax for foreign visitors will be reviewed in the process of request for tax revisions including a possible revision of the system.

○ **Creating new tourism**

- By making use of abundant tourist resources of our country, the government will promote creating new tourism (eco-tourism, green tourism, cultural tourism, industrial tourism, sport tourism, tourism linked with medical care, infrastructure tourism, etc.).

○ **Utilizing and concentrating industrial resources and establishing brands [reposted]**

Furthermore, by attracting many people, excellent knowledge and investment to Japan, the government aims to establish Japan's position as an Asian top host nation of international conferences in 2030.

○ **Creating and reinforcing the framework to attract more international conferences, etc. (MICE)**

- Under selection and concentration policy, the government will select and support "Global MICE strategic city" which has world top class promotion capability, system and receiving environment. The government will support cities to improve their marketing capability through measures such as cultivating potential conferences and

dispatching overseas MICE specialists. The government will also invite conferences targeting national and cities' growth fields, at the same time, reinforce city functions as an attractive hosting venue.

- Invitation from the viewpoint of all-Japan will be promoted by building collaboration with industry, universities, etc., such as creating a promotion team having international leaders of major areas as key members within this year.
- The use of cultural facilities and public spaces of national and local government will be promoted to activate events. (Developing and promoting use of unique venues\*). To this end, a council consisting of parties concerned including private business operators will be set up early in this year.

\* Venues where special feelings can be created and local features can be staged by holding conferences or receptions, e.g. historic buildings, cultural facilities and public spaces.

- The Japan Tourism Agency, the Japan National Tourism Organization (JNTO), the Ministry of Economy, Trade and Industry and the Japan External Trade Organization (JETRO) will work together to create a joint action plan for increasing the number of foreign visitors early in this year, and based on the plan, concrete collaboration will be promoted.

#### ○ **Inviting and hosting large scale international events**

- Through active hosting of symbolic international events such as realization of the 2020 Olympic and Paralympic Games in Tokyo, the state of Japan as an event powerhouse and advanced nation for international exchange will be powerfully publicized.

### 3. Strategy of Global Outreach

### 3. Strategy of Global Outreach

As the world market is rapidly expanding in particular emerging countries, each country is involved in an intense competition to obtain this growth market. Japan will actively enter the world market by making use of its strength such as our companies' technological capabilities and take in the world economic growth by attracting human talents, goods, and funds from the world to Japan through the expansion of inward direct investment, etc.

Therefore, the government will take initiatives to develop a business environment to facilitate international deployment through the expansion of economic partnership agreements as well as the conclusion of investment agreements and tax treaties, removal of institutional obstacles which extend over the domestic and international markets, and promotion of full-fledged globalization within Japan through the improving environment for foreign investment and fostering global human resources.

At the same time, the government as a whole will take strategic initiatives in Japan and overseas through public-private sector joint efforts to deploy high-value-added products and services in global markets such as advanced technologies, high-performance products, high-quality infrastructure, and content based on rich culture.

#### 1. Building strategic trading relations and promoting economic partnership

The government will raise FTA ratio from current 19% to 70% by 2018, by promoting economic partnership as a basis of global economic activities. Therefore, the government will draw up new rules in Asia-Pacific region by working positively on the Trans-Pacific Partnership (TPP) negotiations and use these rules as a basis for discussion of rulemaking for Free Trade Area of the Asia-Pacific (FTAAP), a larger plan which lies ahead, along with wide-range economic cooperation such as Regional Comprehensive Economic Partnership (RCEP) and Japan-China-ROK FTA. In addition to the initiatives above, the government will simultaneously work on Japan-EU EPA, etc. and will make a contribution as an important player to promote rulemaking for global trade and investment by stimulating and activating each economic partnership.

- **Promoting economic partnership negotiations contributing to the national interests**
  - Reinforce the system among concerned government ministries including the Cabinet Secretariat in order to simultaneously deal with economic partnership negotiations including TPP, RCEP,

Japan-China-ROK FTA, Japan-EU EPA, etc. based on industrial needs. Especially for TPP, the government will prepare 100-people team and take appropriate measures to conduct negotiations by the government as a whole.

- **Initiatives concerning regulatory systems toward enhancing economic partnership**
  - In light of movements such as progress of negotiations for future economic partnership, the government will accelerate consideration about response to proposals concerning regulatory reform by using deliberation in “Council for Regulatory Reform”.
- **Promoting conclusion and reform of investment agreements and tax treaties**
  - The government will accelerate the conclusion of investment agreements based on our industrial needs and conclusion status of economic partnership agreement including its Investment Chapter from the standpoint of promoting overseas development of companies and securing a stable supply of mineral and energy resources. Therefore, it will develop and promote guidelines toward promoting and making effective use of the conclusion of investment agreements. It will also strengthen the system of the authorities concerned toward its realization.
  - The government will comprehensively consider standpoints concerning our industrial needs and appropriate securement of our taxation rights, etc. and accelerate initiatives to expand tax treaty networks which contribute to assistance for overseas development of companies. It will also strengthen the systems of authorities concerned toward its realization.
- **Accepting foreign nurses and care workers**
  - As for acceptance of foreign nurses and care workers based on economic partnership agreement, the government will start accepting those from Vietnam from next fiscal year in addition to those from Indonesia and Philippines and continue to consider expanding acceptance in the future.

## 2. Strategic initiatives for obtaining overseas markets

The government will achieve the order target of infrastructure systems, approximately 30 trillion yen by 2020 proclaimed in “Infrastructure Export Strategy” (decided at “the Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation” on May 17 this year) by beefing up safety measures for Japanese expatriates and Japanese companies, etc. and making the most of Japan’s “advantageous technologies and know-how” in order to actively take into world's huge demand of infrastructure. In addition, it will also try to obtain overseas markets by effectively using overseas government offices and government-affiliated agencies and maximizing our advantages through support to small and medium-sized enterprises (SMEs) with world-class technologies and motivation as well as promotion of strategic Cool Japan.

As for emerging countries, considering the level of economic development of target markets, the level of overseas activities of our companies, and the competitive environment with companies from other competing countries, it will set targets for market development in three regions below respectively and work on overseas market development through public-private sector joint efforts.

### **<China, ASEAN, etc.>**

- On the basis of the fact that Japanese companies have already established supply chains and the consumer markets are growing, the government will improve a business environment and support the foray into new fields. Specifically, it will aim for establishing East Asian Economic Community using Economic Research Institute for ASEAN and East Asia (ERIA) and go on strengthening the infrastructure such as wide-area roads and power grids, etc., supporting the development of industry policies and legal systems, and strengthening protection of intellectual property, etc. It will also assist Japanese companies in local currency-dominated fund procurement through bilateral monetary cooperation. It will aim to double "export amount and overseas subsidiaries' sales" by 2020 compared to 2011 level.

### **<Southwest Asia, Middle East, Russia and CIS, and Central and South America>**

- On the basis of the fact that Japanese companies relatively fall behind Western companies in expanding their market into these areas although the markets are large, the government will aim to focus on promising sectors, gain a certain share and show their presence in relevant sectors. Specifically, the government will assist Japanese

companies in full-fledged entry into local markets through building a network with local industries and strengthening local support systems. It will also strengthen bilateral economic relations and push forward an overseas advance of Japanese companies through cooperation in development plans and in the energy sector. Furthermore, from the standpoint of securing of natural resources, it will strengthen bilateral relations through an expansion of investment, technological cooperation, etc. As a result, it will aim to double "export amount and overseas subsidiaries' sales" by 2020 compared to 2011 level.

### <Africa>

- On the basis of the fact that Japanese companies fall far behind Western and Chinese companies in expanding their market into the area, the government will aim for producing as many best practices as possible. Specifically, it will initiate the interest of companies, create an opportunity to make a foray, raise the awareness of Japan, promote trade and investment in natural resources sector, improve infrastructure, and foster industrial human resources, etc., based on the outcome of The Fifth Tokyo International Conference on African Development (TICADV). In addition, it will also strengthen local support systems and conclude investment agreements. It will aim to triple "export amount and overseas subsidiaries' sales" by 2020 compared to 2011 level.

### (1) Exporting infrastructure and securing natural resources

Implementing "Infrastructure Export Strategy" promptly and steadily

- **Making sales pitches by the Prime Minister and ministers and strengthening cooperation system between the public and private sectors**
- The Prime Minister and ministers will make at least ten sales pitches each year to foreign nations. On this occasion, the government will make general coordination and marketing effort through all-Japan cooperation by making use of Task Force for Focus Countries as a control tower for cooperation across ministries and agencies and between the public and private sectors.
- **Using strategic economic cooperation**
  - The government will implement ODA strategically based on three pillars of assisting international deployment in the economic field,

establishing a favorable international environment, and promoting human security.

- The government will promote each measure in “The New Measures for improving the Japanese ODA Loans” announced in April this year to provide Japan’s outstanding technologies and know-how for developing countries and revitalize the Japanese economy by taking in growth of emerging countries and will continue to consider improvement plans.
- In order to expand export of infrastructure, etc. by Japanese companies and local governments, the government will coordinate with partner governments by taking advantage of technological cooperation and grant aid at an early stage of the wide area development project and make strategic use of yen loans as well as JICA’s Private Sector Investment Finance, etc.

○ **Enhancing a public finance scheme**

- The government will encourage our companies to participate in overseas infrastructure projects. Therefore, it will advance consideration at an early stage and take necessary legal measures regarding revisions of trade and investment insurance to newly cover risks caused by terrorism and wars and risks concerning technological assistance and investment that overseas subsidiaries financed by our companies provide for third countries which private insurers can not cover. Moreover, it will strengthen local currency-denominated financing support through JBIC and NEXI\* to promote smooth local currency procurement by Japanese companies which expand their business overseas.

\* NEXI means Nippon Export and Investment Insurance, an Independent Administrative Agency.

○ **Joint Crediting Mechanism [reposted]**

○ **Obtaining international standard, etc. using advanced technologies and knowledge and developing authentication infrastructure, and supporting overseas advance of Japanese companies into sectors which will be new frontiers**

- The government will promote cooperation with standardization bodies in emerging countries mainly in Southeast Asia to lead the way in international standards in sectors such as smart grid, energy-saving

infrastructure, etc. that our country has an advantage in. It will expand target countries for assistance for institution-building by aiming to achieve diffusion of de facto standard based on our specification using ODA.

- The government will develop internationally-accepted authentication infrastructure in Japan in sectors of smart grid, large scale wind power generation, etc. and will promote overseas advance of Japanese certification authorities by technological cooperation so that authentication services equivalent to ones in Japan are offered in overseas production sites.
- The government will support global business development of infrastructure system in sectors which will be new frontiers such as health care, agriculture, aerospace, ocean, etc.

○ **Promoting securement of stable and affordable resources**

- The government will continue efforts aimed at realizing import of LNG from North America and diversify supply sources by risk money supply, etc. based on "Action Plan for Reducing Fuel Procurement Cost" to secure energy and mineral resources. In addition, it will advance steady implementation of "Japan's Initiatives for Promotion of African Resources Development," strengthening of collaboration among LNG consuming countries through "the 2nd LNG Producer-Consumer Conference" held this September, and consideration about the LNG futures market.
- The government will strengthen cooperative relationship in wide-range of fields such as technological cooperation, etc. toward resource countries to renew and obtain resource interests. The technological cooperation includes cost-sharing technological cooperation for ODA graduate countries, etc. that partner governments bear a portion of expenses.

(2) Intensive support to potential small and medium-sized enterprises (SMEs)

The government will improve a full continuous support system before and after companies' overseas advance for potential SMEs, etc. (including service industry) with advanced technologies which have established good business models such as marketing network and are competitive in the world market regardless of business category and scale to double their export amount by 2020 compared to 2010 levels.

- **Strengthening support system for overseas development of small and medium-sized enterprises (SMEs) (including service industry)**
  - Institutions which support SMEs operating in local communities provide consultation concerning overseas development for SME on a one-stop basis making use of Internet, IT cloud, etc.  
In addition, institutions which support overseas development (the government, public support organizations, local business group, local governments, etc.) organically collaborate with each other and establish a system (“SMEs’ Overseas Development Passport <provisional name>”) within this year which enables consistent smooth support at home and overseas for SMEs’ global business development.
- **Establishing “one-stop overseas consultation offices” at sites overseas**
  - The government will establish 10 “one-stop overseas consultation offices” that provide consultation for legal, labor, intellectual property, and other issues which SMEs and service companies face at sites and refer them to professional bodies such as reliable law firms, etc. It will increase the number of offices where appropriate.
- **Supporting development of financial infrastructures in Asia**
  - The government will promote technical support to Asian countries in developing financial infrastructures (legal and settlement systems, etc.) in order to ensure smooth funding for SMEs’ overseas operations.
- **Fostering human resources and promoting globalization of Japanese companies**
  - To create globally competitive human resources capable of thinking on their feet, the government will dispatch young interns from Japanese companies as an advance team to foreign government agencies and enterprises strategically selected through cooperation of human network of ex-participants of training program in Japan (AOTS Alumni Societies, etc.), JETRO, and private companies. JICA will support human resource development required for the overseas expansion of companies by dispatching employees in private companies as “JICA’s Overseas Volunteering Program in Collaboration with Private Sector” to developing countries based on

corporate needs. Moreover, it will promote the acceptance of trainees from overseas, assistance in dispatching professionals to sites overseas, and reinforcement of cooperation with local technological universities, etc. to foster “right-hand persons of CEOs / top business practitioners” at overseas subsidiaries of our companies.

- **Supporting companies’ overseas development by using domestic and overseas human resources**
  - The government will promote SMEs’ overseas development by dispatching senior human resources to SMEs with willingness to expand their business overseas and making up for lack of know-how on their overseas deployment. It will also promote assistance to facilitate the use of external human resources such as supporting job placement for foreign students in Japan, etc. (The government will aim that ten thousand foreign students studying in Japan will be employed every year.)
- **Supporting overseas development of small and medium-sized enterprises (SMEs) using ODA**
  - The government will fully launch technological cooperation using outstanding products made by SMEs for government projects in developing countries including emerging countries by newly taking advantage of ODA.

### (3) Promoting Cool Japan

The government will place Cool Japan as the national strategy and strengthen these efforts through public-private sector joint efforts to effectively transmit content based on rich Japanese culture such as traditional and regional culture and “Japan’s attraction” including Japanese food and Japanese alcoholic beverages, which eventually leads to fostering of industries and incorporation of overseas demands.

- **Enhancing the dissemination of information**
  - The government will acquire empathy and participation from foreigners and promote the development of superior “human capital” that supports Cool Japan by effectively transmitting “Japan’s attraction” at main international conferences and events, etc. in conjunction with food, Japanese alcoholic beverages, fashion, manufacturing, content, traditional culture, etc. in accordance with

“the Action Plan” developed based on proposals, etc. in “Cool Japan Promotion Council.”

- **Strategically promoting Cool Japan by using the Japan Brand Fund (tentative)**
  - The government will strategically promote Cool Japan by establishing the Japan Brand Fund (tentative) to industrialize “Japan’s attraction” and supplying risk money.
- **Promoting overseas deployment of content, etc.**
  - The government will triple the overseas sales of broadcast contents by 2018 from the current level (6.3 billion yen) .
  - The government will establish a one-stop contact point for facilitating the rights management of content (by strengthening the functions of the audiovisual Rights management association (aRma), etc.) and promote agreements on rights contracting management to obtain in advance authorization including broadcasting overseas. Along with that, it will establish a one-stop contact point to centralize right information management, rights management, and transmission of information by enhancing the function of Japacon, content information portal website and will promote agreements on rights contracting management including overseas deployment.
  - Centering on the Japan Brand Fund (tentative) and the secretariat of the Project for Localization & Promotion of Japanese Visual Media (J-LOP) etc., the government will fully support localization of content (dealing with caption, dubbing, local content regulations, etc.), enhance support for creating overseas content including large scale support for joint international creation with overseas broadcasting stations in accordance with local needs in anticipation of future business deployment, enhance promotional activities for overseas markets, fundamentally strengthen measures against IP piracy, and secure distribution channels for Japanese content such as channels, airtime and distribution websites of overseas broadcasting stations.
- **Deploying Japanese food and food culture overseas and promoting export of Japanese alcoholic beverages**
  - Expanding the export of agricultural, forestry and fishery products and food produce [reposted]
  - The government will aim to ensure that the rate of increase in export

of Japanese alcoholic beverages exceeds the one in export of agricultural, forestry and fishery products and food produce by 2020, and take initiatives to transmit information through international events, diplomatic receptions and dinners, main international airports, “Sakagura tourism”, etc. It will develop overseas markets by conducting effective business meetings linked to Japanese food, and aim for increasing export under the cooperation between the public and private sectors. Therefore, it will encourage the improvement of comprehensive export environment by using “Inter-Ministry/Agency Coordination Committee for Promoting Export of Japanese Alcoholic Beverages.”

○ **Strengthening systems of global communications**

- The government will enhance global communication activities including sharing public affairs opportunities and contents of each ministry and agency about policies and measures such as Cool Japan, Visit Japan, and Invest Japan by fully utilizing “The Liaison Meeting on Enhancing Global Communication” which has been held since this April for the purpose of enhancing global communication activities by the government as a whole.

○ **Cross-sectional planning and implementation of Visit Japan Promotion by relevant ministries, agencies and institutions [reposted]**

3. Improving infrastructure concerning funds and human resources to support our economic growth

The government will develop an environment where all companies and human resources enjoy the benefits of global economy and facilitate full-fledged globalization in Japan in order to attract outstanding overseas manpower and technologies to Japan and to create employment and innovation. It will also aim to double inward FDI stocks to 35 trillion yen in 2020 (17.8 trillion yen at the end of 2012).

In addition, it will promote fostering and use of a big pool of global human resources and active acceptance of highly skilled human resources from overseas to support unified domestic and foreign global economic activities by our companies.

(1) Activating inward direct investment

○ **Fundamental reform of Special Zone system**

- The government will create the world’s best business environment for

companies to operate using “National Strategic Special Zones” to further attract foreign funds and technologies. These environmental improvements will encourage Japanese-affiliated companies transferred overseas to return back to Japan.

- **Drastically strengthening the government’s capability for attracting foreign companies and its support framework**
  - In order to identify and attract promising foreign companies from the perspective of their executives and in alignment with their specific business strategies, the government will strengthen the function of JETRO’s industry specialist function and develop support measures for global companies.
  - JETRO will enhance its comprehensive support system for foreign enterprises, such as receiving inquiries and giving consultation regarding procedures required for FDI into Japan, receiving requests for regulatory reform and giving assistance on individual case in cooperation with relevant ministries and agencies.
- **Creating and reinforcing the framework to attract more international conferences, etc. (MICE)** [reposted]
- **Utilizing highly skilled overseas personnel** [reposted]

(2) Strengthening human resources capabilities for global operation activities  
[reposted]