

Provisional

Japan Revitalization Strategy

Revised in 2014

-Japan's challenge for the future -

June 24th, 2014

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I . Basic Concept of Revising Japan Revitalization Strategy

(Past achievements)

The Japanese economy has achieved great, clear change over the past year.

When the Abe administration was inaugurated, the Japanese economy was obsessed with a chronic deflationary mindset after an economic slump that lasted for more than 20 years. It was in a grave situation in which corporate managers and individual citizens had lost self-confidence and hopes for the future. Corporate managers had lost their spirits to take on challenges. Opportunities were limited for skilled people to demonstrate their performance. Excellent technologies or ideas had nowhere to go. Household financial assets and companies' internal reserves failed to be utilized in Japan. Human talents, goods and funds were structurally left idle.

In response, the Abe administration launched the first arrow of bold monetary policy aimed at eliminating the deflationary mindset and the second arrow of flexible fiscal policy aimed at igniting the dampened economy. It has also formulated “Japan Revitalization Strategy” as the third arrow, implementing its bold, speedy Growth Strategy.

The administration has fundamentally revised Japan's electric power policy that had remained unchanged for 60 years, paving the way for the electric power market to be fully deregulated. It has also decided on an agricultural policy reform including a revision to the rice production regulations that had lasted for more than 40 years. The administration has thus implemented bold reforms that had been described as impossible so far. It has had close to 40 laws enacted to promote the Growth Strategy, including the Industrial Competitiveness Enhancement Act and the National Strategic Special Economic Zone Act. In this way, the administration has carried out structural reforms at an unprecedented speed.

As a result, the strength of the Japanese economy is being restored, as shown in real GDP growth, the employment situation, capital investment and

other economic indicators. Price trends show the economy is making steady steps forward to break free from deflation.

Corporate profits have recovered to pre-Lehman Shock levels, leading to wage hikes and expanded employment that result in expanded consumption and further investment. A “virtuous economic cycle” has begun to work. Under such environment, the administration raised the consumption tax rate in April this year for the first time in 17 years, making the first step towards achieving both economic growth and fiscal consolidation. As people have begun to hold hopes for the future, human talents, goods and funds have begun to move for growth after remaining idle for a long time.

(On revision)

However, it is not easy to put the Japanese economy back onto a full growth path at a time when Japan's economy and society face the advent of a population fall through declining birthrate and aging population.

In order to prevent the past year's changes from ending up as temporary phenomena and to keep the positive economic cycle rotating, we must awaken Japanese people's and companies' original potential to improve the entire Japanese economy's productivity and its “earning power”. Now that the economy is about to break free from protracted deflation, we should be determined that this is a golden opportunity and the last chance to gear up the Growth Strategy and take bold measures to restore Japan's “earning power” with a spirit to turn around Japanese companies' characteristics, institutions and practices drastically.

The key point is whether corporate managers and individual citizens can restore their self-confidence, believe in their future and take specific actions to tackle innovation. However hard the government may break through bedrock regulations to pave the way for companies and individuals to act more easily, it will never bring about progress in business restructuring and real productivity improvements beyond mere cost conservation to the Japanese economy, unless corporate managers boldly tackle business realignment and new business exploration in a bid to upgrade their companies' earning power.

Individual citizens including corporate managers will restore their “challenging spirit” to tackle the promotion of business restructuring and innovation for “reviving a vigorous Japan,” while the government will realize a world-leading business environment to support their efforts. This is the first step for the Japanese economy to break away from deflation, to expand the positive economic cycle that has begun to work, and to secure an average annual economic growth rate of around a nominal 3% or a real 2% over a “decade of revitalization” (FY 2013-2022).

The Japan Revitalization Strategy, compiled last year, provided three plans -- the Industry Revitalization Plan, the Strategic Market Creation Plan and the Strategy of Global Outreach -- and established key performance indicators (KPI) for each policy measure to check progress through the PDCA (plan-do-check-act) cycle.

This revision shows how much progress there has been over the past year towards achieving the KPI by providing concrete figures and what additional policy measures will be adopted to ensure achieving the KPI.

Particularly, as a result of accumulating vigorous discussions over the past year, we have seen great progress towards solving the following three challenges which were left as remaining issues in last year’s Growth Strategy:

- 1) How to realize a “world-leading employment environment” including further increased opportunities for women’s labor participation and expanding the acceptance of foreign labor
- 2) How to enhance productivity to achieve the goal of doubling the income of farmers and farming communities
- 3) How to transform the health-related area including healthcare and nursing care into a growth market

As soon as the Growth Strategy is revised, renewed challenges to tackle various issues will be launched. It is important to reflect the fruits of growth to people’s livings as early as possible. Particularly, people living in the regional communities, and small and medium-sized enterprises are still left in severe conditions. We must overcome the severity of the declining population as well.

We must structurally and boldly reform regional economies and take comprehensive measures to nurture unique industries that contribute to enhancing the sustainability of regional communities. Needless to say, the Growth Strategy aims not only to secure Japan's medium to long-term growth in the global community but also to restore vigor in regional communities and allow individual citizens to feel affluent through local-Abenomics, so to speak, which spreads the effects of Abenomics nationwide and brings about positive cycles in regional economies.

Until the Japanese economy gets on a secure growth path, there will be no end to the Growth Strategy and it has to keep evolving in line with economic and social changes.

II. Key Policy Measures in the Revised Strategy

1. Restoring Japan's Earning Power

(1) Companies to change

(Improving productivity)

Japanese companies have lower productivity than their Western counterparts. Particularly, the productivity of the nonmanufacturing sector including the services industry is seriously low, dragging down the Japanese economy. Many globally operating industries and companies are struggling due to their failure to quickly respond to market environment changes. While Japanese companies' earnings are recovering thanks to improvements in the macroeconomic environment after the inauguration of the Abe administration, they still have lower productivity than their global rivals. In order to raise productivity in all industries including services and win amid severe international competition, Japanese companies must achieve global-level earnings and productivity through carrying out business selection and concentration through bold business realignment, exploring promising new businesses, promoting overseas expansion and management reform by using information technology. A critical stage has come for companies to improve their earning power.

(Enhancing corporate governance)

What should be done to increase Japanese companies' earning power, in other words, medium to long-term profitability and productivity and to pass the fruits of such increase on to the people (households) evenly? First, it is important to strengthen the mechanism to enhance corporate governance and reform corporate managers' mindset so that they will make proactive business decisions to win in global competition for the purpose of attaining targets including globally-compatible level in return on equity. Particularly, companies that have achieved the highest earnings in several years should be encouraged to proactively use their earnings for new capital investment, bold business realignment, mergers and acquisitions, and other deals, instead of accumulating internal reserves.

In response to last year's Growth Strategy, investors and companies have launched efforts to deepen their talks towards sustainably improving profitability

and capital efficiency and enhancing corporate governance through the creation of a Japanese-version Stewardship Code, revision of the Companies Act to impose accountability on companies having no outside directors, and discussions on desirable investment of public and quasi-public funds. Under such circumstances, institutional investors have offered to participate in the Stewardship Code one after another. Companies have introduced outside directors one after another. Early this year, the JPX Nikkei Index 400 was launched as a new stock index covering companies that have higher profitability and are highly attractive for investors. Positive developments towards improving "earning power" are gaining momentum.

The time has come to further advance the environment for companies' demonstration of corporate governance and implement specific measures to improve companies' "earning power". Based on the efforts so far, companies must link their proactive utilization of outside directors to the evolution of their business strategies, specify what values they would create in the long term and how they would enhance their earning capacity to win in global competition, and activate their communication with investors.

At the same time, banks, institutional investors and other financial players must maintain healthy tension with companies and play positive roles in creating values in the long term and improving their "earning power." Among them, banks and trading houses must promote return-oriented risk money provision, including contributions to private-sector equity and mezzanine finance investment through funds, and offer good judgments and advice with a view to supporting companies' business restructuring. Institutional investors, including those managing public and quasi-public funds, are called on to appropriately manage their investment portfolios and proactively perform their governance functions as investors.

Such series of initiatives will allow corporate earnings to expand further, bringing about a true virtuous cycle where the fruits of the breakaway from deflation will be returned finally to the people through various channels including increases in employment opportunities, wages and dividends.

(Accelerating industrial restructuring and venture businesses)

Urging existing companies to reform themselves alone would be insufficient for promoting business restructuring to shift investment and employment to more profitable and productive areas. It is very important to develop an environment where venture businesses are launched one after another to drive growth areas. Comprehensive measures will be taken to eliminate institutional, human and financial obstacles to business launches, spin-offs and carve-outs from large companies, and mergers and acquisitions so that venture businesses will be able to become active.

<Key measures>

1) Enhancing corporate governance

2) Reforming investment of public and quasi-public funds

3) Accelerating industrial restructuring and venture businesses, promoting provision of funds for growth

(2) Changing the Country

(Strengthening competitiveness of Japan as a business hub)

However, even if called on to maximize their profitability, it will only urge them to locate themselves overseas, if the domestic business environment falls behind international levels. In order to link a proactive management mindset to domestic business operations, thereby actually improving earnings, the government must responsibly develop a world-leading business environment.

In order to strengthen the competitiveness of Japan as a business hub to promote the investment in Japan, we must further reinforce macroeconomic and institutional approaches for improving the business environment through: breaking through the so-called “bed-rock” regulations; accelerating the Trans-Pacific Partnership (TPP) and other economic partnership negotiations to remove obstacles to the cross-border movement of goods, services and investment; reforming energy policy fundamentally to prevent energy costs including electricity rates from rising; carrying out a pro-growth corporate tax reform and so on.

By strengthening the competitiveness of Japan as a business hub to make its investment environment more lucrative, Japan can be expected to attract global

human talents, goods and funds. Taking also hosting the 2020 Olympics and Paralympics into consideration, we will establish a nation-wide structure to ensure achieving the target of doubling inward foreign direct investment stocks while taking maximum advantage of the national special economic zones that has started its operation.

(Realizing a national system of innovation and the world's most excellent intellectual property-based nation)

Japanese companies have led the world by manufacturing and selling products with the world's most excellent quality. Over recent years, however, some companies in other industrial countries have differentiated themselves from others and secured high profit by quickly commercializing innovative technology seeds to create new markets themselves. In order that Japan can continuously lead the world with advanced technologies, leaving it to the efforts of the private sector alone will face limits. We must build a "national system of innovation" to create innovative technology seeds continuously and bridge them directly to new products or business models by combining research, human resources and funds beyond borders between the industry, academia and public sectors.

We will continuously try to make Japan the world's most excellent intellectual property-based nation by appropriately addressing the current situation in which international disputes over intellectual property including trade secrets and competition for acquisition of international standards are growing fiercer in line with the globalization of corporate operations and the deepening of open innovation.

(Realizing a robot revolution to solve social challenges)

Robot technology is a symbol of innovation for which Japan has led the world and will be able to create new markets in the future. Dramatic technological progress and its combination with information technology over recent years have enabled robots to support human work and relieve humans of manual labor or oppressive work not only for plant manufacturing lines but also for healthcare, nursing care, farming, transportation and other areas close to human lives. Robots are no longer cutting-edge machines. They can be used in areas with which we are familiar in our daily lives. In the near future, robots could revolutionarily change

our lives and industries.

The government will promptly launch a robot revolution realization council to work out a strategy for using robots as the key means to solve labor shortages amid the declining birthrate and aging population, low productivity of the services sector and other challenges plaguing Japan and for developing the robot industry into a growth sector to explore global markets. The government will seek to make Japan a showcase for robots in service for various areas ahead of other countries by 2020.

<Key measures>

1) Pro-growth corporate tax reform

2) Promotion of innovation and a robot revolution to solve social challenges

2. Cultivating Human Resources -- Promoting women's social participation and reforming working styles

Facing a population-declining society, whether Japan can sustain growth will depend on whether it can maintain its working population and raise its labor productivity before entering into a population-declining society by improving the working environment for women and elderly people and ambitious, capable youths who are hopeful about their future.

(1) Promoting women's further active social participation

Particularly, unleashing the “power of women”, Japan's greatest potential, will lead Japan not only to secure human resources but also to bring various values and creativity to the company, the government and regional communities and to vitalize society while cherishing the values of families and regional communities.

Last year's Growth Strategy proposed solutions to the problem of childcare waiting lists, including childcare center shortages, which was hindering women from participating in society. This revised Growth Strategy gives solutions to the problem of the so-called “1st Grade Barrier” against children's entrance into elementary schools, which is another major obstacle to women's participation. Also, in order to change companies' mindsets, the revised strategy also decides to

encourage them to proactively disclose the number of women in executive and management positions, the women recruitment policy and other relevant information. Under the revised strategy, the government will embark on a discussion to make tax and social security systems neutral with regard to how women choose to work and a preparation for submitting a bill that aims to promote women's social participation by stipulating the roles that national and local governments and companies should play in attaining "women's share of leading positions at 30% in 2020."

(2) Reforming working styles

Under last year's Growth Strategy, the government shifted from an excessive employment stability policy to a labor movement-supporting policy to enable individuals to smoothly change jobs, fulfill their potential and play active roles for economic growth.

Under the revised strategy, the government will diffuse and expand various systems for regular employees, reform the flex time system and create a new working hour system that will meet the needs of workers who hope to be rewarded for their performance instead of the length of time spent on their work, while securing health and achieving their work-life balance .

The government will also attempt to create a more predictable labor dispute resolution system to respond to views by the part of foreign countries' that Japanese employment practices are not transparent, to protect workers at small and medium-sized enterprises and to promote foreign direct investment in Japan.

(3) Utilizing foreign human resources

It is important to let foreign human resources fulfill their potential in Japan, who have various values, experiences and skills. For the immediate future, the government will expand Technical Intern Training Systems while strengthening management and supervision schemes, and also develop urgent measures to facilitate the employment of skilled workers for the construction and shipbuilding industry. The government will also comprehensively consider measures, including the utilization of the national strategic special economic zones, to make it easier

for foreign students in Japan and excellent overseas human resources to work and live in Japan.

<Key measures>

- 1) Paving the way for women to participate in society (expanding after-school childcare services/programs, etc.)**
- 2) Realizing flexible and diversified ways of working (creating a performance-based working hour system, etc.)**
- 3) Developing a Japanese society where foreigners can perform well (expanding Technical Intern Training Systems, etc.)**

3. Nurturing industries to become new growth engines and support regional communities

(1) Developing aggressive agriculture, forestry and fisheries

Agriculture should become a competitive, attractive industry to play a role in driving regional economies' autonomous development. To this end, an environment should be developed to allow farmers with ambitions and a business mindset to take advantage of various companies' knowledge to perform well. It is important for this environment to be combined with the so-called "farmland consolidation bank" to make maximum use of farmland in Japan for triggering youths' return to rural regions and developing a powerful agriculture.

Last November, the government decided on the direction of an agriculture policy reform including a revision of rice production adjustment. Treating the decision as the first step in a major policy shift to an agriculture policy for farmers to be hopeful about their future and feel secure, the government will multilaterally implement structural reforms to develop aggressive agriculture, forestry and fisheries.

Under the revised strategy, the government will 1) reform agricultural committees, agricultural production corporations and agricultural cooperatives integrally to enable independent decisions and speedy farm management in farming communities, 2) rebuild the domestic value chain including distribution, marketing and collaboration among primary, secondary and tertiary industries, and 3) make comprehensive efforts to link the value chain firmly to international

markets and explore new domestic markets. These measures are designed to develop aggressive agriculture, forestry and fisheries that can have high added value and a strong brand power and drive regional economies.

(2) Vitalizing the health industry and providing high-quality healthcare services

Last year's Growth Strategy came up with the goal of extending the people's healthy life expectancy and decided on many specific measures including the creation of a headquarters for medical research and development to commercialize innovative healthcare technologies ahead of the rest of the world, and the development of healthy life expectancy extending industries to realize self-medication.

Meanwhile, Japan facing an ultra-aging society must solve difficult challenges including how to secure sustainability of the public health and nursing care insurance system while maintaining the universal health insurance system, as well as how to sustainably and efficiently provide health and nursing care services in rural regions facing a rapid population decline. At the same time, taking the diversification of people's values and needs and their aging as a chance, Japan must realize innovation of high-quality health and nursing care services suitable for such circumstances and vitalize the health industry. Japan is thus required to perform a two-front operation.

Therefore, the revised strategy aims to simultaneously implement the securement of social security sustainability, the provision of high-quality healthcare services and the vitalization of the health industry, giving priority to 1) achieving both sustainability and improved quality of health and nursing care services by creating a system for new corporations for integrated health and nursing care services to improve the efficiency and quality of health and nursing care services and to realize comprehensive regional care, 2) achieving both reduction of public spending and the creation of various healthcare industries left out of public insurance by increasing incentives for health promotion and disease prevention, and 3) achieving both the satisfaction of patients' various needs and the provision of cutting-edge technologies and services by substantially expanding the system for combining insured and uninsured medical services.

<Key measures>

1) **Developing aggressive agriculture, forestry and fisheries (integrated reform of agricultural committee, agricultural production corporation and agricultures cooperatives, etc.)**

2) **Vitalizing the health industry and providing high-quality healthcare services (creation of a nonprofit holding company-type corporation system (as tentatively called), substantial expansion of the system for combining insured and uninsured medical services, etc.)**

4. Regional Revitalization and Innovation of Small and Medium-sized Enterprises/Regional Economic Structure Reform

(1) Regional revitalization and innovation of small and medium-sized enterprises

Regional revitalization depends on whether attractive employment opportunities including those for youths can be realized. To this end, companies supporting regional economies should be realigned and restructured to improve profitability and productivity and stabilize regional employment and wages. In this respect, it is important for regional financial institutions and the like to exercise their ability to assess business performance accurately and consulting functions and use experts for providing fine-tuned support for small and medium-sized enterprises. Regional funds should be reinvested in relevant regions to realize a virtuous regional economic cycle.

Unique regional resources can be utilized for high value-added business. In various regions of Japan, there are an inestimable number of high-quality agriculture, forestry and fishery goods and food products featuring regional traditions and characteristics. These various regional resources can be used for promoting collaboration among primary, secondary and tertiary industries, business operations based on dairy farmers' creativity and exports for transforming agriculture, forestry and fisheries into growth industries to create attractive employment opportunities in each region.

Japan's rich nature and unique local cultures as excellent tourism

resources should be not left untapped but rather should be communicated to people at home and abroad with their stories and themes enhanced. At the same time, Japan should further ease visa issuance requirements, accelerate and facilitate immigration procedures and expand services meeting various foreign languages and cultures to develop world-class attractive tourism areas to explore robust tourism demand in Asia and other regions in the world.

Meanwhile, the national government's unilateral uniform support for regional efforts alone cannot be expected to produce effects. Such support would be unsuccessful unless regional communities take advantage of their originality and ingenuity to revitalize tourism in cooperation with neighboring communities. National government support should accompany the initiatives of motivated regional communities.

The Councils on Regional Industrial Competitiveness, which were created after the release of last year's Growth Strategy, present the overall directions of strategies taking advantage of regional strengths for economic growth. Discussions at these regional councils are expected to provide the base for future regional initiatives.

New players are required to revitalize regional economies. Private finance initiatives in which private entities are given infrastructure concessions and public-private partnerships can contribute to creating private sector business opportunities and improving the public sector's efficiency in each region. Private sector players in PFI and PPP initiatives can cover multiple regions, leading to wider-area cooperation. Therefore, it is important to dramatically expand PFI and PPP initiatives.

(2) Regional economic structure reform

Under the severe reality of declining population, regions must commonly acknowledge the demographic situation. Under the declining population, regional strategies from the past period of robust economic expansion would be ineffective and could lead multiple regions to fall together. Under a specific strategy for the present situation, health and nursing care and other public services, urban functions or industries led by globally competitive regional companies should be

accumulated in provincial core cities, which should expand human and information exchange and cooperation with metropolitan regions, other center cities and their vicinities to pursue the survival of wide-area regions through network-based complementation of functions. Then, regional small and medium-sized enterprises should take on challenges and make efforts to develop unique industries including agriculture and tourism in various regions to drive regional economies.

The Growth Strategy will not be successful unless vigorous rural communities are realized. Therefore, it is important to promote a comprehensive policy to maintain regional vitality, prevent excessive concentration in Tokyo and overcome the declining birthrate and population. A headquarters for the promotion will be created to develop government-wide arrangements.

<Key measures>

- 1) Building a support platform to realize regional revitalization measures in one package**
- 2) “Hometown specialty support” led by regional small and medium-sized enterprises and nurturing strategic industries led by regional medium-sized enterprises.**
- 3) Regional collaboration among primary, secondary and tertiary industries and dairy farmers’ creativity**
- 4) Developing world-class attractive tourism areas**
- 5) Realizing private sector players’ infrastructure management using PFI and PPP initiatives**
- 6) Developing comprehensive policy promotion arrangements for regional economic structure reform**

III. Future Measures for Further Growth

1. Continuing initiatives for a virtuous economic cycle

In order for a full economic recovery to lead to sustainable economic growth, corporate earnings improvements brought about by the Growth Strategy should be used for expanding income through higher wages and dividends and

increasing employment to further enhance the “virtuous cycle of the economy” in which income and employment expansion can lead to consumption expansion and further investment to increase corporate earnings.

At the Government-Labor-Management Meeting for Realizing a Positive Cycle of the Economy, which was created in response to last year’s Basic Policies for Economic and Fiscal Management and Reform and the Japan Revitalization Strategy, the government, labor and management representatives accumulated constructive discussions through direct talks before compiling a common recognition last December, which cited linking corporate earnings expansion to wage hikes, improving the careers and treatment of non-regular workers, improving productivity, and developing human resources as measures for realizing a positive cycle of the economy.

In this year’s spring labor offensive, wage hikes spread among companies after a long interval. But some problems are left for the future, including how labor and management will address their common challenge of productivity improvement, how the environment will be developed for individual workers to balance their health, work and lives and work satisfactorily, and how the fruits of growth should be distributed to people working in rural regions and at small and medium-sized enterprises.

On the basis of the common recognition compiled by the Government-Labor-Management Meeting last year, government-labor-management talks will be continued to provide overall directions for solving these problems.

2. “Target-realizing and evolving Growth Strategy”

As one year has passed since the formulation of the Japan Revitalization Strategy, we have reached a critical stage where the strategy is expected to make a difference indeed.

(Target-realizing strategy)

The Japan Revitalization Strategy is designed not only for implementing policy measures but also for “realizing” policy targets. To this end, the strategy

sets many KPIs to check whether any achievements are made or not. As only one year has passed since the strategy's formulation, sufficient data are not available at present. As soon as achievement measurement and assessment data are made available in the future, we will promptly review achievements (KPI review). As for measures failing to make sufficient achievements, we will constantly review and assess why they fail and what additional measures should be taken to realize policy targets.

(Evolving strategy)

Last year's Growth Strategy and this revision indicate specific directions for reforms in areas where solutions to problems had been postponed for years, allowing us to see a path to break away from "the lost two decades." But many challenges are left to be tackled to achieve the targets assumed in the Japan Revitalization Strategy.

As globalization makes rapid progress, Japan must attract excellent human resources and investment from throughout the world in order to maintain world-class competitiveness. This revised strategy positions the Council for Promotion of Foreign Direct Investment in Japan as a control tower to enhance arrangements for the promotion of foreign direct investment in Japan. In order to create "the world's best environment for business activities," the government must specify relevant challenges such as a study on regulatory reforms for improving the investment climate and effective support measures for investment expansion and take comprehensive measures.

Advancement of information society has dramatically changed human life and has the potential to reform ways of working, industries and state management. While it is not easy for Japan to narrow gaps with advanced IT countries in the world, the government must open-mindedly learn from the present world situation and consider and implement measures it should take with a sense of speed in order to realize "the world's leading IT society."

Human resources and technologies are the greatest treasure left in Japan. In order to realize a "world-leading employment environment," we must link education and labor area reforms and enhance career and professional education

to create a system to turn out human resources who can win in competition with foreign countries. In order to allow new technologies and ideas to be commercialized instead of being left untouched, we must create an environment where all people willing to start up business, including from students to businesspersons, can take on the challenges to do so.

Structural reforms will be endless and the Growth Strategy will always evolve.

3. Intensive Reform Efforts

In order to more powerfully proceed with reforms given in the revised Growth Strategy and produce effects as soon as possible, the government must proactively use an approach to narrow down priorities, time and agenda and concentrate policy resources on priorities in close cooperation with the Council for Regulatory Reform and the Council on National Strategic Special Economic Zones to achieve effects. Therefore, the government will realize the revitalization of the Japanese economy based on two points -- 1) taking advantage of National Strategic Special Economic Zones to implement speedy, impactful reforms and 2) accelerating reforms towards 2020 for the Tokyo Olympics and Paralympics.

(1) Enhancing National Strategic Special Economic Zones

In order to promote reforms with a sense of speed, national and local governments and the private sector must be united to implement bold, impactful regulatory reforms to attract investment from throughout the world. To this end, it is important for the Prime Minister to proceed with the National Strategic Special Zone initiative under a top-down approach to create reform models for the whole of Japan. The government has designated six areas as National Strategic Special Economic Zones. Based on these zones as the core, the government will strongly demonstrate Japan's attitude on reforms.

(2) Accelerating reforms towards 2020

Tokyo was chosen as the host of the 2020 Olympics and Paralympics after the creation of the Japan Revitalization Strategy last year, setting a new momentum for reforms. It is important to interpret this development as an opportunity to accelerate reforms and recover a full-fledged growth path towards

2020 for the purpose of vitalizing not only Tokyo but also the whole of Japan.

Towards the previous Tokyo Olympics (in 1964), Japan accelerated public infrastructure development to restructure Tokyo and other locations, bringing about the so-called “Tokyo Olympic boom” and demonstrating vividly to the world that postwar Japan had returned to the international community.

This time, Japan, tackling those globally common issues caused by the declining birthrate and aging population, environmental problems, divides between rural and urban regions that are globally common, is expected to become a model for the rest of the world.

Given that these problems are structural ones that cannot be solved in one day, Japan is required to assimilate various cultures for its integration into global society and tackle thorough economic and social restructuring, instead of pursuing a temporary boom.

IV. Major Policy Measures in the Revised Strategy

This revised strategy, as indicated by the next chapter, reviews the progress of the Japan Revitalization Strategy created last year, flexibly modifies policy measures, adds specific measures to be taken, revises the progress schedule and comes up with a policy of implementing the revised schedule anew.

Of the measures, representative ones discussed at the Council for Industrial Competitiveness and other panels are excerpted as follows from the three basic viewpoints for this revision -- “enhancing Japan’s earning power,” “addressing challenges left for the future” and “diffusing the fruits of growth throughout the country.” (Note: The following exemplifies specific measures without indicating their importance or priority rankings.)

1. Restoring Japan’s Earning Power

(1) Companies to Change

1) Enhancing corporate governance

- Drafting the Corporate Governance Code
 - The Tokyo Stock Exchange will draft the Corporate Governance Code to encourage companies’ initiatives to attain sustainable growth. Publicly listed companies are asked either to comply with the principles or explain why they are not complied with.
[Drafting in time for the season of general shareholders’ meetings next year]
- Enhancing financial institutions’ functions for supporting businesses
 - In order to promote improvements in business quality and business/corporate restructuring, financial institutions are expected to provide financing taking well into considerations the growth potential of the debtor’s business, as well as to cooperate with relevant stakeholders to improve the performance, productivity, and sustainability of businesses. Financial institutions are encouraged to

strengthen their functions and capacities to support this, and the government will appropriately supervise and support financial institutions pursuant to supervisory guidelines from such perspectives.

2) Reforming management of public and quasi-public funds

- To respond to the long-term changes in the economic and investment environment and secure sound pension finance over an extended period of time, the Government Pension Investment Fund (GPIF) will appropriately revise its policy asset mix as quickly as possible, based on this year's revaluation of pension finance.
- Along with the above-mentioned revision, initiatives for strengthening the governance structure of the GPIF will be immediately promoted, including the improvement of the investment committee structure and securement of investment professionals. In addition, other necessary measures including proceeding with discussions on the possible future law amendments will be accelerated.

3) Accelerating industrial restructuring and ventures and promoting provision of funds for growth

- A “Venture Creation Council,” consisting mainly of large companies cooperative in supporting ventures, will be established to build a platform to promote matching between venture businesses and large companies.

[Establishment by this autumn]

- The government will also implement fine-tuned measures including the promotion of venture companies' participation in government procurement and the provision of employment insurance benefits to people who prepare for or consider starting up new businesses during their job-seeking periods.

[Establishing relevant systems within this fiscal year]

- A forum will be created for relevant government ministries and agencies to discuss how to promote the provision of funds for growth including equity and mezzanine finance and medium to long-term loans to enhance growth-oriented business innovation and other medium to long-term measures for improving productivity.

[Establishing the forum this autumn]

(2) Changing the Country

1) Pro-growth Corporate Tax Reform

We will strengthen Japan's locational attractiveness and enhance competitiveness of Japanese companies. In this context, we aim to reduce the effective corporate tax rate to the internationally-comparable level and embark on corporate tax reform to be more growth-oriented.

To that end, we aim to reduce the percentage level of the effective corporate tax rate down to the twenties in several years. We will start the first phase reduction from the next fiscal year.

As regards the revenue sources to fund such rate reduction, including the fact that the Japanese economy is pulling out of the deflation and showing structural improvements, in order to be consistent with the FY2020 target to achieve primary surplus, permanent revenues will be secured through such measures as broadening the tax base and so forth. We will continue to discuss this issue towards the end of this year when we will reach conclusions on the specifics.

In light of the need to achieve primary surplus in FY 2020 at the national and local level, we will proceed with the implementation of the tax reform while checking the progress towards the fiscal consolidation target.

2) Robot revolution to promote innovation and solve social challenges

- Creating a mechanism to produce business with innovative technologies
 - Advanced public research institutes will be reorganized to enhance the system to bridge technology seeds at universities and other institutes to private sector companies. Specifically, the government will develop a mechanism or target giving priority to obtaining funds from contract research companies and introduce and utilize a cross-appointment system that will allow people to take positions and work at both universities and other entities.
[Designing a specific system for forerunning research institutes within this fiscal year]

- Robot revolution to solve social challenges
 - The government will launch a Council for Realizing Robot Revolution and promote technology development and deregulation to expand the robot market two-fold from the present size in the manufacturing area and 20-fold in the nonmanufacturing area including services by 2020.
[Launching the council by this summer]

2. Cultivating Human Resources -- Promoting women's social participation and reforming working styles

1) Promoting women's further active social participation

- Expanding after-school childcare services/programs, etc.
 - In order to break through the problem of the so-called “1st Grade Barrier” against children’s entrance into elementary schools and nurture human resources for coming generations, the government will create a “Comprehensive After-School Childcare Plan” in addition to “Plan to Accelerate the Elimination of Childcare Waiting Lists”, to secure the capacity of after-school childcare centers for about 300,000 children by the end of March 2020. At the same time,

after-school childcare services will be integrated with after-school childcare programs at more than 10,000 locations. To this end, the central government will request the local governments to create municipal action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children, within the current fiscal year.

[Implementing institutional measures within the current fiscal year]

- Reviewing tax, social security systems to be neutral with regard to how women choose to work
 - In order to realize social systems that are more neutral to the selection of ways of working, the Council on Economic and Fiscal Policy will comprehensively consider issues relating to tax, social security systems, spouse allowance and the like.

[Considering the issues by the end of this year]

- Enacting a new law to accelerate women's active roles
 - Towards attaining "women's share of leading positions at 30% in 2020," a new law will be enacted for leading national and local governments and companies to set women recruitment goals and action plans and for providing incentives to companies that proactively recruit women.

[Seeking to reach a conclusion within the current fiscal year and submitting a relevant bill to the Diet]

2) Realizing flexible and diversified ways of working

- Enhancing measures to prevent overwork
 - In order to correct long working hours, the government will enhance Labor Standards Inspection Offices' inspection and instructions for companies suspected of illegal practices and will diffuse the morning-oriented work style and will consider measures to restrain long working hours.
- Introducing a system to reward workers for performance instead of time

spent on work

- In order to meet the needs of workers who hope to be rewarded for their performance instead of the length of time spent on their work, a new working hour system will be created to break the link between the length of time spent on work and wages while achieving health and harmonizing work-life balance of workers who have specific job scopes and advanced vocational skills and meet a certain annual income requirement (e.g., no less than 10 million yen). After the Labor Policy Council studies and reaches a conclusion on the system, the government will take a necessary legislative action during the next ordinary Diet session.

[Taking a necessary legislative action during the next ordinary Diet session]

- Creating a more predictable labor dispute resolution system
 - Given that major industrial countries have developed mechanisms for pecuniary remedies provided to workers through court decisions in line with their respective employment systems, the government will survey relevant systems and their operation at home and abroad. Based on the findings of the survey, the government will widely study the shape of globally accepted, transparent, fair and objective labor dispute resolution systems.

[To be discussed in 2015]

3. Developing a society where foreigners can fulfill their potential

- Review current Technical Intern Training Systems for foreign nationals
 - While drastically strengthening the management and supervision schemes, the government will expand Technical Intern Training systems including job categories covered by the system, training period (from 3 years to 5 years at most), and admission quota on trainees.

[Implementation within FY 2015]

- Utilizing foreign human resources in construction and shipbuilding

- As an fixed-term urgent measure towards the 2020 Olympics and Paralympics and the like, the government will introduce a new system to promote the utilization of foreign human resources work-ready for the construction sector while making maximum efforts to secure domestic human resources by improving working conditions and workplace efficiency. Also, a similar measure will be taken for the shipbuilding sector.

[Launching the action at the beginning of FY 2015]

- Accepting housekeeping support workers in National Strategic Special Economic Zones
 - Foreign housekeeping support workers will be accepted in National Strategic Special Economic Zones to help reduce the housekeeping burden.

[Proceeding with a study for a quick relevant action]

- Foreign students working well in nursing care
 - The government will design a system to enable foreign nationals who have obtained the national nursing qualifications by learning at Japanese schools to work in the field of nursing care after graduation.

[Designing a relevant system by the end of the year]

3. Nurturing industries to become new growth engines and support regional communities

1) Developing aggressive agriculture, forestry and fisheries
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- Reforming rice production adjustment
 - Government promote improvement of the environment so that producers, etc. can undertake rice production in response to demand, based on their own management decisions without relying on production volume targets set by the government from 2018.
- Integrated reform of agricultural committee, agricultural production corporation and agricultures cooperatives

- An environment will be developed to allow farmers with ambitions and a business mindset to take advantage of various companies' knowledge to conduct powerful farming operations and perform well. In line with a regulatory reform implementation plan (Cabinet Decision on June 24th, 2014), the integrated reform will be implemented to revise the method for electing agricultural committee members and requirements for board members and voting rights at agricultural production corporations, to secure the independence and vitalization of local agricultural cooperatives and to shift from the Central Union of Agricultural Cooperatives system to a new autonomous system.

[Seeking to submit relevant bills during the next ordinary Diet session]

- Diversifying distribution channels for dairy products

- Institutional reforms for dairy farmers will be implemented, including a measure allowing dairy farmers to sell unique raw milk directly to milk companies in addition to organizations designated for present sales from the viewpoint of promoting ingenuity of dairy farmers..

[Implementing the measure from FY 2015]

- Domestic and overseas value chains (※AFFrinnovation(sixth industry) and promoting exports)

※AFFrinnovation(sixth industry) is based on collaboration between people in the Agriculture, Forestry, and Fisheries and diverse business operators.

- In order to accelerate collaboration between people in the Agriculture, Forestry, and Fisheries and diverse business operators through the Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion in Japan (A-FIVE), the government will comprehensively study legislative and other actions for measures including a revision of agriculture, forestry and fisheries workers' capital contribution percentage to A-FIVE recipients.

[Completing the study in December 2015]

- In order to promote all-Japan efforts to promote exports, the

government will create export promotion groups respectively for such products as beef, Japanese tea and fishery products under an export strategy implementation committee created in June as a control tower for the export promotion.

[Creating these groups from FY 2015]

2. Vitalizing the health industry and providing high-quality healthcare services

- Creating a nonprofit holding company-type corporation system (as tentatively called)
 - A nonprofit holding company-type corporation system (as tentatively called) will be created, allowing such corporation to integrally manage multiple medical and social welfare corporations.
[Seeking to take relevant institutional actions within CY 2015]
 - Necessary institutional arrangements will be formulated to allow a university hospital to be separated from its affiliated university for the integrated management of the hospital and others under the above-mentioned new corporation system.
[Seeking to take relevant institutional actions within FY 2015]
- Providing individuals with incentives for health promotion and disease prevention
 - Conditions will be specified and diffused for providing individuals with healthcare points and cash benefits under the public health insurance system, to increase incentives for health promotion and disease prevention. It will also be considered to set different health insurance premiums based on individuals' health promotion and disease prevention efforts in a manner neutral to public finance, with due consideration given to the objectives of the public health insurance system.

[Taking necessary measures within FY 2015]

- Substantial expansion of the system for combining insured and uninsured medical services
- Measures will be implemented to appropriately satisfy various patient needs, enhance the healthcare industry’s competitiveness and maintain the sustainability of the health insurance system
 - Creating a new system for combining insured and uninsured medical services (“patient-requested cure system” as tentatively called)
 - Improving access to cutting-edge medical services (setting-up institutional arrangements specialized in evaluating regenerative medicine and medical devices)
 - Tentatively introducing the viewpoint of cost-benefit performance into the assessment of the scope of insured medical services by FY 2016 and considering measures to make medical services with lower cost-benefit performance continuously available for the combination of insured and uninsured medical services.
 - Introducing a system (Japanese-version compassionate use system) in FY 2015 to expand access to investigational new drugs for patients who cannot participate in clinical trials

4. Regional Revitalization and Innovation of Small and Medium-sized Enterprises/Regional Economic Structure Reform

<h5>1) Regional Revitalization and Innovation of Small and Medium-sized Enterprises</h5>

- Building a support platform to realize regional revitalization measures in one package
 - The Local Revitalization Act will be revised to integrally operate various regional revitalization measures of various government ministries and agencies and concentrate policy resources in motivated regional communities.

[Seeking to submit relevant bills during the next ordinary Diet session]
- “Hometown specialty support” led by regional small and medium-sized

enterprises and nurturing strategic industries led by regional medium-sized enterprises.

- The development and commercialization of “hometown specialties” using regional resources including tourism resources and agriculture-forestry-fishery goods will be promoted with consideration given to the viewpoint of consumers.
 - Industrial, academic, government and financial sectors will cooperate to support research and development, commercialization, sales channel development and overseas expansion to nurture regional strategic industries.
- Regional collaboration among primary, secondary and tertiary industries and dairy farmers’ creativity
- Regional collaboration among primary, secondary and tertiary industries using regional resources involving various business operators will be promoted. The Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion in Japan (A-FIVE) will be proactively used as the core for the promotion.
 - As for livestock and dairy farming, arrangements will be developed for supply, processing and distribution of regional feed resources including feed rice to promote the differentiation and branding of products. At the same time, livestock clusters will be created for regional efforts to improve earnings.
- Developing world-class attractive tourism areas
- Visa issuance requirements will be eased in line with an “Action Program toward the Realization of Japan as a Tourism-Oriented Country 2014”
 - Wider-area cooperation between regions will be enhanced to strengthen the communication capacity. Various wider-area tourism routes rich with stories and themes appealing to target markets will

be developed and provided and proactively communicated to foreign countries.

- Multi-language services will be promoted in art galleries, museums, natural parks, tourist spots, roads and public transportation systems.
- Under the consumption tax-free system for foreign tourists, the number of tax-free shops in Japan will be doubled to 10,000 towards 2020.
 - Realizing private sector players' infrastructure management using PFI and PPP initiatives
 - Three years to the end of FY 2016 will be designated for intensive efforts to implement PFI projects for private entities given infrastructure concessions. Numerical targets (six airport, six water system, six sewage and one road projects) will be set for the period. The target of implementing 2 trillion to 3 trillion yen worth of projects over 10 years to 2022 will be achieved over three years to the end of FY 2016.

2) Promoting regional economic structure reform

- Developing comprehensive policy promotion arrangements
 - It is important to promote a comprehensive policy to maintain regional vitality, prevent excessive concentration in Tokyo and overcome the declining birthrate and population while attempting to intensify and accumulate urban functions, industries and employment. A headquarters for such promotion will be created to develop government-wide arrangements.

II. Three Action Plans

The Japan Revitalization Strategy sets forth Key Performance Indicators (KPIs) regarding each set of policy measures. In order to ensure that it is a “constantly evolving growth strategy,” progress in implementation of individual measures is checked through a bottom-up process. Meanwhile, progress in achieving KPIs is reviewed through a top-down process, and based on the review results, the measures may be revised.

Accordingly, we have decided to check on progress in the implementation of individual measures presented in the Japan Revitalization Strategy and review the progress in achieving KPIs at the time of this revision of the growth strategy, strengthening existing measures or adopting additional measures if necessary.

The Japan Revitalization Strategy comprises three plans: the Industry Revitalization Plan, the Strategic Market Creation Plan and the Strategy of Global Outreach. Below, we will provide an overview of progress in achieving KPIs and in implementing individual measures under these plans and describe specific new measures to be taken.

I. Industry Revitalization Plan

1. Accelerating structural reform program (Vitalizing industries)

(1) Progress in achieving KPIs

<KPI> Bring private capital investment back to the pre-global financial crisis level (¥70 trillion/year) over the next three years

⇒ FY2013: ¥66.9 trillion (FY2012: ¥64.6 trillion)

<KPI> Ensure that the business startup rate exceeds business closure rate, and raise the current business startup and closure rates to the 10% range (up from the current rates of around 5%), on a par with the US and UK

⇒ In the third quarter of FY2013 (April–December 2013), 17,304 companies (up 14% from the same period of the previous year) received loans for business startup totaling ¥134.3 billion (up 33% from the same period of the previous year) from Japan Finance Corporation's Micro Business and Individual Unit. Both figures were the highest in seven years.

(2) Progress made in implementing measures

(The Industrial Competitiveness Enhancement Act was enacted, followed by the introduction of various new programs)

- The Industrial Competitiveness Enhancement Act was enacted in December 2013 and entered into force in January 2014. Under this law, the Special System for Corporate Field Tests and the System to Eliminate Regulatory Gray Zones, among other programs, have been established in order to encourage companies to take on the challenge of venturing into new frontiers of business. New business models taking advantage of these programs are already starting to emerge. In addition, following the FY2014 tax reform, tax measures that promote investment in highly productive facilities, business realignment intended to improve profitability, and investment in venture business by private sector companies have been introduced. In particular, the number of capital investment projects implemented under the tax measures for promoting investment in facilities expects to reach 10,000 as of the end of May.

(The revised Companies Act was enacted in June and the Japan's Stewardship

Code was formulated)

- In order to enhance corporate governance, the revised Companies Act was enacted in June 2014. Under the revised Act, listed companies are required to “comply or explain” (comply with the principles of corporate governance or, when not complying, explain the reason for non-compliance) with regard to the principle of appointing outside directors. In February 2014, the Japan’s Stewardship Code was formulated. To promote greater awareness of the Code, the Government decided to periodically publish the names of institutional investors who announced their acceptance of the Code, and began to publish the list in June 2014.

(A legislative revision intended to promote the use of crowdfunding was enacted and the angel taxation scheme was improved)

- In order to promote investment in venture business, the amendments to the Financial Instruments and Exchange Act for promoting the use of security-based crowdfunding were enacted in the ordinary session of Diet in 2014 and measures to improve the angel taxation scheme were implemented.

(3) Specific new measures to be taken

As a result of initiatives conducted so far, companies are increasing moves to start new businesses and take steps to enhance profitability and productivity. From now on, in order to further encourage such moves, the Government will further strengthen measures using new approaches.

i) Enhancing corporate governance, promoting the supply of risk money and improving the investment chain

In order to increase corporate profits through improvement of productivity and ensure that the increased profits lead to increase of wages , reinvestment and the return of profits to shareholders, it is important – primarily for global companies – to achieve sustainable increases in corporate value by giving consideration to the cost of capital and enhancing corporate governance.

To that end, it is necessary not only to encourage companies themselves to act proactively but also to implement initiatives to improve corporate profitability and productivity in a comprehensive manner. These initiatives will be

implemented through the efforts of various investors to improve the investment chain — the series of investment processes leading up to the return of profits earned from investment to households — in a way that leads to the creation of value in the long term and support extended by financial institutions as providers of funds to improve and strengthen the quality and sustainability of the borrower’s businesses.

It is important to strengthen the favorable economic cycle by returning the benefits of economic growth achieved through these initiatives throughout the economy via the expansion of employment opportunities, wage increases, and increases in capital expenditures and distribution of dividends.

To that end, the following measures will be implemented:

1) Drafting the Corporate Governance Code, etc.

Corporate governance is the system which supports companies making timely entrepreneurial decisions with transparency and integrity and with due regards to the views of shareholders as well as customers, employees, local communities and other stakeholders. Principles outlining key elements of good governance should help companies’ initiatives towards sustainable growth of their corporate values and would thereby contribute to the prosperity of the companies themselves, investors and, ultimately, the whole economy.

The “Corporate Governance Code” will be drafted, specifying the principles of corporate governance to be applied by listed companies. The Code will be drafted by referring to, among other rules, the Tokyo Stock Exchange’s existing rules and guidelines regarding corporate governance, and the OECD Principles of Corporate Governance. The Code will, while reflecting the circumstances of Japanese companies, aim to attain international reputation. To that end, a council of experts of which the Tokyo Stock Exchange and the Financial Services Agency will jointly act as a secretariat, will aim to prepare key elements of the Code by around this autumn so that the Tokyo Stock Exchange can newly draft the Code in time for the season of general shareholders’ meetings in (June,) 2015. Effectiveness of the new Code shall be ensured through “comply or explain” approach. The listing rules of Tokyo Stock Exchange will require listed

companies to either comply with the principles contained in the Code or explain the reason why they did not comply with such principles.

Moreover, as well as examining approaches to exercising the voting rights attached to shares held under cross-shareholding arrangements, efforts will be made to ensure that the purpose of holding shares owned for policy reasons is specifically indicated and explained. In addition, each listed bank or bank holding company will be encouraged to introduce at least one, and preferably two or more, independent outside directors. Banking subsidiaries wholly owned by listed bank holding companies will also be encouraged to consider introducing independent outside directors.

2) Support by financial institutions for business management and promotion of business restructuring to achieve the renovation of industries

In order to promote improvements in business quality and business/corporate restructuring, financial institutions are expected to provide financing taking well into considerations not only the financial condition of debtor companies, but also the growth potential of the debtor's business, including their sustainability, as well as to cooperate with relevant stakeholders to improve the performance, productivity, and sustainability of businesses. Financial institutions are encouraged to strengthen their functions and capacities to support this, and the Government will appropriately supervise and support financial institutions pursuant to the Supervisory Policies and the Financial Monitoring Policy from such perspectives.

With the objective of achieving prompt business restructuring, in order to further promote the renovation of businesses and industries, the Government will reassess the legal systems and practice related to business restructuring. In particular, when revising the Act on Special Measures Concerning Claim Management and Collection Businesses (Servicer Act), the Government will provide the necessary cooperation. Furthermore, the Government will reassess the rules related to business restructuring, including out-of-court debt restructuring, so as to ensure that business restructuring is not hindered by unreasonable opposition from a minority of creditors.

3) Promoting medium- to long-term funds for growth using private financing

In order to realize sustainable growth by improving companies' medium- to long-term profitability and productivity and promoting industrial restructuring, enhancing the provision of private financing, including long-term financing is necessary, especially as there is shortage of such financing by banks and provisionally-established public-private sector funds. Financing should target fields as growth-oriented business innovation, investment in and startup of venture businesses, and infrastructure development. Therefore, the Government will improve the environment to promote the supply of medium- to long-term funds for growth using private financing, including (i) equity, (ii) mezzanine finance (preferred shares, and subordinated loans) and (iii) medium- to long-term loans. These tools will make use of the knowledge and expertise of the private sector while taking into consideration the view that various investors should seek returns, keeping in mind to create values in the long term. To that end, relevant ministries and agencies will cooperate in establishing a forum for discussion and examine specific topics.

4) Supporting overseas business deployment to improve companies' profitability

The Japan Bank for International Cooperation (JBIC) will focus more on projects that contribute to improving the profitability of Japanese companies through its Loan Facility to Enhance Global Business Development and will introduce (i) subordinated loans, and (ii) financing for Leveraged Buyout (LBO), as new means of providing funds that supplement financing for the private sector.

5) Setting global benchmarks to promote initiatives to improve profitability and restructuring

In order to encourage companies to improve profitability and rebuild business models, the Government will conduct a comparative study on the growth potential of the business models of global leading companies and Japanese companies, and conduct a wide-ranging study on global benchmarks that may serve as a reference for business decisions and business

support. In addition, while taking into consideration the results of the study, the Government will promote initiatives to improve profitability and restructuring under Article 50 of the Industrial Competitiveness Enhancement Act, etc. (market structure surveys and disclosure) as necessary.

6) Promoting dialogue between companies and investors for sustainable corporate value creation

In order to promote dialogue between companies and investors, the Government will conduct a study how the date of general shareholders' meetings and the dates of record should be established within an international context, and industry groups will be asked to study guidelines for these.

Regarding companies' information disclosure to investors, in order to study the practice of holistic and comprehensive disclosure by companies, study group comprising relevant government ministries/agencies and other organizations will be established without delay.

At the same time, in order to promote the building of sound relationships between companies and investors from the perspective of the sustainable creation of corporate value, the Government will promote the establishment of a platform for discussion involving the business and investment communities and relevant organizations, to study how mid/long-term information and integrated reporting should be disclosed, and how to promote constructive dialogue between companies and investors.

ii) Support for ventures businesses

It is necessary to implement more effective, unconventional measures to support venture businesses.

1) Involving large companies through a Venture Business Creation Council (tentative name)

The following measures will be implemented in order to promote not only conventional measures, such as those focusing on venture businesses themselves and support for university-launched ventures, but also measures to encourage the Japanese economy as a whole, including existing businesses, to take on bold challenges:

- Establish a Venture Business Creation Council (tentative name),

consisting of large companies willing to cooperate in supporting venture businesses, as a platform for facilitating matching between venture businesses and large companies and for supporting commercialization of business seeds while taking into consideration the possibility of temporarily accepting aspiring entrepreneurs working for large companies, in order to promote partnership between venture businesses and large companies and create large company-launched ventures.

- Establish an information hub as a meeting place for individuals and organizations involved in venture business activities across Japan.
- Expand the range of exit strategy options for venture businesses through M&As with large companies, by further promoting the adoption of International Financial Reporting Standards (IFRS).
- Promote engagement in multiple businesses and side businesses and provide support for a second chance to start businesses, including the provision of funds necessary for business closure through the enhancement of low-interest loans from Japan Finance Corporation and other financial institutions.
- Open a Successor Talent Supply Agency as a pool of would-be entrepreneurs.
- Study models of supporting the startup of venture businesses, etc. using local resources which utilize crowdfunding.
- Study how to promote the use of class shares.

2) Improving the support environment by promoting participation in government procurement and other means

The Government will study support measures, including revising Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprise (Public Agency Order Act), promoting participation by young companies (small and medium-sized venture businesses) in government procurement, setting targets for the allocation of research funds by public organizations to venture businesses, etc. and clarifying the handling of employment insurance benefits for people preparing for or considering business startup while engaged in job-seeking.

3) Changing attitudes among citizens and conducting entrepreneurship education

In order to change attitudes among citizens to encourage a more favorable view of venture businesses, the following measures will be implemented:

- Prepare and disseminate a collection of case studies that can be used by teachers.
- Support the local high schools to be “glocal leader” training centers under the cooperation with companies.
- Promote entrepreneurship education format at the elementary and secondary education level using entrepreneur training programs based on cross-sectoral curricula designed at specialized upper secondary schools.
- Promote the enhancement and internationalization of a network of teachers giving entrepreneurship education lessons at universities and graduate schools.
- Dispatch people involved in venture business activity to Silicon Valley and establish a network of top-class venture business support personnel.
- Strengthen efforts to identify innovative IT ventures and encourage successful entrepreneurs to support business startup.
- Create an award program (Prime Minister’s Awards) to publicly commend venture business activity.
- Study the possibility of enhancing the low-interest loan program to encourage the creation of venture businesses using a wide variety of human resources.

iii) Improving the productivity of service industries

In order to improve the productivity of service industries, which account for around 70% of Japan’s GDP, it is important to promote innovative business approaches, such as marketing using big data. To that end, the following measures will be implemented:

- Analyze best practices related to high-value-added service business models through an organization called Service Productivity & Innovation for Growth (SPRING) and disseminate these best practices by creating a Japan Service Business Award (tentative name) (to be launched in FY2015).
- Develop and popularize practical business management programs focused on

service industries, to be adopted by graduate schools and universities aiming to nurture innovative service business managers, and practical education programs to be adopted by professional training colleges, etc.

- Establish a system to certify the quality of business support services by the end of FY2015.
- Formulate guidelines for specific methods and procedures that will enable small and medium-sized service businesses to improve productivity.

2. Reforming the employment system and reinforcing human resources capabilities

2-1. Labor movement without unemployment / Enhancing matching function / Realizing various ways of working

(1) Progress in achieving KPIs

<KPI> Decrease by 20% people who have been unemployed for more than six months in the next five years (2012 figure: 1.51 million)

⇒ 2013 figure: 1.42 million

<KPI> Raise the hiring rate for general workers (excluding part-time workers) who changed their job within a year to 9% in the next five years (2011 rate: 7.4%)

⇒ (2012 rate: 7.7%)

(2) Progress made in implementing measures

(Fundamental shift from the Employment Adjustment Subsidies to the Labor Movement Support Subsidies)

- Under the FY2014 budget, ¥30.1 billion was allocated to the Labor Movement Support Subsidies, to raise its budget above that of the Employment Adjustment Subsidies by FY2015. In March 2014, the Employment Insurance Act was revised to strengthen support measures to promote medium- and long-term career development for working people.

(Disclosing information on job vacancies and job-seekers held by Hello Work public employment support offices)

- Regarding information on job offers held by Hello Work public employment support offices, preparations are underway to start online disclosure to private-sector human resource businesses, etc. in September 2014. The Government is studying specific means of disclosing information on job-seekers, taking into account the results of a needs survey conducted in 2013.

(Deliberations on achieving diverse ways of working)

- Regarding the achievement of diverse ways of working, the Government began considering how to popularize and expand diversified regular workers. In

addition, the Government implemented institutional reforms that facilitate flexible, diverse ways of working, including the adoption of special provision under the Labor Contract Act (enacted in December 2013), targeting university researchers, etc.

(3) Specific new measures to be taken

Under the growth strategy set forth in 2013, in order to achieve labor movement without unemployment, the Government made a bold policy shift from maintaining existing jobs to supporting moves into growth sectors. At the same time, in order to achieve a world-class employment environment and ways of working, it is necessary to establish a new system that facilitates job-specific and creative ways of working that evaluate workers based on performance rather than the time spent on work, standing alongside the membership-type ways of working typified by such practices as lifetime employment and frequent transfer between various job positions. It is also necessary to establish a transparent dispute resolution system that is globally accepted. To that end, designating the next three years as a period for intensive reform to improve the employment environment, the Government will implement the following measures:

i) Reforming ways of working

1) Enhancing measures to prevent overwork

As the prerequisite for achieving a world-class employment environment, every possible effort will be made to prevent overwork. To that end, the Government will implement specific measures, such as strengthening systems of inspection and guidance to rectify the culture of long working hours at companies, etc., and enhancing Labor Standards Inspection Office inspections and guidance targeting companies suspected of engaging in illegal practices. In addition, in order to promote ways of working that encourage a good work-life balance, the Government will popularize a morning-oriented working style, in which workers go to the workplace early in the morning and leave in the late afternoon. Moreover, in order to improve Japan's culture of overwork, the Labor Policy Council will consider measures to curb long working hours and to promote the use of annual paid leave.

2) Introducing a system to evaluate not based on working hours but on performance

- In order to meet the needs of workers who would like to be evaluated not based on working hours but on performance, a new working hour system to break the link between wages and the length of time spent at work will be created, while protecting workers' health and achieving a better work-life balance for workers who have a specific scope of duties and advanced professional skills, and meet a certain annual income requirement (e.g., a minimum of ¥10 million). After the Labor Policy Council has completed its deliberations and reached a conclusion on the system, the Government will take the necessary legislative measures during the next ordinary Diet session.

3) Establishing a new framework for the discretionary work system

A new framework for the discretionary work system will be established by revising the scope of workers eligible for the system and amending the relevant procedures, with a view to improving productivity, achieving a better work-life balance, and protecting workers' health so that workers involved in companies' core operations and R&D activities under the system can exercise their creativity, leading to improved corporate competitiveness. After the Labor Policy Council has completed its deliberations and reached a conclusion on the system, the Government will take the necessary legislative measures during the next ordinary Diet session.

In doing so, the Government will reform the discretionary work system in accordance with its primary purpose so that workers can actually work at their own discretion, taking into consideration the view that the existing discretionary work system does not diffuse enough and allow workers to work autonomously.

4) Reforming the flextime system

In order to further facilitate flexible and various ways of working in light of the needs of workers caring for children and elderly relatives, the Labor Policy Council will examine reforms of the flextime system, such as extending the settlement period for working hours so as to enable flexible allocation of working time across two or more months and the use of annual

paid leave to avoid pay being reduced when leaving the workplace earlier than the prescribed time. After the Council has reached a conclusion, the Government will take the necessary legislative measures during the next ordinary Diet session.

5) Diffusion and expansion of job-specific diversified regular workers

There is a move to introduce diversified regular workers arrangements, such as employing region-specific regular workers. In order to meet the needs of workers pursuing a professional career, the introduction and popularization of job-specific regular workers are expected. By July 2014, the Government will put together the Points to Remember Regarding Employment Management, which will prescribe the statement of working conditions, among other matters, and will also publish it as model cases of diversified regular workers to ensure widespread awareness of such employment arrangements among companies. By the end of 2014, the Government will announce and raise awareness about the interpretation of the Labor Contract Act, with reference to such matters as the statement of working conditions (including the specific details of jobs) at the time of the conclusion or modification of labor contracts, as well as status-switching and equal treatment between diversified regular workers and ordinary regular workers. At the same time, the Government will establish several best practices of diversified regular workers involving workers with advanced professional expertise that may serve as models, as well as gathering a wide range of examples of employment rules, and disseminating relevant information. The Government will also conclude a study by the end of FY2014 on support to expand the introduction of diversified regular workers arrangements that give consideration to the Points to Remember Regarding Employment Management and will start implementing them in FY2015.

6) Improving the environment to raise the minimum wage to facilitate sustainable economic growth

In order to maintain and expand a virtuous cycle of wage growth in all income groups and increased corporate earnings, the Government will seek to raise the minimum wage while supporting improved productivity among small and medium-sized enterprises (SMEs) and micro enterprises.

ii) Creating a highly foreseeable labor dispute resolution system

The Government will attempt to create a highly foreseeable labor dispute resolution system in order to resolve the problem that Japanese employment practices are less transparent especially for foreign countries, protect workers at SMEs, and promote foreign direct investment in Japan.

1) Analysis of cases dealt with via mediation, labor tribunal decision, and conciliation

Regarding the analysis and classification of cases of mediation, labor tribunal decision, and conciliation, which are used to resolve labor disputes, the Government will clarify as far as possible the relationship between the amount of money paid to resolve disputes and various factors, such as workers' attributes in terms of employment, their wage levels, and company size. Based on the results of this analysis, the Government will develop a usable tool within one year.

2) Establishing a transparent and objective labor dispute resolution system

Given that major industrial countries have developed mechanisms for providing workers with pecuniary remedies through judgments in line with their respective employment systems, the Government will analyze cases of mediation, etc. and conduct surveys and studies concerning relevant systems and their management in other countries by the end of FY2014. Taking into account the findings of these surveys and studies, the Government will promptly establish a forum for discussion of specific approaches to globally-accepted, transparent, fair and objective labor dispute resolution systems and conduct wide-ranging deliberations by the end of 2015.

iii) Achieving labor movement without unemployment by revitalizing the external labor market

In order to create a society in which workers can enhance their skills outside their companies and switch to suitable jobs, the Government will drastically strengthen measures to achieve smooth movement of labor via a nationwide initiative involving the national government and local governments, as well as

the private sector. To that end, it will enhance various measures, as described below.

1) Fundamental reform of the Job Card system (from the Job Card to a career passport system (tentative name))

Based on a rigorous review of the current situation in light of the failure of the Job Card system to become widely used, the Government will fundamentally reform the concept and format by the end of FY2014, re-launching it as a career passport which people can begin using when working during their student years and which specifies their duties, achievements, experience, and skills. At the same time, the Government will examine measures to popularize the career passport, reaching a conclusion by the end of FY2014. In particular, regarding measures to provide incentives to use the career passport system within the system of subsidies for skills development, the Government will conduct a study and reach a conclusion by the end of August 2014.

2) Reform of vocational ability evaluation system

To maximize the function of the labor market in matching workers with jobs, it is necessary to facilitate objective comparison of the vocational skills required by industries and those possessed by individual workers. To that end, in addition to reforming technical skills tests and promoting the use of such tests, the Government will promote the systematic improvement and expansion of practical tests organized by industry groups in the service sector and the integrated management of these tests and education and training programs by providing support to the groups concerned. The Government will also study approaches to policy on performance evaluation, including the Human Resources Development Promotion Act. This study will include a review of vocational ability evaluation system as a whole. The Labor Policy Council will hold discussions and reach a prompt conclusion, taking into account the results of this study, after which the Government will submit any bills required and take any other measures deemed necessary.

3) Improving the system of career consulting

Career consultants need to be easily accessible by workers who are reviewing their vocational experience and skills, and seeking opportunities to advance up the career ladder or change careers. Therefore, the Government will formulate a career consultant training plan by the summer of 2014 in order to steadily cultivate career consultants. In addition, by the end of August 2014, the Government will study and reach a conclusion on the provision of incentives to use career consultants.

The Government will conduct a study and reach a conclusion by the middle of 2015, concerning specific measures to ensure that steady progress is made in putting in place a career consulting system at most companies.

4) Enhancing the matching function of the external labor market through cooperation between the public and private sectors

In order to enhance the functions of Hello Work public employment support offices, the Government will conduct a study by the end of FY2014 concerning specific measures to establish a mechanism that rewards highly-motivated Hello Work employees by comparing and disclosing the performance of individual offices, and will start implementing these measures in FY2015. In addition, in order to promote appropriate evaluation and active use of private-sector human resource businesses, the system for certifying high-caliber private-sector businesses will begin operating in the latter half of FY2014. The Government will also identify and disseminate best practices so as to extend enhanced partnerships between Hello Work offices and local governments nationwide.

5) Promoting the best mix of vocational training that meets the needs of industry

The Government will conduct rigorous checks of the usefulness of vocational training programs in each region, taking into account the needs of industry. Through these checks, it will promote efforts to improve the content of education and training and achieve the best mix of vocational training, taking advantage of the merits of various types of training, including employment-type training. At the same time, in order to ensure that all education and training organizations commissioned or certified by

administrative organizations establish systems to improve the quality of training tailored to the needs of companies, etc. through the PDCA cycle, the Government will hold seminars nationwide concerning guidelines for vocational training services that meet international standards. Moreover, the Government will conduct surveys and research concerning the objective analysis of the effects of training and will reform vocational training in light of the results. Through these measures, the Government will drastically strengthen evaluation of the outcomes of training.

2-2. Promoting active social participation by women / Promoting active social participation by the young and the elderly / Utilizing foreign human resources

(1) Progress in achieving KPIs

(Promoting active social participation by women)

<KPI> Aim for the elimination of childcare waiting lists by securing childcare arrangements for about another 200,000 children by the end of FY2014 and about another 400,000 children by the end of FY2017 (Plan to Accelerate the Elimination of Childcare Waiting Lists)

⇒ 2013: Number of local authorities participating in the Plan to Accelerate the Elimination of Childcare Waiting Lists – 351 municipalities (as of August)

<KPI> Boost the employment rate of women (aged 25–44) to 73% by 2020 (currently 68%)

⇒ FY2013: 69.5%

<KPI> 30% of leadership positions held by women in 2020

⇒ Proportion of managerial posts held by women in 2013: 7.5% (6.9% in 2012)

(Promoting active social participation by the young and the elderly)

<KPI> 2020: 78% employment rate among those aged 20–34 (2012: 74%)

⇒ 2013: 75%

<KPI> 2020: 65% employment rate among those aged 60–64 (2012: 58%)

⇒ 2013: 59%

<KPI> 2020: 2.0% actual employment rate among people with disabilities (2012: 1.69%)

⇒ 2013: 1.76%

(Utilizing highly skilled foreign professionals)

<KPI> Achieve a significant increase in the number of foreign nationals recognized as highly skilled professionals from the baseline figure 11 months after the introduction of the points system (about 430 people)

⇒ A total of 995 foreign nationals were recognized as highly skilled professionals between the introduction of the points system (May 2012) and February 2014

(2) Progress made in implementing measures

(Steadily implementing the Accelerate the Zero Childcare Waiting List Project)

- A total of 351 municipalities were participating in the Plan to Accelerate the Elimination of Childcare Waiting Lists by August 2013 and the Government is providing powerful support for initiatives by local authorities aimed at eliminating childcare waiting lists, such as supplementing the operating expenses of nurseries while securing stable sources of revenue.

(Promoting disclosure of information on appointment of women / Strengthening support for balancing work and family life)

- The Government has established a website for promoting disclosure of information on active social participation by women, providing details of the proportion of women in managerial posts and other data for 1,154 companies (equivalent to about 30% of all listed companies). Moreover, it has sought to develop an environment conducive to promoting active social participation by women. For example, in April 2014, the reform bill to extend the effective period of the Act on Advancement of Measures to Support Raising Next-Generation Children was passed.

(Putting in place an environment conducive to active social participation by the young and the elderly)

- As well as improving employment support functions to promote active social participation by young people, the Government is undertaking initiatives aimed at achieving a smooth changeover in the timing of the start of recruitment/job-seeking activities. In addition, in March 2014 it revised the Employment Insurance Act, strengthening support measures to promote the medium- to long-term career development of working members of society.
- During the 2014 ordinary Diet session, the Government submitted a bill aimed at promoting active social participation by elderly people. This covered such matters as the establishment of a special provision exempting employers from the obligation to grant workers on fixed-term employment contracts open-ended employment if they apply for it after the statutory period has elapsed, to be applied in the case of elderly people past the mandatory retirement age.

(Easing requirements for the acceptance of highly skilled foreign professionals)

- In 2013, the Government implemented measures aimed at increasing the convenience of preferential measures to promote the utilization of highly skilled foreign professionals. More specifically, these related to the relaxing of requirements for recognition as a highly skilled foreign professional, such as revising the minimum annual income criterion, as well as eligibility to be accompanied by parents or domestic workers. Furthermore, in June 2014, the Act to Amend the Immigration Control and Refugee Recognition Act was enacted to establish a new status of residence with an indefinite period of stay targeting highly skilled foreign professionals.

(Utilizing foreign human resources in the field of construction and shipbuilding)

- The Government has decided to promote the utilization of work-ready foreign human resources on condition that employers do their utmost to secure human resources within Japan by such means as improving treatment and the structure of multi-layer subcontracting, and increasing on-site efficiency. This will be a fixed-term and urgent measure (ending in FY2020) aiming at further accelerating reconstruction projects, while meeting the temporary expansion of construction demand from developing facilities for the 2020 Tokyo Olympics and Paralympics. The Government will make the necessary preparations and aim to start accepting foreign human resources under this system at the beginning of FY2015. There is considerable mobility of labor between the construction and shipbuilding industries; thus, the aforementioned measures in the construction industry are likely to have a significant impact on the shipbuilding industry. In addition, the shipbuilding industry makes a substantial contribution to regional economies, as well as supporting Japanese exports through its high domestic production rates. Accordingly, the Government will also take similar fixed-term and urgent measures in this industry and make the requisite preparations to ensure that there is no loss of production opportunities recovered rapidly as a result of Abenomics.

(3) Specific new measures to be taken

The Government will make further progress with the initiatives that it has been undertaking since 2013 to promote the social participation of women, young people, elderly people, and foreign human resources, thereby building a society in which motivated and capable people can work with vitality.

i) Promoting active social participation by women

(Enhancing the environment to support childcare and housework)

It is necessary to consider measures aimed at developing environments that offer parents reassurance that their children will be safely looked after, and measures to alleviate the financial burden of housework, so that the power of women – Japan’s greatest potential – can be fully utilized, allowing the creation of a society in which women shine. Accordingly, as well as undertaking initiatives to eliminate childcare waiting lists in accordance with the Plan to Accelerate the Elimination of Childcare Waiting Lists, comprehensive after-school measures will be required for elementary school children, to deal with the problem of what has been dubbed the “first-grade barrier.” In conjunction with these initiatives, the Government will develop an environment that enables housekeeping support services to be used cheaply and with peace of mind.

1) The Comprehensive After-school Program for Children

To conquer the so-called “first-grade barrier” (the situation in which women find themselves compelled to quit their jobs once their child enters elementary school) and nurture the next generation of workers, the Ministry of Health, Labour and Welfare and the Ministry of Education, Culture, Sports, Science and Technology will jointly formulate the Comprehensive After-school Program for Children mid-year and systematically develop after-school clubs and classes for children, with a primary focus on an integrated approach. As part of this initiative, they will implement the requisite institutional measures within the FY2014, such as revising the Guidelines on Preparing Action Plans in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and asking local authorities to formulate such plans. This will ensure that full use can be made of school facilities (such as spare classrooms and

classrooms that are temporarily unused out of school hours), that after-school club opening hours can be extended, and that after-school clubs and classes for children based on an integrated or collaborative approach can be steadily implemented in all elementary school districts. As well as making after-school club places available for about another 300,000 children by the end of FY2019, the Government will establish integrated after-school clubs and classes for children in at least 10,000 locations.

2) Steady implementation of measures to secure nursery teachers

To ensure that the Plan to Accelerate the Elimination of Childcare Waiting Lists is implemented without fail, the Government will prepare the Plan for Securing Nursery Teachers, aiming to publish it within 2014. Having identified how many nursery teachers are needed nationwide, based on the plans of local governments under the Comprehensive Support System for Children and Child-rearing, this will stipulate numerical targets and time frames for the hiring of such teachers, and will also provide a roadmap for promoting human resource development and support for re-employment. In conjunction with this, the Government will make any revisions that are required, depending on the progress status of the Plan to Accelerate the Elimination of Childcare Waiting Lists at the end of FY2014.

3) Creation of childcare support workers (tentative name)

In the field of wide-ranging childcare support tailored to local needs, such as small-scale childcare, in conjunction with the entry into force of the Comprehensive Support System for Children and Child-rearing, the Government will create a mechanism to enable those who have undergone the requisite training to be certified as childcare support workers (tentative name). This will allow homemakers and others with ample experience of child-rearing to play an active role in society. At the same time, the Government will also consider mechanisms for making it easier for these childcare support workers (tentative name) to develop their skills with a view to becoming nursery teachers, domestic child-minders, and after-school child support workers.

4) Realization of reasonable and reliable housekeeping support services

The Government will support voluntary initiatives by the industry to ensure the quality of housekeeping support services, to reduce the burden on users and build a mechanism for the supply of reliable services. To this end, it will establish a committee composed of major business operators, which will consider specific measures and reach a certain conclusion within FY2014.

5) Utilization of foreign housekeeping support workers to promote active social participation by women and meet the need for housekeeping support [described below]

(Described in “ii) Accelerated promotion of National Strategic Special Zones,” in “5. Further strengthening Japan’s international competitiveness as a business hub,” “5-1. Realizing National Strategic Special Zones / Opening up rights to operate public facilities, etc. to the private sector (expanding utilization of PPP/PFI) / Improving infrastructure such as airports, ports and harbors / Improving competitiveness of cities.”)

(Developing an environment that encourages the appointment of women to posts at companies, etc.)

As well as developing a women-friendly workplace environment, it is necessary to conduct intensive, comprehensive initiatives aimed at increasing the proportion of women in leadership positions. In conjunction with this, the Government will provide support to ensure that the abilities of women are fully utilized, so that their potential can be realized.

6) Construction of a new legal framework for promoting active social participation by women

With a view to achieving the goal of 30% of leadership positions held by women in 2020, the Government will consider a new comprehensive framework for achieving steady advances, to ensure sustained initiatives to promote active social participation by women.

More specifically, the Government will consider how actors in the public and private sectors should respond, including ascertaining the current

situation regarding the appointment of women by the national government, local governments, and private sector business operators, as well as setting targets for their appointment, formulating voluntary action plans for achieving those targets, and disclosing information about these. Furthermore, to encourage initiatives by the various actors, the Government will consider measures aimed at ensuring their effectiveness, such as accreditation mechanisms and the granting of incentives. The Government will aim to submit a bill to the Diet, after reaching a conclusion on these during FY2014.

The Government will require counterparts in public procurement and subsidized projects to submit reports concerning their initiatives focused on such issues as work-life balance and the appointment of women, while giving due consideration to the burden on business operators and contract bidders. In addition, it will facilitate the disclosure of information about company initiatives and formulate guidelines for initiatives that incorporate appropriate evaluations of companies which are making positive efforts to promote active social participation by women, with a view to expanding opportunities for such companies to win government contracts and subsidies.

Furthermore, the Government will enhance initiatives in areas such as the development of an environment that facilitates women's return to the workplace, for example, securing replacement personnel during childcare leave and formulating plans to support women when returning to the workplace after childcare leave; consideration of grants for employers that provide training to increase women's skills after they return to the workplace and incentives to be granted to employers accredited under special measures in the revised Act on Advancement of Measures to Support Raising Next-Generation Children; and support for employers that proactively support their staff members in balancing work and family life, such as encouraging men to play an active role in childcare.

In conjunction with this, comprehensive health support that meets the specific needs of women is required in order to promote their active social participation. Accordingly, the Government will formulate the requisite measures from a comprehensive perspective, taking into account proposals from the ruling party, among others.

7) Encouragement of companies to disclose information on the appointment of women and rethink ways of working to support efforts to balance work and family life

As well as obliging companies to specify the proportion of women in executive posts in Annual Securities Report, the Government will require financial instruments exchanges to include information concerning the appointment of women to executive and managerial posts and initiatives being taken to promote their appointment in Report Concerning Corporate Governance.

Moreover, the Government will collate information about the appointment status of women at companies to compile a comprehensive database and will promote initiatives aimed at facilitating women's active participation in corporate management.

Furthermore, to ensure that both men and women can balance work with family life, the Government will encourage efforts to upgrade the workplace environment via the revised Act on Advancement of Measures to Support Raising Next-Generation Children, among other measures. Through this, it will encourage efforts to reduce long working hours and promote the taking of annual paid leave. In conjunction with this, the Government will consider how to promote diverse, flexible ways of working, such as the popularization of a morning-oriented work style, in which workers arrive at work early in the morning and leave in the late afternoon, and revising the flextime system. In addition, in order to promote telework, the Government establishes new models to put it into practice and provides information on how to introduce it. In addition, it will seek to promote teleworking by building new models and offering know-how concerning its introduction.

8) Expansion of the employment and appointment of female staff in the national civil service

With a view to increasing women's participation in policy- and decision-making processes, the Government will take the lead in efforts to expand the employment and appointment of female staff. In tandem with this, it will promote a good work-life balance for all staff.

Accordingly, the new Cabinet Bureau of Personnel Affairs will be at the

heart of these efforts, putting in place the framework (e.g., establishing a committee consisting of vice-ministerial level officials from each ministry and agency) that will enable the whole government to take responsibility for endeavors in this area, and will move forward with comprehensive, focused initiatives.

It will also put in place an environment conducive to using systems to support efforts to balance work with family life and promote flexible ways of working tailored to each employee's situation, such as the popularization and expansion of teleworking. In addition, with the understanding and cooperation of relevant organizations, it will undertake more effective initiatives aimed at reducing the amount of overtime worked.

9) Implementation of the Plan for Supporting Active Social Participation by Women (tentative name)

The Government will put together the Plan for Supporting Active Social Participation by Women (tentative name), which will cover initiatives including the establishment of a system of childcare support workers (tentative name), to enable homemakers, etc. to make use of their experience of childcare and other areas by allowing society to fully utilize the abilities that they have developed. In addition, the Government will set up a new committee consisting of representatives from relevant ministries and agencies, and put in place a comprehensive framework for promoting endeavors in this area, including opening the Plan for Supporting Active Social Participation by Women Website (tentative name) and creating regional relearning networks. More specifically, it will undertake initiatives such as Mothers' Hello Work, support for relearning, trial employment, and entrepreneur schools, targeting (1) those who wish to contribute to the community in the fields of housekeeping, childcare, and nursing care; (2) those who wish to seek re-employment as permanent employees and nursery teachers; and (3) those who wish to establish companies or NPOs, etc.

Moreover, as well as promoting efforts to change the mindset among CEOs and managers, the Government will hold women's support conferences in each region, develop platforms for collaboration involving economic organizations, and build frameworks for promoting the appointment of

women, offering support for initiatives being undertaken by individual companies.

10) Promotion of careers education and support for female researchers and engineers, etc.

With a view to active social participation by the next generation of women, the Government will collate and disseminate information for careers education programs, including the provision of role models and lessons delivered by visiting speakers. In addition, it will support universities that are actively seeking to appoint women; reform the research system to promote a better work-life balance, with a view to enabling female researchers to successfully combine research with motherhood; nurture female engineers; and improve the working environment. Moreover, it will make strategic use of JICA volunteer programs as a means of helping women to move up the career ladder.

(Reviewing tax, social security systems to be neutral with regard to how woman choose to work)

While undertaking these initiatives in an integrated manner, it will be necessary to eliminate all barriers impeding active social participation by women. Accordingly, the Government will review systems that inhibit labor participation by women.

11) Reviewing tax, social security systems to be neutral with regard to how woman choose to work

“Promoting active participation by women” section of the Japan Revitalization Strategy states that the Government will consider tax and social security systems that are neutral to the selection of ways of working. Accordingly, since March 2014, the Government Tax Commission has been considering tax systems that are neutral to the selection of women’s ways of working.

Wide-ranging, comprehensive initiatives are essential to the construction of social systems that are more neutral regarding choices about ways of working. Accordingly, amid changes in the socioeconomic situation, including a declining birthrate and aging population, as well as the increase

in double-income households, the Council on Economic and Fiscal Policy will conduct comprehensive deliberations by the end of 2014, concerning such matters as the tax system, the social security system, and the spouse allowance, with a view to further promoting active social participation by women.

- Tax system

Regarding the tax system, the Government Tax Commission will continue to conduct wide-ranging deliberations in partnership with the Council on Economic and Fiscal Policy, examining measures for developing tax systems that are more neutral to selection of women's ways of working, taking into account proposals by the Liberal Democratic Party and the Headquarters for Japan's Economic Revitalization, as well as previous discussions by the Government Tax Commission.

- Social security system

Regarding the social security system, steady progress will be made with comprehensive deliberations on such subjects as expanding the application of employees' insurance and approaches to benefits and burdens, expressly taking into account the need to increase the sustainability of the social security system and the need to build systems that are more neutral concerning women's lifestyles and ways of working. These deliberations will also take into account discussions conducted by the Council on Economic and Fiscal Policy, in light of the fact that it has pointed out that (1) when the income of a woman whose husband is a permanent employee, etc. exceeds ¥1.3 million, she loses her status as a Category 3 insured person, causing her to incur the burden of social insurance premiums and actually reducing her residual income, so wives tend to curb their working hours because of this reversal phenomenon; (2) when working hours exceed a certain level, employers become liable to pay social insurance premiums, so they tend to adjust working hours accordingly; and (3) the Category 3 insured person system is unfair to the wives of self-employed men, etc. and also to unmarried women.

- Review of the spouse allowance

There are cases in which employees with a spouse are granted a spouse allowance. As it has been pointed out that this sometimes results in women's participation in the labor force being curbed, the Council on Economic and Fiscal Policy will seek information and other assistance from the National Personnel Authority and other relevant organizations, to allow it to conduct more in-depth discussions on this topic and thereby further consideration of approaches to the provision of allowances for the spouses of private sector employees and civil servants.

ii) Promoting active social participation by the young and the elderly

Further efforts are required to promote active social participation by not only women, but also young people and elderly people, in order to achieve growth in a society facing population decline. Accordingly, the Government will conduct the following initiatives, in addition to the measures included in the Japan Revitalization Strategy.

1) Promotion of comprehensive measures aimed at the employment and nurturing of the young people who will shape the future

To ensure that youth employment measures covering the preparatory stages of finding employment, job-seeking activities, and career development after being hired are promoted throughout society, the Government will consider comprehensive measures including those outlined below. Where legislation needs to be established to achieve this, the Government will aim to submit the relevant bills during the next ordinary Diet session.

- Enhancing careers education and promoting other measures to foster vocational awareness at the school education stage.
- Ensuring that information about conditions of job offers and the status of youth employment and retention is displayed appropriately.
- Fundamentally strengthening the 'Announcement of Corporations Supporting the Youth' on project, thereby supporting efforts by superior SMEs to disseminate information and hire young people.
- Supporting entrepreneurship and relocation to hometowns or other

regional cities (U-I-J turn), thereby allowing young people to contribute to regional revitalization.

- Promoting initiatives to improve employment management by companies.
- Enhancing and strengthening countermeasures targeting companies suspected of hiring young people as “disposable” workers.
- Enhancing efforts to support casual employees and those classed as not in education, employment or training to start working and shift to regular employment through comprehensive revision of how the collaboration of Hello Work for Young People and Regional Youth Support Stations with regional areas and the private sector should be, among others.
- Helping young people to move up the career ladder by enhancing vocational education and training opportunities.

2) Promotion of active social participation by elderly people to achieve an ageless society

To build a society in which anyone can play an active, meaningful role regardless of age, the Government will promote efforts to increase the prevalence of companies where people can work even after the age of 65. In addition, it will put in place an environment in which elderly people can work in their local area or other areas in need of personnel, and can take part in volunteer activities or other activities in the community.

3) Comprehensive promotion of measures to secure and nurture human resources in areas of labor shortage

The Government will comprehensively promote measures to secure and nurture young people and other human resources, including improvements to employment management, as well as measures focused on matching personnel with suitable jobs, and human resource development in the medical care and welfare, construction, manufacturing, and transport sectors.

iii) Utilizing foreign human resources

(Utilizing highly skilled foreign professionals)

1) Developing an environment conducive to the acceptance of highly skilled

foreign professionals

Amid intensifying competition to acquire personnel, it is vital to attract high-caliber human resources to Japan and ensure they remain in the country to further revitalize the Japanese economy and increase its competitiveness.

Accordingly, the Government will consider, within FY2014, specific measures aimed at fostering greater understanding of Japan to foreign nationals; expanding the acceptance of international students and supporting them in finding employment at Japanese companies; promoting efforts for former participants of the JET Programme to play an active role within Japan; expanding the acceptance of international researchers; promoting the globalization of companies; and identifying and resolving the problems ranging from the acceptance of highly skilled foreign professionals to the improvement of their working and living environments. These initiatives are to be implemented from FY2015, with the involvement of relevant ministries and agencies. In the process of deliberations, where there are issues that cannot be tackled immediately via nationwide initiatives, the Government will consider launching pilot initiatives in the National Strategic Special Zones, among other areas, to verify needs and effects.

Above all, to expand the employment of international students expected to be the highly skilled foreign professionals at Japanese companies (particularly SMEs), relevant ministries and agencies will collaborate in sharing information and seeking to enhance job-matching functions, as well as creating opportunities for leading companies to disseminate information. Moreover, to encourage acceptance of more international researchers, the Government will strengthen international networks through the strategic dispatch overseas and invitation from abroad of excellent young researchers, and the development of research centers both in Japan and abroad.

As well as taking effective steps to ensure thorough awareness (both at home and abroad) of the points system for highly skilled professionals, the Government will promote the retention of highly skilled foreign professionals by reviewing procedures to make them more user-friendly for the foreign personnel who actually use them.

(Revision of the Technical Intern Training Program for foreign nationals)

Moreover, as well as improving the operation of the Technical Intern Training Program, the Government will carry out the following revisions in light of for the actual needs for human resources in overseas.

2) Fundamental revision of the Technical Intern Training Program

To ensure complete adherence to the program which aims at making an international contribution, the Government will not only make improvements to the program, but will also carry out fundamental revisions of the Technical Intern Training Program, including expanding the covered range of occupations, extending the internship periods, and increasing the number of admitted interns. In addition, bills required to comply with this objective will be submitted.

- Fundamental strengthening of the management and supervision system of the Technical Intern Training Program

In light of non-payment of wages, long working hours, and other misconduct under the Technical Intern Training Program, the Government will conduct a fundamental revision of approaches to the supervision and the management of the program by the end of 2014, and will aim to complete the transition to the new program during FY2015. The revision includes the establishment of an integrated system regarding the domestic management and operation of the program through collaboration of relevant ministries and agencies, as well as creating inter-governmental agreements with the interns' countries of origin, bringing external directors into the supervising organizations or making it obligatory to undergo external auditing, and establishing an organization of management and operation of the program based on new legislations. Also, as well as seeking to enhance guidance and supervision by the respective ministries in charge of industries concerned, the Government will develop a system to facilitate the information sharing regarding problems, through establishing regional councils (tentative) consisting of

representatives of relevant organizations.

- Expansion of the range of occupations covered

Fields and occupations that are not currently covered by the Technical Intern Training Program, but expected to be the subject of increasing demand for human resources both in Japan and abroad, will be added to the program, if the skills that can be transferred are deemed to be appropriate in light of the purpose of the program. In the case of the nursing care field, the Government will seek to examine the relationship among the program, the acceptance of candidates to become certified care workers under existing economic partnership agreements, and the granting of work permits to international students who have qualified as certified care workers, regarding which deliberations are already underway. In this regard, the Government will also take into account perspectives characteristic of the service industry, such as the need to guarantee quality via Japanese language requirements, etc., and will seek to complete deliberations and reach a conclusion by the end of 2014. Moreover, as well as occupations regarding which a uniform nationwide response is required, the Government will consider adding occupations based on an assessment of the industrial characteristics of each region.

- Extension of the internship period (three years → five years)

The Technical Intern Training Program currently permits interns to stay in Japan for a maximum of three years, but where the supervising organization and the accepting company are recognized as legitimate organizations due to satisfying certain clear conditions, the Government will permit highly-skilled interns to extend their training period for a maximum of two years, after returning home temporarily. Accordingly, the Government will put in place the requisite institutional measures, with a view to enforce them during FY2015.

- Increasing the admission quota

Under the Technical Intern Training Program in which the accepting companies are basically under surveillance of supervising organizations,

accepting companies with no more than 50 regular employees are permitted to accept three interns, while those with no more than 100 are permitted to accept six, and the like. However, in the case where the supervising organization and the accepting company are recognized as legitimate, due to satisfying certain clear conditions, the Government will permit the expansion of the admission quota, as an incentive aimed at improving oversight of accepting companies by supervising organizations. Accordingly, the Government will put in place the requisite institutional measures, with a view to enforce them during FY2015.

(Consideration of new employment systems in fields where an urgent response is required to ensure sustainable growth)

In addition, as well as implementing measures to promote active social participation by women and ensure that Japan has the human resources it needs, the Government will conduct the following initiatives in fields where labor shortages are already beginning to become apparent in Japan.

3) Acceptance to Japan of employees from overseas subsidiaries of Japanese manufacturers

In light of fears about de-industrialization within Japan due to accelerating overseas expansion by Japanese manufacturing industry, the Government will consider developing systems that will enable domestic bases to function as mother plants, carrying out production activities based on a division of roles with overseas bases, and which will also facilitate research and development and capital investment based on this premise.

Therefore, with the involvement of the competent minister, the Government will allow greater flexibility in the acceptance to Japan of foreign employees on short-term transfers within the enterprise group in question for the purpose of acquiring skills, etc., where the employee in question needs to learn a specific professional skill such as new product development, as long as the company in question and its subsidiary will pay said employee a wage equivalent to that paid to a Japanese national with the same level of skill. Accordingly, the Government will design the specific

institutional arrangements within FY2014.

4) Utilization of foreign housekeeping support workers to promote active social participation by women and meet the need for housekeeping support [described below]

(Described in “ii) Accelerated promotion of National Strategic Special Zones,” in “5. Further strengthening Japan’s international competitiveness as a business hub,” “5-1. Realizing National Strategic Special Zones / Opening up rights to operate public facilities, etc. to the private sector (expanding utilization of PPP/PFI) / Improving infrastructure such as airports, ports and harbors / Improving competitiveness of cities.”)

5) Support for active participation by international students who have obtained national qualifications in the field of nursing care

To enable international students studying in Japan to continue to play an active role within the country after graduating from a Japanese higher education institution and obtaining a specific national qualification such as the certified care worker qualification, the Government will aim to design within 2014 the institutional arrangements for permitting them to work, including augmenting the status of residence categories.

(Medium- to long-term considerations, etc.)

Furthermore, the Government will undertake comprehensive deliberations regarding approaches to the acceptance of foreign human resources in the medium- to long-term, while seeking to shape the national consensus, taking care to ensure that this is not misconstrued as an immigration policy.

As it moves forward with initiatives aimed at utilizing foreign human resources, the Government will also seek to strengthen partnerships with countries that share the same basic values.

2-3. University reforms / Strengthening human resources capabilities to meet the needs of globalization

(1) Progress in achieving KPIs

<KPI> At least 10 Japanese universities in the top 100 of world university rankings in the next 10 years

⇒ Of the five Japanese universities (within the top 200) in the *Times Higher Education* World University Rankings 2013–2014 (published in October 2013), four were ranked higher than the previous year.

<KPI> Offer full-time faculty positions to around 1,500 young and international faculty members over the next three years

⇒ Establishment of a new grant providing support for improvements to the education and research environment (start-up support).

<KPI> Double the number of Japanese students who study abroad from 60,000 (2010) to 120,000 by 2020

⇒ The number of students dispatched overseas via the Government-sponsored scholarship and grant system has doubled from around 10,000 to 20,000. In addition, 1,700 students from 221 universities applied for the newly-established “TOBITATE! Young Ambassador Program” scholarship and grant system funded by the private sector, with students due to begin their period of study abroad in and after August 2014.

<KPI> Double the number of international students by 2020 (achieve the goal of the 300,000 International Students Plan)

⇒ Number of international students at Japanese universities, etc.: 135,519 (as of May 2013)

<KPI> 200 schools accredited to offer the International Baccalaureate (16 schools accredited as of June 2013)

⇒ The number of schools accredited to offer the International Baccalaureate has increased to 19 (as of April 2014).

(2) Progress made in implementing measures

(Steadily implementing university reforms based on the National University

Reform Plan)

- University reform measures carried out on the basis of the National University Reform Plan, which was put together in November 2013, include developing world-class education and research, strengthening innovation functions, expanding strategic and focused allocation of management expenses grants (allocation for reform initiatives at each university and sums dependent on this to be increased by 30–40% by the end of FY2015), promoting the introduction of annual salary and mixed-salary systems to increase the scope for active participation by young and international researchers (expanded to cover 6,000 people in FY2014 and around 10,000 people in FY2015), enhancing the National University Evaluation Committee system, and strengthening governance functions.

(Strengthening university innovation creation functions)

- The enactment of the Industry Competitiveness Enhancement Act in December 2013 has made it possible for national university corporations to invest in university venture support funds and the like, and has established systems for strengthening the innovation functions of national universities.

(Reforming university governance)

- Regarding university governance reform, revisions to the School Education Act and the National University Corporation Act were enacted in June 2014. These revisions included measures strengthening the role of advisor to the president, to help to establish leadership by university presidents, as well as clarifying the role of Faculty Councils and increasing the proportion of external members on the Management Councils of National University Corporations.

(Improving the environment for significant increase of Japanese students studying abroad / international students studying in Japan)

- As well as endeavoring to cultivate opportunities for young generation to study abroad via the “TOBITATE!”, Leap for Tomorrow! Study Abroad campaign, with a vision to double the number of Japanese students studying abroad by 2020, the Government has launched a new program for supporting overseas study based on public-private collaboration, aimed at reducing the financial

burden on Japanese students who study abroad. In conjunction with this, in April 2014, relevant ministries and agencies finalized the “Action Plan for Encouraging Young Generation to Study Abroad”, which aims for the creation of systematic, high-quality study abroad programs in the future. Moreover, with a vision to double the number of international students studying in Japan by 2020 (to achieve the goal of the 300,000 International Students Plan), the Government compiled the “Strategy on Accepting International Students to Take Advantage of Global Growth” in December 2013, and decided on the priority regions and areas of the world in strategic efforts to host promising international students.

(Cultivating human resources that can meet the needs of globalization)

- To strengthen the international competitiveness of universities, the Government has established the Top Global University Project, which offers targeted support to universities that compete in the world. In addition, to bolster English language education in elementary and secondary education, the Government has begun to provide support for the establishment of bases for introducing English language education at an earlier stage in elementary schools and has launched initiatives to improve the English-teaching skills of teaching staff. Furthermore, as well as starting to develop educational programs for the International Baccalaureate partially taught in Japanese (Dual Language IB Diploma Programme: English – Japanese), to cultivate the knowledge and abilities required for globalization, the Government has sought to expand the range of subjects in which these programs are available. They are already beginning to be utilized, with some universities having announced the introduction or enhancement of entrance examinations based on the International Baccalaureate. The Government has also established Super Global High School Program, which aims to cultivate global leaders who will be able to play an active role on the international stage. In addition, in January 2014, the Government put in place special provisions enabling such schools to design distinctive academic programs that are not bound by the existing criteria for academic programs.

(3) Specific new measures to be taken

To cultivate the human resources that will support the future of this nation, it is necessary to further strengthen the university reform initiatives that have been underway since 2013, as well as initiatives aimed at cultivating personnel with a

global outlook. In conjunction with this, Japanese universities must be brought up to the standard of the world's best universities, in terms of both education and research, so that they can secure highly skilled foreign professionals.

Accordingly, as well as continuing to steadily implement university reforms, the Government will move forward with deliberations focused on the third mid-term objective period (FY2016 onward). Moreover, while supporting Japanese nationals in seeking posts with international organizations, the Government will put in place initiatives aimed at strengthening the cultivation of human resources that can meet the needs of globalization.

1) Steady implementation of university reforms and initiatives aimed at further reforms

While steadily implementing initiatives aimed at achieving the targets in the National University Reform Plan, the Government will begin deliberations within 2014, with a view to the fundamental review of approaches to management expenses grants and evaluation during the third mid-term objective period (FY2016 onward), and will reach a conclusion by the middle of 2015. In doing so, the Government will flesh out the rules concerning focused and strategic allocation of funds based on new indicators, with a view to strengthening the functions of universities as bases for the development of world-class education and research, bases for nationwide education and research, and key bases for regional revitalization, taking into account the needs of both industry and individual regions. In conjunction with this, the Government will promote reforms of personnel and salary systems, such as the introduction of annual salary and mixed-salary systems. Moreover, now that a decade has passed since the National University Corporation Act entered into force, the Government will consider the composition of president nomination committees and other systems associated with the organization and running of national university corporations, and will take the requisite steps if action is deemed necessary. In doing so, in light of the School Education Act and paragraph (2) of the Supplementary Provisions Partially Revising the National University Corporation Act, which were enacted this June, the Government will take into account the status of the entry into force of the laws in question and changes in the socioeconomic situation facing national university corporations.

In moving forward with the National University Reform Plan, the Government will seek to strengthen the research capabilities of universities and develop outstanding, internationally-competitive graduate schools. Accordingly, ahead of FY2016, when the third mid-term objective period is due to begin, the Government will press on with efforts to strengthen governance functions and cultivate an environment conducive to constant reviews of the allocation of resources within universities, as well as considering new mechanisms for backing initiatives based on bold ideas from universities.

In conjunction with this, the Government will promote initiatives to ensure that universities become hubs for their regions (and for knowledge), contributing to efforts to resolve local problems, developing the human resources to support the local community and feeding back research outcomes into that community. It will also promote the development and implementation of professional programs based on mutual commitment between universities, etc. and industry, while moving forward with the appointment of and collaboration with personnel well-versed in management practices, such as business proprietors, and will seek to popularize and firmly establish corporate internships, including those at SMEs.

2) Strengthening human resources capabilities to meet the needs of globalization

Aiming to revise the Courses of Study in FY2016, with a view to earlier English language education in elementary schools, the Government will consider approaches to the teaching of English in elementary and secondary education, including strengthening leadership and promoting the use of external personnel, and will aim to compile its recommendations this autumn. The Government will seek to radically enhance the use of foreign nationals in the classroom, to facilitate practical English language education. In addition, it will put in place an environment conducive to the provision of high-quality education at educational institutions abroad and the acceptance of children who have returned home from overseas.

Moreover, through the Top Global University Project, which begins during FY2014, the Government will support universities seeking to bolster their international competitiveness via measures such as thorough internationalization

of their personnel and academic systems, and will publish information about the status of initiatives. In conjunction with this, with a view to the introduction of joint degrees offered by Japanese universities in partnership with foreign universities, the Government will make the requisite institutional reforms within 2014, to facilitate the development of joint educational programs by such universities. Furthermore, with the aim of doubling the number of Japanese students who study abroad, the Government will promote efforts to develop an environment that allows those students who so wish to participate in diverse, long-term, experience-based activities within Japan and overseas, making use of gap years and similar initiatives.

To enhance the appeal of studying in Japan and to host promising international students, with a vision to achieve the goal of the 300,000 International Students Plan, the Government will provide support for the student residences and social facilities where Japanese and international students can interact. In addition, it will boost its support for improving the host environment, including the creation of opportunities for exchange between Japanese and international students, the construction of common basis for establishing overseas offices and supporting job placement, and the promotion of Japanese language education.

3. Promoting innovation in science and technology / Becoming the world's leading intellectual property-based nation

(1) Progress in achieving KPIs

<KPI> Become the No. 1 global innovator within the next five years: No. 5 in the 2012-2013 ranking

⇒ 2013-2014: No. 5

* The Government amended laws and took other steps to reinforce the headquarter functions on science and technology, and will also establish a new Research and Development Corporation system. The Government is currently undertaking initiatives to strengthen the “bridging” functions of innovative technology seeds to commercialization.

<KPI> Reduce the time required to acquire patent rights to no more than 36 months by the end of FY2015

⇒ Proportion of rights acquired within 36 months in 2013: 92.4%

(Proportion as of December 2012: 80.9%)

<KPI> Increase the number of chair/secretariat posts held by Japan within international standardization organizations so that it is No. 3 worldwide (95 posts) by the end of 2015

⇒ Figure as of the end of FY2013: 94 posts

(2) Progress made in implementing measures

(Reinforcing headquarter functions of the Council for Science and Technology Policy)

- As well as establishing the Science, Technology and Innovation Budget Strategy Committee, the Government has created Cross-ministerial Strategic Innovation-Promotion Program (SIP) worth a total of ¥50 billion, and has allocated budget funds to the Cabinet Office, to facilitate the practical realization of research and development outcomes and ensure the allocation of resources across ministerial boundaries, based on the growth strategy. Furthermore, following the enactment of the amendment bill of the Act for Establishment of the Cabinet Office in April 2014, the Council has been reorganized into the Council for Science, Technology and Innovation (CSTI).

(Founding of the Impulsing PARadigm Change through Disruptive Technologies

program)

- The Government has founded the Impulsing PARadigm Change through Disruptive Technologies (ImPACT) program, which seeks to create the innovation that will bring about major changes in the state of industry and society, and the necessary legal amendment (Amendment of the Act on the Japan Science and Technology Agency, Independent Administrative Agency) was enacted in February 2014.

(Establishing a new, world top-level Research and Development Corporation system)

- In December 2013, to enhance the functions of Research and Development Corporation, the Cabinet approved the establishment of a new, world top-level Research and Development Corporation system with the primary objective of maximizing research and development outcomes. Accordingly, the amendment bills of the Act on General Rules for Incorporated Administrative Agency and the Act for making the necessary arrangements therefor were enacted this June.

(Bringing the patent examination waiting time down to no more than 11 months and developing internationally-compatible authentication infrastructure)

- As a means of strengthening the nation's intellectual property and standardization strategies, the Government has sought to enhance and strengthen the examination system by such means as securing fixed-term examiners. Through these efforts, it succeeded in bringing down the patent examination waiting time to no more than 11 months by the end of FY2013. Moreover, amendment bills of the Patent Act and other legislation were enacted this April, to facilitate the revision of the design rights system in accordance with the Hague Agreement. Furthermore, the Government began developing internationally-compatible authentication infrastructure in strategically important fields such as smart grids.

(3) Specific new measures to be taken

Under the initiatives launched to date, the Government has already started to enhance systems, including reinforcing the headquarter functions on science and technology , as well as boosting functions that will help to create the innovation that will transform industry and society, and putting in place environments conducive to

this. However, it is still necessary to develop mechanisms for generating a constant stream of innovative technological seeds and facilitating the commercialization of those seeds.

Creating an environment that ensures that Japan constantly generates innovation is essential to ensure that our nation will still be a leader in the global economy 30 or even 50 years from now, despite the aging of our population and the declining birthrate. To make Japan the world's most innovation-friendly country, the Government will strengthen the following measures as a priority, promoting the Comprehensive Strategy on Science, Technology and Innovation 2014 (approved by the Cabinet on June 24, 2014) and giving particularly strong backing to the content of the Strategy for Reforming Japan's System of National Innovation, which was compiled this April. Moreover, the Government will promote research and development investment consistent with these strategies and based on the Japan Revitalization Strategy, which sets a target for total research and development investment by the public and private sectors (at least 4% of GDP) and the target level of government research and development investment (1% of GDP). It will also continue to promote the SIP and ImpACT, which are the focus of efforts by the Government as a whole from FY2014, aiming to achieve outcomes that will bring about a transformation in society.

In addition, based on the national strategy, it will build collaborative frameworks that cut through vertical administrative hierarchies and organizational boundaries, and will create centers for innovation that bring together and circulate personnel from the worlds of industry, academia, and government, as well as developing global-top class, cutting-edge complexes for industry-academia-government collaboration.

Furthermore, in creating innovation, it is essential to engage in strategic consideration of the handling of intellectual property and efforts to promote standardization, such as appropriately tailoring the use of patent rights, trade and technology secrets, and international standardization, and seeking to maximize business value and improve Japan's international advantage, with the aim of establishing Japan as the world's leading intellectual property-based country. The Government will strengthen intellectual property and standardization initiatives focused on maximizing national wealth, making effective use of research and development outcomes so that they do not simply lie idle or dormant.

i) Development of an environment that generates innovation

The National Institute of Advanced Industrial Science and Technology (AIST) and the New Energy and Industrial Technology Development Organization (NEDO) are expected to serve as pioneers, so they will be at the forefront of efforts to strengthen “bridging” functions of innovative technological seeds to commercialization. The Government will appropriately ascertain and evaluate the progress of these pioneering initiatives and, based on the results, will roll them out to other Research and Development Corporations deemed suitable to take on “bridging” functions, taking into account the fields on which they focus and the nature of the operations of each corporation. In doing so, the Government will emphasize the acquisition of private sector funds. It will aim to achieve a 30% increase within five years in the number of large-scale joint research projects (those in which the university, etc. receives at least ¥10 million) undertaken by universities or Research and Development Corporations in partnership with companies.

In addition, the Government will seek to create an environment that will strongly promote open innovation, aiming to facilitate agile innovation that will allow companies to break free of their overemphasis on self-sufficiency and self-containment in technology.

Furthermore, in promoting the National University Reform Plan, the Government will seek to shape develop outstanding graduate schools, taking into account each university’s strengths and focusing on both those fields and new realms that combine those fields.

1) Strengthening of “bridging” functions and other reforms of national research institutes

Reforms focused on AIST will include making funding from companies a basic element, such as commissioned research in the latter stages of research, setting research themes that reflect future needs of enterprises and enhancing marketing functions to this end, establishing the basic principle of intellectual property management by AIST, and prioritizing the acquisition of funds from private sector companies. As part of these reforms, to facilitate a greater emphasis on the acquisition of funds from private sector companies, the

Government will consider setting numerical targets for AIST's commissioned research and other income from companies, with a view to tripling or quadrupling it from the current figure. Germany's Fraunhofer Institutes will serve as a point of reference in these deliberations.

Moreover, at NEDO, the Government will promote reforms to encourage the rapid commercialization of technology seeds. These reforms will include strengthening project management by granting substantial authority to project managers and introducing an award-based mechanism, as well as bolstering support for the venture companies, medium enterprises and SMEs that are expected to become the new leaders of innovation. In doing so, the Government will consider setting numerical targets for the proportion of NEDO's funds allocated to newly-adopted projects that is offered to support venture companies, medium enterprises and SMEs, with a view to bringing this ratio up to around 20%, in line with major European nations.

2) Fusion of knowledge through use of the cross-appointment system, etc.

The Government will actively seek to introduce and utilize the cross-appointment system (a system that allows researchers to carry out researches under the responsibility of both universities and other institutes by signing employment contracts with both of the entities respectively) across universities and Research and Development Corporations. This will help to enhance the mobility of personnel and technology between industry, academia, and government, and ensure Research and Development Corporations smoothly bridge the technology seeds created at universities to commercialization. Accordingly, the Government will make the necessary upgrades to the environment within FY2014, focusing on efforts to promote the introduction of the annual salary system, the handling of medical insurance, pensions, and lump-sum retirement allowances, and the management of trade secrets and intellectual property.

3) Restructuring of the research funding system

To create innovation, it is necessary to promote creative, diverse research by researchers and research and development focused on core technology, thereby strengthening the ability to create technological seeds. The

Government will embark on reforms of the research funding system, including the Grants-in-Aid for Scientific Research (KAKENHI), to expand opportunities for young researchers and female researchers to tackle research, and put in place a competitive research and development environment. Moreover, the Council for Science, Technology and Innovation will play a central role in deliberations concerning research funding, including such matters as approaches to competitive funds that enable researchers to devote themselves to research activities and conduct seamless research from the basic stage right through to the practical application stage. The outcomes of these deliberations will be reflected in the next Science and Technology Basic Plan.

4) Establishment of a new Research and Development Corporation system

With a view to implementation of the new Research and Development Corporation system from FY2015, in accordance with the Basic Policy on Incorporated Administrative Agency Reform, etc., the Government will formulate concrete measures aimed at achieving operational improvements as quickly as possible in such areas as the handling of remuneration and salaries, procurement, and self-generated income. In addition, it will endeavor to submit to the Diet as quickly as possible a bill aimed at instituting a system of Special National Research and Development Corporation (tentative name), which are expected to create outcomes of world top-level.

5) Strengthening of research promotion systems

Fund allocation organizations will be at the heart of deliberations concerning a mechanism for the stable, ongoing acquisition and cultivation nationwide of personnel who are capable of managing and supporting research, and for providing them with places where they can make full use of their abilities. The Government will launch this mechanism in FY2015.

ii) Promotion of intellectual property and standardization strategies

In terms of promoting intellectual property and standardization strategies, the Government will accelerate deliberations aimed at establishing the world's fastest, highest-quality intellectual property system, including the revision of the

employee invention system, the strengthening of protection for trade secrets, and the cultivation of personnel with an in-depth knowledge of intellectual property.

1) Strengthening of the employee invention system and protection for trade secrets

As well as aiming for prompt submission to the Diet of bills concerning improvements to the employee invention system (for example, attributing patent rights to companies), with a view to combining advantages for companies with incentives for inventors, the Government will consider highly-effective measures to prevent the leakage of trade secrets, based on initiatives undertaken via collaboration between the public and private sectors. Endeavoring to give concrete shape to these measures as soon as possible, it will aim to submit relevant bills to the next ordinary Diet session and to revise Trade Secret Management Guidelines within 2014.

2) Achievement of high-quality examination at speeds comparable to other countries

Over the next 10 years, the Government will aim to halve the time it takes to acquire patent rights to no more than 14 months, on average. In addition, it will aim to realize the world's fastest, highest-quality patent examination via initiatives such as the introduction of a system with objective quality control by external experts. Moreover, to achieve international standardization and simplification of application procedures, the Government will consider some time around FY2015 accession to the Patent Law Treaty and the Singapore Treaty on the Law of Trademarks. It will also promote the internationalization of Japan's intellectual property system through initiatives such as the development of a scheme for cooperation in the building and running of intellectual property systems in the countries of Asia. In conjunction with this, to facilitate internationalization, the Government will consider efforts to strengthen functions to revitalize trade involving the patents owned by universities and companies, and promote their utilization and commercialization by SMEs, etc.

3) Construction of a standardization system tailored to new market

creation

Based on the Public-Private Strategy for Standardization, the Government will develop within FY2014 a standardization system tailored to new market creation. This will be a mechanism for integrated standardization that cuts across the boundaries between ministries and agencies, and those between industrial fields, focusing on areas in which existing industry groups have found standardization difficult to achieve, such as fusion technologies that span multiple fields and the advanced technologies of medium enterprises and SMEs that will lead to the acquisition of global markets.

iii) Achievement of a new Industrial Revolution driven by robots

Issues that Japanese companies need to resolve as a matter of urgency include strengthening competitiveness in the fields of manufacturing and service, where they are exposed to cost competition on a global scale; securing workers in small and medium-sized manufacturing industry, where the average age of workers is increasing, and in areas of personnel shortage, such as the medical and nursing care service industry, agriculture, and construction; and achieving greater logistical efficiency. The Government will therefore seek to improve productivity through the utilization of robot technology, thereby improving the profitability of companies and helping to raise wages.

Accordingly, mobilizing this country's wisdom, the Government will set up a Robot Revolution Realization Council to consider specific measures in light of needs on the ground and formulate a five-year action plan. Moreover, the Government will seek to expand the robot market two-fold from the present size in the manufacturing area and 20-fold in the non-manufacturing area including services by 2020, via technology development, deregulation, and standardization. Furthermore, throughout these initiatives, the Government will aim to improve productivity in various fields; for example, it will aim for annual labor productivity increases of at least 2% in the manufacturing sector.

In addition, it will promote Japan's cutting-edge technology worldwide, including universal design and robots in various fields, such as robot suits and disaster response robots, with a view to holding a Robot Olympics (tentative name) in conjunction with the 2020 Tokyo Olympics and Paralympics.

4. Becoming the world's leading IT society

(1) Progress in achieving KPIs

<KPI> 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 2015

⇒ The trial version of the data catalog site has achieved a dataset in excess of 10,000.

(2) Progress made in implementing measures

(Deciding policy concerning the reform of regulations/systems and the utilization of personal data)

- In December 2013, the IT Strategic Headquarters approved the Intensive Action Plan for Regulatory and Institutional Reforms to Expand Utilization of IT, aimed at the reform of regulations and systems impeding efforts to expand IT utilization. In addition, the Headquarters also approved the Directions on Institutional Revision for Protection and Utilization of Personal Data that same month, with the aim of improving the environment for the utilization of open data and big data.

(Launching a trial data catalog site)

- With regard to public data disclosure, the trial version of the data catalog site (data.go.jp) was launched in December 2013 and has already met its KPI of a dataset in excess of 10,000.

(Promoting reform of government information systems, etc.)

- Other measures underway include the approval of the Roadmap for Reform of government Information Systems (December 2013), aimed at consolidating overlapping government information systems and moving them into the cloud; the compilation of the Measures concerning the Roadmap of the Declaration to be the World's Most Advanced IT Nation (October 2013), which identify the issues to be tackled with a view to comprehensive measures that cut across a range of fields; and the formulation of the International Strategy on Cybersecurity Cooperation (October 2013).

(3) Specific new measures to be taken

Most of the initiatives implemented to date could be described as preparatory measures laying the ground for fully-fledged reforms, but initiatives in this area are now moving into the implementation stage of fully-fledged reforms aimed at turning Japan into the world's leading IT society. Accordingly, the Government will carry out the following measures, sparing no effort in promoting the Declaration to be the World's Most Advanced IT Nation.

1) Formulation of the Guidelines on Introducing IT Communication (tentative name)

The Government will steadily implement its action plan for the reform of regulations and systems impeding efforts to expand IT utilization. Moreover, by next summer, based on changes of social environment with evolution of IT, it will formulate guidelines (the Guidelines on Introducing IT Communication (tentative name)) for marshaling basic ways of thinking concerning the potential for the utilization of IT and necessary measures at the time about procedures for which the use of IT has not hitherto been considered. In addition, by moving forward with verification of conventional procedures using the Guidelines as a yardstick, it will accelerate revisions of relevant systems including services and procedures which are based on face-to-face meeting or the exchange of hard copy documents.

2) Development of systems aimed at appropriate utilization of personal data

To promote the utilization of personal data while protecting personal information and privacy in the era of big data, the Government will put together policy outline concerning the content of legal reforms, concerning such matters as the development of an independent third-party authority system and the handling of data with reduced possibility of certain individuals being identified, based on the Directions on Institutional Revision for Protection and Utilization of Personal Data. Once this has been done, the Government will aim to take the necessary legal measures by the next ordinary Diet session.

3) Proactive use of the My Number system

The Government will accelerate initiatives focused on the use of the My Number system, which is scheduled to begin operating in January 2016, and the development of a system for disclosure of information access logs (dubbed "My Portal"), which is expected to launch in January 2017 or thereabouts.

The Government will consider initiatives aimed at ensuring widespread use by citizens of the My Number cards to be introduced in conjunction with the My Number system, by such means as integrating these cards with cards used to access public services or as proof of a qualification and will clarify the approach it intends to take by January 2016, when the My Number cards will begin to be issued.

Moreover, it will consider the approaches to the use of My Number in fields of a highly public nature, such as finance, health and medical and nursing care, family registers, passports, and vehicle registration, taking into account the need to protect personal information. In doing so, it will consider both the advantages of using My Number and the challenges posed by its use, and will clarify its approach to expanding the scope of use of My Number within FY2014.

Furthermore, the Government will make progress with efforts to enable the corporate ID numbers that will begin operating in 2016 to be used at administrative bodies, and will also begin operating a Corporate Portal in January 2017, which will enable a company to search for and view the information held by administrative bodies, etc. concerning the company in question, as well as allowing companies to carry out various procedures online.

Regarding the reform of government information systems, under the leadership of the Government CIO, the Government will actively promote radical reductions in costs including the reform of legacy systems, BPR (business process re-engineering) with a view of users, proactive use of the cloud and increasing the convenience of online procedures. It will accelerate efforts to introduce cloud-based local authority information systems and will aim to double the number of municipalities in which the cloud has been introduced (to around 1,000) by FY2017. Moreover, within FY2014, the Government will encourage innovative change in the work styles of government employees by developing integrated remote access functions based on a common government platform and similar infrastructure, allowing government employees to access LANs within government buildings from outside those buildings.

The Government will facilitate the online statistical surveys. In particular, for the 2015 national census, it will introduce the nationwide internet response system for computers and smartphones, for improving the convenience of the respondents to complete the questionnaires and the quality of the census data by checking automatically.

4) Preparing of the free public wireless LAN environment as infrastructure for new innovations

With the 2020 Tokyo Olympics and Paralympics in mind, the Government will promote the preparing of the free public wireless LAN environments at tourist attractions and disaster prevention bases, to provide generous hospitality services to foreign tourists visiting Japan and promote the creation of new innovations. Accordingly, by this summer, the Government will establish a framework for promoting such efforts with the participation of relevant business operators and groups. In addition, the following measures will be promoted by the framework: to encourage area owners to prepare the environment, consider ways to simplify and standardize authentication procedures, disseminate information overseas, and the national government will support local governments, etc. that are preparing the environment.

Moreover, to ensure diverse means of communication tailored to people's needs, the Government will move forward with deliberations concerning the improvement of procedures for the usage of domestic SIM cards, efforts to reduce international roaming service charges, and other measures to facilitate use of terminals brought into the country temporarily by foreign tourists visiting Japan, and will take the necessary steps including legislative measures during the next ordinary Diet session.

5) Strengthening cyber-security promotion systems, etc.

In order to ensure the free flow of information, safety and reliability in IT usage for that purpose, and to ascertain Growth Strategy, the Government shall fundamentally strengthen the system and its function so that it can take strong leadership in promoting cyber-security. Accordingly, the Government will deepen the consideration including legal framework, and take necessary legislative and other measures by FY 2015.

Moreover, in order to solve the shortage of cyber-security human resources and to secure outstandingly skilled engineers, the Government shall take necessary steps by FY2016 based on the New information Security Human Resource Development Program (approved by the Information Security Policy Council in May 2014) such as reviewing the Information Technology Engineer Examination.

6) Development of an environment in which the utilization of big data will generate value

To further encourage the creation of business and resolution of social issues

through proactive use of big data, the Government will put in place an environment conducive to the creation of new value via the sharing and collaboration of data held by administrative bodies and private sector companies across organizational boundaries.

Accordingly, the Government will establish rules concerning the use of the G-space platform. The G-space platform, the operation will launch in FY2016, will be consolidated data from space infrastructure such as quasi-zenith satellites and geospatial information held by individual operators, such as the positional information held by mobile phone operators, etc. and users will be able to search and use this information.

Moreover, within FY2014, the Government will put in place a public cloud that consolidates and discloses the data held by all 1,788 local governments, and will promote private sector access to these public data.

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

5-1. Realizing National Strategic Special Zones / Opening up rights to operate public facilities, etc. to the private sector (expanding utilization of PPP/PFI) / Improving infrastructure such as airports, ports and harbors / Improving competitiveness of cities

(1) Progress in achieving KPIs

<KPI> Japan in the top three OECD member countries in the World Bank's Ease of Doing Business ranking by 2020 (15th in 2013)

⇒ 2014: 15th (same as the previous year)

*Although there were decreases in the time required for procedures in the "starting a business" and "registering property" topics, these were quite small; in addition, there were no improvements in the "getting electricity," "dealing with construction permits," "getting credit," "protecting investors," "paying taxes," "enforcing contracts," and "resolving insolvency" topics, so Japan held the same position as the previous year.

*The 2014 rankings were published in October 2013.

<KPI> Tokyo in the top three of Global Power Inner City Index by 2020 (4th in 2012)

⇒ 2013: Tokyo was 4th (same as the previous year)

*Tokyo maintained good ratings in such categories as "punctuality of public transportation" (1st → 1st) and "number of registered industrial property rights" (2nd → 1st). It improved from 17th to 10th in the "wage level" category. Tokyo continued to rank poorly in categories such as "corporate tax rate" (32nd → 32nd) and "travel time between inner-city areas and international airports" (31st → 31st).

<KPI> Expand PPP/PFI programs to ¥12 trillion over the next 10 years (2013–2022) (¥4.1 trillion by FY2012)

⇒ In June 2014, the Government formulated a policy on initiatives to be implemented over the next three years. This brought forward to the intensive implementation period designated to run until the end of FY2016 the target of implementing over the 10 years to 2022 ¥2–3 trillion worth of concession PFI projects. In addition, it specified priority initiatives.

<KPI> Double foreign companies' direct investment in Japan to ¥35 trillion by 2020 (¥17.8 trillion as of the end of 2012)

⇒ As of the end of 2013: ¥18.0 trillion

(2) Progress made in implementing measures

(Progress and current status of the National Strategic Special Zones)

- In December 2013, the Act on National Strategic Special Zones was passed, concerning the National Strategic Special Zones that are to serve as the gateway for bold regulatory reforms. Moreover, six specific National Strategic Special Zones were identified in March, in accordance with the Basic Policy on National Strategic Special Zones (approved by the Cabinet in February 2014), namely:
 - The Tokyo zone (nine wards in the Tokyo metropolitan area, Kanagawa Prefecture, and Narita City in Chiba Prefecture) and the Kansai zone (Osaka Prefecture, Hyogo Prefecture, Kyoto Prefecture), where comprehensive regulatory reform will be carried out to establish the zones as bases for international business and innovation;
 - The Niigata City zone in Niigata Prefecture, the Yabu City zone in Hyogo Prefecture, and the Fukuoka City zone in Fukuoka Prefecture, which will become bases for the reform of the bedrock of Japan's regulatory regime in the areas of agriculture and employment; and
 - The Okinawa Prefecture zone, which will become a base for tourism-focused business that makes use of the region's strengths.

(The Cabinet Order concerning the zones themselves and the policy on the zones was promulgated and entered into force on May 1, 2014 and was approved by the Prime Minister the same day.)

- Zone Councils consisting of representatives of the national government, local authorities, and the private sector have been set up in the Kansai zone and the Fukuoka City zone and are preparing Zone Plans detailing the specific areas for regulatory reform and projects, etc. to be implemented.

Zone Councils are due to be established swiftly in a number of the other zones as well.

- As well as promptly seeking the expansion of the Tokyo zone within the Tokyo metropolitan area, the Government will further enhance the content of areas for regulatory reform in the Okinawa Prefecture zone, seeking to promote tourism-focused business and form a base for innovation.
- In addition, in April, the Government formulated the Employment Guideline, which offers analyses and classifications of judicial precedents regarding labor relations, explanations of relevant legal systems, and advice to prevent disputes,

in accordance with the Act on National Strategic Special Zones. The aim of the Guideline is to help global companies and newly-established enterprises gain a proper understanding of the rules of employment in Japan and increase predictability, as well as facilitating business development without causing labor-related disputes.

(Enacting laws aimed at promoting PPP/PFI and approving the Policy on Initiatives)

- Regarding the use of PPP/PFI, the Private Finance Initiative Promotion Corporation of Japan (PFI Promotion Corporation) was established in October 2013 to promote PFI projects which collect user fees from users in Japan. In addition, the first steps are being taken toward implementation at government-managed airports, as well as Kansai Airport and Itami Airport, in accordance with the Act on the Private Sector Operation of government-managed Airports, etc., which was enacted in June 2013. These steps include the publication this April of the Implementation Policy on the Qualified Project Etc. for Sendai Airport Operation. Moreover, in June 2014, the Council for the Promotion of Private Finance Initiatives approved the Policy on Initiatives During the Intensive Implementation Period of the Action Plan Toward the Fundamental Reform of PPP/PFI (hereinafter referred to as the “Policy on Initiatives”).
- The revisions to the Road Act aimed at integrated regeneration of cities and expressways were enacted in May 2014 and the Government is considering matters including collaboration with urban regeneration projects, by such means as relaxing floor-area ratios in order to attract private sector investment.

(Establishing the Basic Plan on Transport Policy to enhance international competitiveness)

- The Basic Act on Transport Policy, which prescribes the basic framework for comprehensive transport policy, was enacted in November 2013 and the Cabinet will establish the Basic Plan on Transport Policy based on the Act within 2014. Various measures will be implemented in accordance with this plan, with the aim of enhancing Japan’s international competitiveness.

(Enhancing the functions of airports in the Tokyo Metropolitan area and International Container Hub, and promoting upgrades to the Ken-O Expressway)

- During the past fiscal year, with the objective of enhancing the functions of airports in the Tokyo metropolitan area, the Government has promoted the expansion of the air route network, by increasing the number of international flights at Haneda Airport by 30,000 landing slots and also by increasing the number of the domestic services connecting the three metropolitan areas and local cities by getting LCC (low-cost carriers) into the market. To enhance the functions of International Container Hub, revisions to the Port and Harbor Act permitting state investment in port operation company were enacted in April 2014. In addition, the Ken-O Expressway (Metropolitan Inter-City Expressway) link between the Tomei Expressway, Chuo Expressway, and the Kan-Etsu Expressway will be completed this June.

(Promoting the formation of compact cities with public transport networks)

- Regarding efforts to improve the competitiveness of cities, revisions to the Act on Special Measures concerning Urban Reconstruction and the Act on Revitalization and Rehabilitation of Local Public Transportation Systems were enacted in May 2014. The Government is building systems to provide comprehensive support to the local governments preparing siting adjustment plans and local public transport network development plans based on these laws. In addition, it is promoting the formation of compact cities with public transport networks in tandem with the city center revitalization basic plans that are being formulated on the basis of the revisions to the Act on Vitalization in City Center, which were enacted in April 2014.

(3) Specific new measures to be taken

Regarding the National Strategic Special Zones, which will be at the heart of measures aimed at strengthening Japan's competitiveness as a business hub, the Government will complete its efforts to put in place the basic systems via the initiatives introduced to date, and the implementation phase of projects in each special zone will soon begin. The Government will embark upon fully-fledged initiatives to promote further utilization of PPP/PFI, including setting targets for the intensive implementation period and resolving issues. Moreover, with a view to

creating some of the best cities in the world in which to do business, the Government will enhance industrial infrastructure functions through efforts to further improve the competitiveness of Japan's cities and the prompt development and utilization of high-speed transport networks, including arterial high-standard highways, new *shinkansen* high-speed train lines, and the Chuo Shinkansen maglev line.

i) Corporation tax reform

The Government will seek both to strengthen Japan's own competitiveness as a business hub and to enhance the competitiveness of Japanese companies. As part of these endeavors, it will embark on growth-oriented reforms of the corporation tax system, with the aim of bringing the effective corporation tax rate down to a level comparable with that of other countries.

Accordingly, it will aim to bring the effective corporation tax rate down to the 20% range over a number of years. These reductions will begin in FY2015.

The Government will secure permanent revenues to fund this reduction through the broadening of the tax base, to ensure consistency with the target of achieving a surplus in the primary balance in FY2020, taking into account such matters as the fact that Abenomics is promoting structural improvements and enabling the Japanese economy to overcome deflation. As such, the Government will conduct discussions on this subject over the remainder of 2014 and will formulate a concrete plan of action.

As it implements this plan, the Government will check on progress toward the achievement of targets, in light of the need to bring the primary balances of both the national government and local governments back into the black in FY2020.

ii) Accelerated promotion of National Strategic Special Zones

The two years to the end of FY2015 have been designated as the period of intensive initiatives relating to the National Strategic Special Zones, which will open the way to reform of the bedrock of Japan's regulatory regime in general. In order to achieve this within what remains of this period, it is necessary to compile the Priority Issues and Schedule for Reforms of the Bedrock of Japan's Regulatory Regime without delay and accelerate various initiatives concerning the National Strategic Special Zones, including the following measures, ensuring a flexible and speedy response to the need for specific projects and proposals.

a) Fleshing out and implementing projects without delay

To ensure that initiatives in the National Strategic Special Zones begin to demonstrate results without delay, it is necessary to implement specified projects involving regulatory reforms in each zone without delay. To this end, Zone Plans detailing the specified projects and special measures concerning regulations must be prepared swiftly by the Zone Council in each zone, on the basis of cooperation and consensus between the national government, local authorities, and the private sector. Prompt authorization by the Prime Minister will then be required.

Accordingly, following on from the Kansai zone and the Fukuoka City zone, Zone Councils will be set up without delay in the other zones and efforts made to ensure their smooth operation, so that work on preparing the plans can begin in each zone. Moreover, the Government will conduct authorization procedures promptly, so that the earliest specified projects can get underway this autumn.

b) Implementing further regulatory reforms

In terms of the areas requiring regulatory reform specified in the Policy on Deliberations Concerning Areas for Regulatory Reform in the National Strategic Special Zones, the Government will use all available measures throughout the six zones to steadily implement powerful regulatory reforms in the areas of medical care, employment, education, urban regeneration and development, agriculture, and utilization of historic buildings.

Moreover, taking into account proposals from local authorities and the private sector, including those not adopted to date, the National Strategic Special Zone Advisory Council and the National Strategic Special Zone Working Group will consider the following regulatory reforms to be tackled in the National Strategic Special Zones, examining which should be added to the Act on National Strategic Special Zones, etc. Based on these deliberations, the relevant legislative measures will be taken without delay, including in the next Diet session.

Furthermore, the Government will combine these with special measures to be introduced within the special zones, as well as regulatory and institutional reforms to be applied nationwide, with a view to achieving reforms either nationwide or at least within the special zones.

At the same time, the Government will, where necessary, proactively consider regions not designated as National Strategic Special Zones and regulatory reforms that have not yet been included, with a view to implementing them as regulatory reforms in Comprehensive Special Zones or Special Zones for Structural Reform, or as nationwide reforms.

Moreover, given that the Basic Policy on National Strategic Special Zones requires that proposals be solicited at least twice a year, the Government will solicit proposals from local authorities and private sector bodies nationwide this summer.

(Improving access to diverse human resources, trade, and investment)

1) Simplifying and expediting of procedures for establishing a corporation

- To encourage entrepreneurship and business startups – including by foreign nationals – in the National Strategic Special Zones, the Zone Councils, etc. will establish “one-stop centers” without delay, to serve as a single point of contact for all of the procedures required in relation to such matters as business registration, tax administration, and pensions, offering relevant consultation services, and comprehensive support concerning the various procedures that foreign nationals need to complete when living in Japan.
- As well as ensuring that applicants themselves are aware that they can complete these procedures at said centers, the Zone Councils will take the necessary steps, including publicizing through manuals and publicity matter explaining how to go about the procedures in question.
- In conjunction with this, to alleviate the burden on business founders of having to go to a notary public’s office to certify the articles of incorporation in person, the Government will consider the requisite measures – including the necessity of legal measures – for enabling notaries public in National Strategic Special Zones to carry out notarization in person not only at their own office, but also at the aforementioned one-stop centers, where certification of electronic articles of incorporation has been commissioned online. The

Government will consider the requisite measures, including considering the necessity of legislative actions, and reach a conclusion on this matter without delay.

2) Strengthening of global financial supervisory functions

- To turn Japan's financial and capital markets into a true global center, while tapping into Asian growth, the Government will, without delay, publish English-language versions of finance-related legislation and guidelines, as well as offering one-stop administrative services (responding to inquiries about legislation, etc.) in English. Moreover, the Government will support initiatives in the National Strategic Special Zones aimed at improving their appeal as financial centers, such as establishing a Japanese version of the Lord Mayor of London, who can conduct PR activities targeting other countries.
- To encourage financial institutions to offer loans with a high regard for feasibility, without an unnecessarily high reliance on guarantees or collateral, etc., the Government will aim to ensure appropriate operation of the Supervisory Policies and Basic Policy for Financial Monitoring. In addition, it will continue to consider approaches to appropriate inspection techniques and will encourage the utilization of the Guidelines on Proprietor Guarantees by financial institutions. [Described below] (Described in “6. Achieving regional economic revitalization and regional structural reform / Achieving reform among mid-ranking companies, SMEs and micro enterprises”)

3) Deregulation in the bus sector to improve airport access

- In the case of access buses departing from or destined for airports within National Strategic Special Zones, the Government will switch bus fares from an upper limit approval system to a prior notification system, if a competitive environment between operators is guaranteed. In addition, as well as giving operators greater flexibility in setting fares, including those for daytime operation and surcharges for late-night operation, the Government will, without delay, take the requisite steps to make procedures more flexible, by such means as

reducing the operating plan (timetable) submission period.

4) Promotion of the establishment of integrated bonded areas

- The Government will consider the possibility of realizing, and reach a conclusion without delay on, operations between facilities in bonded areas of different land owners (or management companies) as an integrated bonded area in order to establish a system to carry out not only the collection of domestic and international cargo but also development and processing, business discussions as well as transport and trade among manufacturing plants and other facilities located some distance away in seamless ways through making seaports and airports with international logistic functions into integrated import and export bases, when approving bonded areas in National Strategic Special Zones.

5) Expediting of immigration procedures

- To expedite and facilitate immigration procedures, the Government will consider measures based on cooperation with the private sector and local governments aimed at enhancing outsourcing of services relating to immigration screening to the private sector in National Strategic Special Zones and will begin implementing any feasible measures.

(Development of an environment conducive to meaningful and active participation in society by women and young people, including support for founding businesses)

6) Utilization of foreign housekeeping support workers to promote active social participation by women and meet the need for housekeeping support

- Foreign housekeeping support workers are currently only permitted to enter and remain in the country if they are employed by foreign nationals such as diplomats and highly skilled professionals. However, the Government will conduct deliberations focused on enabling foreign housekeeping support workers employed by a company providing housekeeping support services to enter and remain in the

country even in cases in which the purpose is to provide housekeeping support to Japanese nationals. Such initiatives would be undertaken in National Strategic Special Zones on a trial basis, within the framework of a system managed by local authorities, with a view to promoting active social participation by women, meeting their need for assistance with housework, and encouraging medium- to long-term economic growth. To this end, the Government will implement the requisite measures without delay.

- In conjunction with this, the Government will include specific programs in the National Strategic Special Zone Plans for the aforementioned Kansai and other zones, which are due to be formulated without delay, and will seek to implement these regulatory reforms promptly.

7) New mechanisms for accepting entrepreneurs and diverse foreign nationals in the National Strategic Special Zones

- To encourage the acceptance of foreign entrepreneurs and staff in Japan, the Government will review the current requirement for the Investor / Business Manager visa category (namely the need to either employ at least two full-time employees or to invest a minimum amount (¥5 million) from the outset) in the National Strategic Special Zones, within the framework of a system managed by local authorities. After ensuring the transparency of the system, the Government will permit entrepreneurs and others involved in business startups to enter and remain in the country on condition that they meet these requirements within a certain period, and will implement the requisite measures without delay.
- Moreover, to encourage even greater acceptance of diverse foreign nationals, including those involved with Cool Japan, as well as entrepreneurs, etc., the Government will consider new mechanisms in the National Strategic Special Zones and any legislative measures required, reaching a conclusion without delay.

8) Reforms aimed at a system to reward workers for performance rather than the time spent at work [described above]

9) Enabling the private sector to run public schools (outsourcing the running of publicly-built schools to the private sector)

- Under the Act on National Strategic Special Zones, it has already been determined that “Taking into account the status of discussions with relevant local governments, the Government shall engage in deliberations focused on outsourcing the management of public schools to the private sector, with a view to implementing specific measures within a year of this act’s entry into force, and shall implement the necessary measures based on the outcomes of these deliberations.” As such, the Government will deal with this matter promptly, in accordance with this act.

10) Bolstering of efforts to eliminate the shortage of nursery teachers

- Taking into account the supply of and demand for nursery teachers in National Strategic Special Zones, the Government will ask the prefectures in which these zones are established to consider increasing the number of times each year that the examination for nursery teachers is held from once to twice a year.
- Under the supervision standards for non-registered day-care facilities, nursery teachers must account for at least one-third of all employees at such facilities. In the case of non-registered day-care facilities in National Strategic Special Zones in which all or most of the children enrolled are foreign nationals, the Government will promptly consider including foreign nationals with nursery teacher qualifications obtained overseas in this one-third minimum threshold, taking into account the need to communicate in other languages and the need to provide appropriate childcare that ensures each child’s safety. Based on these deliberations, it will seek to reach a conclusion without delay.

11) Consideration of new mechanisms for further promoting university governance reforms

- Taking into account the entry into force of revised acts already enacted concerning reforms of university governance, the

Government will conduct ongoing deliberations regarding approaches to new mechanisms – including the potential for utilizing the National Strategic Special Zones system – aimed at backing university initiatives focused on achieving further governance reforms, including reform of the process for selecting university presidents.

(Putting innovative agriculture into practice and building advanced models developed by Japan’s regions)

12) Further promotion of industrialization based on the sixth industry (innovation focused on agriculture, etc.) and exports

- To further promote industrialization based on the sixth industry (innovation focused on agriculture and related business) and exports, the National Strategic Special Zone Councils will seek opinions from private sector business operators concerning additional regulatory and institutional reforms as needed, and will steadily implement the necessary reforms.

iii) Utilization of PPP/PFI

Positioning the three years to the end of FY2016 as the intensive implementation period, in accordance with the Policy on Initiatives, the Government will implement the following initiatives focused on the concession system with a view to offering private sector companies the opportunity to access a substantial market and enhance their international competitiveness, as well as facilitating effective, efficient development and operation of infrastructure in severe financial situation. The Government will also follow up on the progress status of these initiatives.

1) Disclosure of numerical targets concerning priority fields and the number of projects to be implemented during the intensive implementation period

- The Government will set numerical targets for each priority field, concerning the number of concession PFI projects to be implemented during the intensive implementation period (six airport projects, six water supply projects, six sewerage system projects, and one road project). Moreover, the Government will bring forward to the intensive implementation period the target of implementing over the 10 years to

2022 ¥2–3 trillion worth of concession PFI projects.

2) Enhancement of the business environment, etc.

- The Government will make arrangements concerning the legal basis for the dispatch of civil servants to concessionaires, private sector companies, as well as verifying pioneering initiatives at Sendai Airport and other facilities and identifying private sector needs, and will take the requisite measures, as necessary.
- Regarding the handling of accounting in concession PFI projects, the Government will adopt a practical approach to the handling of expenses such as the depreciation of replacement investment, and taxes.
- With a view to the implementation of local government projects, the Government will issue notices and revise guidelines and manuals concerning such matters as the designated administrator system and the system's handling under the Local Public Enterprise Act in case of utilizing the concession system.
- In the field of water supply, the Government will consider mechanisms for applying the existing system to the concession system to ensure that it is placed on an equal footing with existing projects.
- With a view to introducing the concession system to toll road businesses owned by local road public corporations, the Government will take prompt legislative measures in accordance with the Guideline for the Government's Response to the 24th Set of Proposals for Special Zones for Structural Reform (approved by the Headquarters for the Promotion of Special Zones for Structural Reform on May 19, 2014).
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3) Granting of incentives to utilize systems

- The Government will consider approaches to national and local government support focused on the burden involved in preparatory work carried out by local government ahead of concession projects.
- Regarding the public facilities managed by local governments, the Government will consider setting achievement targets and formulating support measures concerning the establishment of property ledgers and

the development of asset management mechanisms based on standard development procedures.

- 4) Strengthening of systems for promoting concession projects** Relevant ministries and agencies will seek to enhance their capabilities by promoting the appointment of legal and accounting experts from the private sector.

iv) Improvement of the competitiveness of cities and strengthening of industrial infrastructure functions

The Government will promote infrastructure development and utilization focused on enhancing international competitiveness, including airports in the Tokyo Metropolitan area, International Container Hub, and ring roads surrounding the three major metropolitan areas, such as the three ring roads in the Tokyo Metropolitan area. In addition, it will implement the following new measures.

1) Improvement of the competitiveness of cities

To improve the competitiveness of cities, the Government will eliminate issues hindering urban regeneration and disaster prevention, and will upgrade urban environments to attract foreign companies and visitors. Making use of new techniques such as the development of densely built-up areas that utilize public real estate and the establishment of a one-stop service for obtaining permits and approvals in accordance with the Act on National Strategic Special Zones, the Government will promote large-scale private sector urban development projects in around 40 locations by FY2020.

2) Strengthening of industrial infrastructure functions

The Government aims to implement appropriate measures, including the one to increase the number of landing slots at airports in the Tokyo metropolitan area by 80,000 slots over the current approx. 750,000 slots in time for the 2020 Tokyo Olympics and Paralympics, after having consultations and deliberations with the local governments and the like involved in such measures to further enhance functions of the airports. Moreover, to enhance the international competitiveness of the Port of Yokohama, which is a strategic international container port, the Government will engage in deliberations focused on such matters as safety measures in Tokyo Bay, with a view to relaxing compulsory pilotage, and will reach a

conclusion by this August.

5-2. Stimulating financial and capital markets / Management of public and quasi-public funds, etc.

(1) Progress in achieving KPIs

<KPI> Japan in the top three OECD member countries in the World Bank's Ease of Doing Business ranking by 2020 (15th in 2013)

⇒ 2014: 15th (same as the previous year)

*Although there were decreases in the time required for procedures in the “starting a business” and “registering property” topics, these were quite small; in addition, there were no improvements in the “getting electricity,” “dealing with construction permits,” “getting credit,” “protecting investors,” “paying taxes,” “enforcing contracts,” and “resolving insolvency” topics, so Japan held the same position as the previous year.

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*Tokyo maintained good ratings in such categories as “availability and reliability of public transportation” (1st → 1st) and “number of patents registered” (2nd → 1st). It improved from 17th to 10th in the “wage level” category. Tokyo continued to rank poorly in categories such as “corporation tax rate” (32nd → 32nd) and “time taken to access an international airport from the center of the capital” (31st → 31st).

<KPI> Double foreign companies' direct investment in Japan to ¥35 trillion by 2020 (¥17.8 trillion as of the end of 2012)

⇒ As of the end of 2013: ¥18.0 trillion

(2) Progress made in implementing measures

(Recommendations by the Panel for Vitalizing Financial and Capital Markets)

- In 2013, the Government established the Panel for Vitalizing Financial and Capital Markets, which examined examines measures to vitalize financial and capital markets and compiled its recommendations in December 2013. Furthermore, this June, the Panel compiled the document entitled Follow-up and Further Recommendations for Vitalizing Financial and Capital Markets, which reported on the progress of the original recommendations and offered additional proposals.

(Recommendations by the Panel for Sophisticating the Management of Public/Quasi-public Funds and steady implementation of revisions to the

management of such funds based on these)

- In June 2013, the Government established the Panel for Sophisticating the Management of Public/Quasi-public Funds to examine approaches to the management of public and quasi-public funds. In November 2013, the Panel compiled its recommendations regarding such matters as revising investment in light of the post-deflationary economy and improving governance including the risk management structure. In reference to the recommendations by the Panel, the Action Plan for Strengthening Industrial Competitiveness (approved by the Cabinet on January 24, 2014) states that “The Government shall take the requisite steps to ensure that the necessary measures are implemented swiftly and steadily, taking into account the need to ensure long-term soundness, according to the scale and nature of the funds in question.” As for The Government Pension Investment Fund (GPIF) is steadily acting, taking these recommendations into account, through such measures as the investment in infrastructure assets under co-investment agreement with Development Bank of Japan and a Canadian public pension fund, the employment of new indices for passive investments and the acceptance of the Japan’s Stewardship Code..

(3) Specific new measures to be taken

The Government will steadily implement reforms to vitalize financial and capital markets and to manage public and quasi-public funds based on these recommendations, which indicate the approach to be taken in future reforms.

i) Vitalizing financial and capital markets

In light of the recommendations by the aforementioned Panel, the Government will aim to build the best financial and capital market in Asia by revitalizing securities market and strengthening asset management market, as well as making the most of Asia’s growth potential.

1) Securing Japan’s status as an international financial center and realizing Asia’s growth potential

- To secure Japan’s status as an international financial center by improving the environment of the Tokyo market in obtaining other Asian currency funding and enhancing cross-border transactions, the Government will

improve financial infrastructure such as securities settlement systems and other infrastructure, and promote the standardization of bond issuance documentation and procedures with ASEAN countries. Also, in order to make Japan's financial and capital markets more accessible, the Government will introduce more convenient information services in English regarding financial administration.

- To secure stable financing of local currencies and smooth payment settlement for Japanese companies that are extending their businesses to Asia, the Government will promote cross-border collateral arrangements and cross currency repos using Japanese Government Securities as collateral, and interconnection of ATM systems within Asia by private sector companies. In addition, to develop the business environment for Japanese companies and financial institutions operating in other Asian countries, the Government will strengthen its support for their activities in Asia.
- To strengthen the resilience of financial markets in Asia, the Government will renew and/or expand bilateral swap arrangements with Asian countries
- To meet diverse needs for funding and management both within Japan and overseas, the Government will implement the institutional measures required to establish a listed infrastructure fund market on the Tokyo Stock Exchange by the end of 2014, and will also promote environmental enhancements aimed at the origination of infrastructure funds and healthcare REITs.
- With the formation of business alliances progressing in overseas financial centers, amid fierce competition between stock exchanges, finance and securities derivatives markets and product derivatives markets are increasingly becoming integrated. In light of this fact, the Government will create a comprehensive exchange at the first possible opportunity, and will actively endeavor to ensure that the listing of electricity and LNG futures proceeds smoothly.

2) Enhancing settlement systems.

- Making use of the extended operating hours of the Bank of Japan Financial Network System (BOJ-NET), the Government will promote to enhance payment, fund, and securities settlement systems by financial

institutions and companies. As to enhancing settlement systems, such as real-time bank transfers, the Japanese Bankers Association has stated that it would consider the improvements to be made to the current fund settlement system, and the schedule to make the improvements in detail, and reach a conclusion by the end of the year, bearing in mind the need to ensure the safety and reliability of settlement systems, in reference to the trends in foreign countries. The Government will promote initiatives to facilitate such enhancements. Moreover, in order to increase the amount of EDI (Electronic Data Interchange) information attached to domestic retail fund transfers, the Government will enhance the cooperation between the industrial sector and financial institutions in view of the result of the joint experiment carried out by the retail industry and financial institutions to ensure this issue dealt with as soon as possible. The Bank of Japan will also seek to enhance settlement services in Japan, including the aforementioned measures.

- The Government will seek to improve the convenience and efficiency of payment by making cashless payment more prevalent, in light of the forthcoming 2020 Tokyo Olympics and Paralympics. Accordingly, the relevant ministries and agencies will, within 2014, compile a number of counter measures concerning such matters as measures to improve the convenience of credit cards issued overseas, with a view of an increase the number of foreigners visiting Japan, as well as the development of an environment conducive to the safe use of credit cards, etc. by consumers and the expansion of the use in electronic payment, including efforts to popularize electronic payment in the public sector.

3) Establishment of a cycle in which abundant household assets flow toward growth money

- To establish a cycle in which abundant financial assets held by individuals flow toward growth money, the Government will:
 - Promote the use of NISAs by expanding the range of investors through implementing policies that reflect the purpose of the scheme and the needs of investors, and improving financial education.
 - Promote efforts to increase transparency in the management of

investment funds and to offer investment products that reflect the needs of the investor first. In addition, the Government will continue to consider it in order to reach a conclusion within 2014 regarding comprehensive enhancements of the environment in which trustees fulfill their duty and truly manage the funds by reflecting the investor's interests. Based on the conclusions reached, the Government will take the necessary steps and seek to achieve an overall improvement in the standard of investment management.

- To further popularize defined contribution pension plans, the Government will consider improvements in the investment options throughout defined contribution pensions as a whole, with a view to helping citizens to become self-supporting, as well as examining how to ensure flexibility regarding lifestyles (for example, the handling of limits less than the amount of the employer contribution in matching contribution schemes, and the popularization of defined contribution pension plans among SMEs). The Government will conduct these deliberations in conjunction with a review of the public pension system as a whole, including third-tier pensions.

4) Promotion of an increase in the number of companies voluntarily adopting the IFRS

- With a view to achieving “a single set of high-quality accounting standards”, which was prescribed in the G20 Leaders’ declaration in 2008, the Government will strive to increase the number of companies voluntarily adopting the IFRS.
- In addition to the measures already taken, the Government will conduct a fact-finding survey and interviews to ascertain how companies that have voluntarily adopted the IFRS overcame any challenges they faced during the transition to the IFRS and what advantages their shift to the IFRS has had. It will then publish its findings from the above in the form of “the IFRS Adoption Report (tentative name)”, to serve as a useful reference for companies considering adopting the IFRS.
- The Tokyo Stock Exchange will encourage listed companies to explain to investors their basic views on the selection of accounting standards (for

example, whether they are considering adopting the IFRS).

5) Initiatives aimed at enhancing the competitiveness of companies

- As a means of enhancing the environment with a view to encouraging better corporate governance, the Government will encourage more widespread use of the JPX-Nikkei Index 400 (which consists of companies selected with a focus on profitability and corporate governance) and seek to ensure that it becomes firmly established. Proactive initiatives to be taken in this area will include support for the prompt listing of futures.
- The Japan Bank for International Cooperation (JBIC) will focus on projects that contribute to improving the profitability of Japanese companies through its Loan Facility to Enhance Global Business Development and will introduce (i) subordinated loans, and (ii) financing for Leverages Buyout (LBO), as new means of providing funds that supplement financing for the private sector. [Described above]
- The Government will reassess the legal systems and practice related to business restructuring, including out-of-court debt restructuring. [Described above]
- The Government will improve the audit quality and promote measures to enhance the attractiveness of qualified CPAs.

ii) Reviewing management of public and quasi-public funds, etc.

In terms of approaches to the management of public and quasi-public funds, including the GPIF, in light of the recommendations by the Panel, the Government will continue to take the requisite steps to ensure that the necessary measures are implemented swiftly and steadily, taking into account the need to ensure long-term soundness, according to the scale and nature of the funds in question.

As for the GPIF, it appropriately revise its policy asset mix as soon as possible to ensure the long-term soundness of pension finances, in line with the changes in the long-term economic and investment climate, including Japan's success in overcoming deflation and in transitioning to an environment with moderate inflation, based on the 2014 Actuarial Valuation of the Employees' Pension

Insurance and the National Pension. In addition, the GPIF will, without delay, adopt a response based on the Japan's Stewardship Code, which the GPIF has accepted (*).

Moreover, in addition to the revisions of its policy asset mix, it is necessary to enhance governance system of the GPIF, so it will aim for more agile management by restructuring its risk management system with a forward-looking view at first. Furthermore, in accordance with the Basic Policy on Incorporated Administrative Agency Reform, etc. (approved by the Cabinet on December 24, 2013), the Government will implement without delay such initiatives as assigning some permanent members to the GPIF's Investment Committee and developing systems that will actually enable the Committee to make decisions about key policies on fund management, as well as securing highly skilled experts through the revisions of the remuneration system. In addition, in light of the Basic Policy and the recommendations made by the Panel regarding the management of funds, the Ministry of Health, Labour and Welfare will accelerate efforts to implement the necessary measures, taking into account the need to ensure long-term soundness of the fund according to its scale and nature. For example, the MHLW will hold discussions on the location of the main office of the GPIF, and the future legal reforms if it is necessary from the viewpoint of the whole pension system and its organizational structure.

*Management reforms are solely for the benefits of those insured on the national pension system. Such management reforms of the GPIF will consequently lead to investments in growth, benefiting the Japanese economy, contributing to the formation of a virtuous economic circle.

5-3. Overcoming constraints of environmental/energy

(1) Progress in achieving KPIs

<KPI> Complete the Electricity System Reform by 2020 at the latest

⇒ Amendment bills of the Electricity Business Act were passed in the 2013 extraordinary Diet session and the 2014 ordinary Diet session.

<KPI> Aim for practical use of 1500°C-class IGCC during the 2020s

⇒ The construction of a large-scale 500,000kW-class IGCC (1500° C-class) demonstration facility has been announced and coordination is underway, with a view to starting construction.

<KPI> Sign bilateral documents for the Joint Crediting Mechanism(JCM) with Mongolia, Bangladesh, Ethiopia, etc. by the end of FY2013

⇒ Bilateral documents were signed with Mongolia, Bangladesh, Ethiopia, and seven other countries by the end of FY2013, and with one more country in April 2014 (11 countries in total).

(2) Progress made in implementing measures

(Cabinet approval of the Fourth Strategic Energy Plan)

- In April 2014, the Cabinet approved the Fourth Strategic Energy Plan, which set out the direction of the Government's new energy policy, taking into account changes in the environment around energy, including the Great East Japan Earthquake and the accident at TEPCO's Fukushima Daiichi Nuclear Power Station.

(Registration of Japan's greenhouse gas emission reduction target for FY2020)

- At the Climate Change Conference (COP19) in November 2013, the Government put forward a new 2020 greenhouse gas reduction target of 3.8% compared to the 2005 level as a target at this point, not including the emissions reduction effect resulting from nuclear power (this was subsequently registered with the United Nations Framework Convention on Climate Change Secretariat). In addition, the Government announced a proactive diplomatic strategy for countering global warming, entitled "ACE: Actions for Cool Earth", focusing on three key actions (1) innovation of low carbon technologies; (2) the global application of Japan's existing technologies; and (3) partnership with various stakeholders including ¥1,600 billion (approx. USD 16 billion) assistance to

developing countries. The Government is currently working steadily on efforts to implement the actions in this strategy..

(Decision on the implementation of first- and second-phase the Electricity System Reforms)

- Regarding the Electricity System Reform, the supplementary provision to the first-phase amendment bill of the Electricity Business Act enacted in November 2013 set forth the program for completing reforms by 2020 at the latest. Moreover, in light of the passing of the second-phase amendment bill of the Electricity Business Act in June 2014, the Government is steadily implementing first-phase (establishment of the Organization for Nationwide Coordination of Transmission Operators) and second-phase (full-scale deregulation of entry into the retail sector) reforms in conjunction with each other.

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(Implementing strict reviews based on applications from nuclear operators)

- Regarding the use of nuclear power plants whose safety has been confirmed, the Nuclear Regulation Authority's new regulatory requirements came into force in July 2013 and it is systematically carrying out reviews of compliance with the new requirements, in response to applications from nuclear operators.

(Launching the world's most advanced high-efficiency thermal power generation)

- In the field of high-efficiency thermal power generation, the first 1600°C-class LNG thermal power plant in the area served by the Kansai Electric Power Company began operating in August 2013, while in December, a 600,000kW-class and a 1 million kW-class coal thermal power plant (USC) began operating in the area served by Tokyo Electric Power Company. Furthermore, following on from this, environmental impact assessment procedures for a large-scale integrated gasification combined cycle (IGCC) demonstration facility in Fukushima Prefecture commenced this May. Thus, the introduction of some of the world's most advanced high-efficiency thermal power generation facilities are progressing steadily.

(Active resource diplomacy for the early realization of LNG supply from the USA)

- To reduce LNG procurement costs, the Government has engaged in active resource diplomacy aimed for the early export approval of US LNG projects in which Japanese companies are involved, with a view to realize the supply of LNG from the USA as soon as possible. It has succeeded in obtaining export approvals for all four projects. Moreover, it participated in Africa's largest mining investment conference (Mining Indaba 2014), strengthening relationships with Africa's resource-rich countries.

(Strengthening the ability to respond to risks at oil refineries, etc.)

- The Government has strengthened the ability to respond to risks at oil refineries through such initiatives as promoting the introduction of the "Three Essential Emergency Tools" (emergency generator, emergency information and communications system (satellite communications, etc.), and oil drum filling and shipment facilities), designating core gas stations nationwide in accordance with the revised Oil Stockpiling Act, and developing core LPG filling stations. In addition, it has implemented collaborative projects such as providing support for the laying of pipes between business establishments, to encourage facility optimization at petrochemical complexes.

(3) Specific new measures to be taken

Since the disaster, the value of Japan's fuel imports has increased by ¥10 trillion and it has been estimated that the outflow of money overseas arising from the import of fuel in FY2013 rose by about ¥3.6 trillion, compared with the situation if nuclear power generation had been used as baseload power source in line with the situation before the Great East Japan Earthquake (average for FY2008–FY2010).

The Government has already implemented a number of measures aimed at overcoming environmental and energy constraints, and it will continue to reinforce systems for a stable supply of energy, both under normal circumstances and in the event of a crisis, while curbing energy costs and greenhouse gas emissions as much as possible. It will achieve this by implementing various measures based on the Fourth Strategic Energy Plan and seeking improvements in the business environment via the stable supply of energy and reductions in energy costs.

More specifically, it will seek further improvements in energy efficiency by

promoting thorough efforts to save energy, while on the supply side it will aim to complete the Electricity System Reform by 2020 at the latest, as well as undertaking gas system reforms, among other measures. In addition, the Government will make swift, steady progress with initiatives including the restart of nuclear power stations whose safety has been confirmed, the utilization of high-efficiency thermal power generation (coal/LNG) when updating thermal power stations that have become dilapidated, reducing procurement costs for LNG, etc., and developing the market for energy futures.

1) Promotion of thorough energy-saving

The Government will develop systems for encouraging business operators to implement thorough energy-saving, including the utilization of energy management and energy-saving diagnosis services offered by experts in energy-saving, the introduction of advanced energy-saving equipment, the consolidation of production lines spanning multiple plants, and the utilization of co-generation and unused thermal energy. These systems will enable Japan to achieve the world's highest level of energy efficiency. Moreover, the Government will formulate guidelines concerning such matters as ways of measuring demand restraint, to encourage negawatt transactions (focused on the quantity of electricity conserved) among consumers.

2) Pushing through the Electricity System Reforms

The Government will continue to make preparations for the first-phase reforms, with the aim of establishing the Organization for Nationwide Coordination of Transmission Operators in 2015.

Regarding the second-phase reforms, the Government will put in place an environment conducive to full-scale deregulation of entry into the retail electricity sector.

The Government will move forward with preparations aimed at submitting the bill concerning the third-phase reforms (further securing the neutrality of the transmission and distribution sector through legal unbundling) during the next ordinary Diet session.

3) Promotion of gas and heat supply system reforms

The Government will conduct deliberations focused on building a gas system that ensures a cheap, safe, stable supply of town gas and offers consumers

diverse options including new services. It will aim to conclude these deliberations promptly and move into the implementation phase without delay. Moreover, in conjunction with reforms of the electricity and gas systems, the Government will consider revising approaches to heat supply businesses, to facilitate the efficient supply of energy, including the integrated supply of heat and electricity. Moreover, with the additional objective of creating employment in Japan's regions, including at local authorities, the Government will focus efforts on the effective use of thermal energy, including unused thermal energy.

4) Utilization of nuclear power stations once their safety has been confirmed

Based on the premise of prioritizing safety above all other considerations and sparing no effort to eliminate the concerns of citizens, the Government will leave matters concerning the safety of nuclear power stations to the judgment of the Nuclear Regulation Authority (NRA), so if the NRA accepts that a nuclear power station complies with the world's most stringent regulatory requirements, the Government will respect its judgment and move forward with the restart of that nuclear power station. In doing so, the national government will be at the forefront of efforts to secure the understanding and cooperation of interested parties, including the local authorities of the areas in which they are sited.

Moreover, as well as engaging in international cooperation focused on the development of technology to reduce the volume and toxicity of radioactive waste, nuclear nonproliferation initiatives, and the development of nuclear technologies that serve the safety improvement of nuclear use, such as high-temperature gas-cooled reactors, the Government will implement human resource development in these fields.

5) Promotion of the introduction and international roll-out of high-efficiency thermal power generation (coal/LNG)

In light of the fact that combined cycle and other new state-of-the-art technologies are now available, the Government will further promote the introduction of high-efficiency thermal power generation as a point of reference in the procedures of environmental impact assessments. Moreover, to curb CO2 emissions on a global scale using Japan's world-class technology, the Government will use public financial support and top-level diplomacy to promote the dissemination of such technology to emerging nations in regions including Asia and Eastern Europe.

6) Reduction of LNG procurement costs

As well as promoting greater flexibility in the LNG market by such means as relaxing the destination clause, the Government will move forward with improvements to the resource procurement environment, such as promoting the strategic utilization of new joint procurement initiatives, diversifying supply sources through the realization of LNG supply from North America, etc., and obtainment of upstream asset, and diversifying resource shipment routes.

7) Consideration of approaches to a feed-in tariff system

The Government will conduct comprehensive deliberations focused on building the optimum configuration of measures that introduce the greatest-possible quantity of renewable energy sources, while minimizing the burden on citizens. Based on the outcome of these deliberations, it will take the necessary steps.

8) Maintenance and improvement of supply chains for oil and LPG

Regarding public notice of the Act for Upgrading the Energy Supply Structure, the Government will encourage efforts to optimize facilities and restructure operations at petrochemical complexes, promoting a radical rethinking of the approach by encouraging joint responses by multiple companies. Through initiatives to strengthen collaboration between relevant central government bodies and local authorities, such as including measures for securing a stable supply of oil and LPG in municipal plans for the first time, the Government will reinforce the infrastructure required for industry and daily life in Japan's regions. Furthermore, the Government will seek to strengthen the ability of oil companies to provide a coherent response to disasters through integrated BCP covering everything from oil refineries to gas stations (measures to promote earthquake resistance, counter liquefaction and facilitate logistics, undertaken in partnership with relevant ministries and agencies). In light of the damage that is expected to result from a natural disaster, which has been re-evaluated substantially in recent years, the Government will prepare new plans, to promote measures to expedite the restoration of electricity and gas supplies that will be capable of responding even to a natural disaster on a hitherto-unprecedented scale.

6. Achieving regional revitalization and regional structural reform / Achieving reform among mid-ranking companies, SMEs and micro enterprises

(1) Progress in achieving KPIs

<KPI> Ensure that the business startup rate exceeds the business closure rate, and raise the business startup and closure rate to the 10% range, on a par with the rates in the USA and the UK (from the current rate of around 5%)

⇒ In the first three quarters of FY2013 (April–December), the Japan Finance Corporation’s Micro Business and Individual Unit offered business startup loans worth a total of ¥134.3 billion (up 133% on the same period of the previous year) to 17,304 companies (up 114% on the same period of the previous year), the highest level for seven years

<KPI> Increase the number of profit-making SMEs and micro enterprises from 0.7 million to 1.4 million by 2020.

⇒ The business performance of SMEs is demonstrating an upward trend, as can be seen from the fact that the diffusion index for profits has risen for three consecutive quarters since the 3rd quarter of 2013 (2013 figures for profit-making SMEs and micro enterprises have not yet been published)

(2) Progress made in implementing measures

(Constructing a system to support business startups in Japan’s regions)

- The Industry Competitiveness Enhancement Act was enacted in December 2013 and municipalities have worked in partnership with private sector startup support businesses on initiatives aimed at building a system to support startups. A total of 168 startup support business plans from 177 municipalities have been approved to date.

(Enhancing the scope of those protected by regional brands)

- A bill to revise the Patent Act and other legislation was passed in April 2014 and the scope of entities eligible to register regional collective trademarks was expanded to include commercial and industrial associations, and chambers of commerce and industry, to facilitate the protection of regional brands of high utility value.
- In June 2014, a system was put in place to protect geographical indications that

constitute the names of agricultural, forestry, and fisheries produce and foods with traditions and attributes cultivated in Japan's regions. Under this protection, such indications are treated as intellectual property.

(Compilation of regional growth strategies by Regional Industrial Competitiveness Councils)

- To reflect local opinions from across all of Japan's regions, Regional Industrial Competitiveness Councils have been established in each regional block and regional growth strategies focused on identifying strategic industries and local resources have been formulated. Moreover, the Regional Revitalization Platform established in January 2014 solicited model cases for comprehensive reforms of urban and regional structures and local industry. Submissions were received from across the country and 33 were selected.

(Promoting initiatives to encourage entry into growth fields and international expansion)

- In relation to the expansion of SMEs and micro enterprises into growth fields, the Government revised the technology fields covered by the Small and Medium Sized Enterprise Manufacturing Enhancement Act in February 2014, thereby putting in place an environment that encourages entry into growth fields. Moreover, by April 2014, the Government had established platforms offering local support for overseas expansion in 11 locations, as a means of supporting international expansion. The number of such platforms is expected to increase to 17 before the end of FY2014.

(3) Specific new measures to be taken

The Regional Industrial Competitiveness Councils established in each region over the course of the last year have identified the direction of their strategies and are now about to enter the implementation phase. Accordingly, as highly-motivated regions implement their strategies by formulating action plans, the Government will provide accompanying support and back up the creativity of each region, as well as implementing initiatives to create sustainable regional economic structures.

More specifically, the Government will consider from a medium- to long-term perspective a comprehensive vision and policy devices involving all ministries and agencies, demonstrating an awareness of the harsh reality of population decline and

focused on the keywords of consolidation and revitalization. In addition, it will immediately devise concrete measures for implementing feasible policies via what can be dubbed “Local Abenomics,” such as promoting business startups by young people and women, and utilizing distinctive local resources in each area. In doing so, it will seek to make support measures targeting SMEs and micro enterprises even more user-friendly, starting with the streamlining of the METI inspection process and the enhancement of PR.

Moreover, regional financial institutions have a vital role to play in increasing the profitability and productivity of companies, while encouraging the self-sustaining development of Japan’s regions. Accordingly, the Government will encourage initiatives by regional financial institutions to improve the performance, productivity, and sustainability of the companies to which they provide loans.

(Regional revitalization / Reform among mid-ranking companies, SMEs and micro enterprises)

1) Construction of a support platform for bringing regional revitalization measures together as a single package

The Government will pursue integrated management of the various regional revitalization measures being implemented by each ministry and agency, and will concentrate policy resources in highly-motivated regions to maximize the policy effect. Accordingly, the Government will aim to submit a bill for the reform of the Local Revitalization Act during the next ordinary Diet session. The objective of this will be to build regional rebirth mechanisms that bring together the various regional revitalization measures as a single package, including implementing a one-stop service in conjunction with both the new Grand Design for Japan’s Land and plans for regional revitalization, and offering new support measures that regions will find more user-friendly. The Government will also implement various other initiatives, including efforts to strengthen the sharing of information across the boundaries between ministries and agencies, to contribute to the regional revitalization initiatives of people and companies in each region and ensure efficient utilization of policy resources for such revitalization. Moreover, based on the idea of consolidation and networkings, the Government will offer proactive support for such measures as the nationwide roll-out from FY2015 of a regional hub of urban areas and self-reliant areas in conjunction with the establishment of platforms for these, as well as the formation of Settlement Network Areas.

2) Cultivation of strategic industries centered on medium-sized companies in Japan's regions

The question of how to achieve innovation, including in one's business model, is of the utmost importance to enable companies to be victorious in competition, raising their sights to global markets as well. Accordingly, the Government will implement the following measures, while verifying the effects of the measures implemented to date.

- With a view to creating and cultivating strategic local industries, the Government will promote initiatives focused on open innovation, such as support for the formation of places where research institutes, local universities, local government, financial institutions, and other bodies from the worlds of industry, academia, government, and finance can work in partnership, centered on local medium-sized companies. In doing so, the role played by Germany's Fraunhofer Institutes will serve as a point of reference. As part of these endeavors, the Government will create projects that cut across municipal and prefectural boundaries, through the formation of networks by these actors and the development of systems for promoting innovative research and development, as well as commercialization of the resultant outcomes.
- In conjunction with this, the Government will revise support systems by such means as adding design to the technologies targeted by the Small and Medium Sized Enterprise Manufacturing Enhancement Act, to encourage product development via collaboration between industry, academia and government, based on a market-oriented approach.
- Moreover, with the collaboration of representatives of industry, academia, the regional financial sector, and local government, local government will play the central role in establishing regional companies with a high employment capacity, via support offered by Regional Economic Innovation Cycles and the utilization of schemes for supporting SME startups based on the Industry Competitiveness Enhancement Act.
- The Government will seek to encourage the Regional Economy Vitalization Corporation of Japan to establish a fund and supply money to support core regional companies in achieving management improvements without delay. In addition, it will extend the eligibility criteria for the fund investment

projects undertaken by the Organization for Small & Medium Enterprises and Regional Innovation, Japan, to encourage enterprises to expand into the fields of health and medical care, which are growth fields for middle-ranking SMEs, etc.

- To help personnel who will support strategic industries to put down roots in each region, the Government will create regional talent banks to offer integrated support for everything from securing personnel for SMEs and micro enterprises through to ensuring their retention. This will include older personnel relocating back to their hometowns or to other regional cities (U-I-J turn), such as former employees of those enterprises.
- With a view to promoting overseas expansion by medium-sized companies, the Government will utilize JETRO and other relevant organizations to offer support packages, such as assisting Japanese companies in cultivating markets at their overseas bases of operation.

3) Backing for hometown specialties

The Government will revise the Small and Medium Sized Enterprise Local Resource Utilization Act and promote efforts to develop and cultivate markets for hometown specialties that utilize local resources, as well as incorporating mechanisms such as thorough quality control, which will increase the inclination of consumers to purchase such products. In addition, the Government will encourage tourism initiatives that utilize local sights (nature, culture, industrial heritage, etc.), agricultural, forestry, and fisheries produce, and other local resources to attract consumers to each region. In doing so, the Government will seek to promote the revitalization of the whole of each region through the utilization of local resources, by using initiatives such as the community-reactivating cooperator squad to identify, dispatch, and cultivate personnel who can use local resources to establish brands, and developing systems for undertaking strategic tourism promotion.

4) Promotion of loans based on feasibility assessments by regional financial institutions, etc.

In order to promote improvements in business quality and business/corporate restructuring, financial institutions are expected to provide financing taking well into considerations not only the financial condition of debtor companies, but also

the growth potential of the debtor's business, without placing an unnecessarily high reliance on guarantees or collateral, as well as to cooperate with relevant stakeholders to improve the performance, productivity, and sustainability of businesses. Financial institutions are encouraged to offer support for management improvements to companies that have received loans with guarantees or collateral attached, and the Government will appropriately supervise and support financial institutions pursuant to the Supervisory Policies and the Financial Monitoring Policy from such perspectives. [Partially described above]

With a view to contributing to such initiatives focused on the growth potential of businesses, the Government will build mechanisms for evaluating techniques that regional financial institutions and other bodies can utilize when making decisions on loans.

In light of this perspective, the Government will continue to examine approaches to appropriate inspection techniques and their utilization, including the approach outlined in the Financial Monitoring Policy, which states that “less attention will be paid to small and low risk exposures pertaining to safety and soundness, and banks’ asset classification, subject to effective credit risk management with appropriate provisions, will be accepted by on-site inspections.” In addition, the Government will encourage regional financial institutions to make use of the “Guidelines for personal Guarantee Provided by Business Owners”. Moreover, the Government will constantly review credit guarantees in light of the progress of responses by financial institutions via these initiatives.

Furthermore, as well as selectively pursuing the utilization by regional financial institutions, etc. of specialist personnel in the management of regional companies via the Regional Economy Vitalization Corporation of Japan (REVIC), the Government will encourage REVIC to establish a fund and supply money to support core regional companies in achieving management improvements without delay. [Partially described above]

In addition, in light of the fact that the business activities of regional companies are spread over an increasingly extensive area, the Government will encourage regional financial institutions to enhance the functions and systems that they will require in future to support the core business of companies and assist in industrial regeneration, as well as boosting their own corporate strength. [Partially described above]

5) Restructuring of SMEs and micro enterprises, including efforts to promote business startups by young people and women

It is vital to put in place an environment conducive to the startup of businesses by young people and women, in order to restore vitality to Japan's local communities. Accordingly, support organizations such as the Japan Finance Corporation, comprehensive local support hubs, commercial and industrial associations, chambers of commerce and industry, and the Organization for Small & Medium Enterprises and Regional Innovation, Japan will join forces in a full-scale effort to (1) promote more entrepreneurial thinking (via the Business Grand Prix, etc.); (2) encourage the development of consultation systems in each area; and (3) facilitate the smooth supply of funds to those starting up businesses. In conjunction with this, the Government will strengthen the support for businesses started by NPOs, which are growing in number, particularly those run by women. In doing so, the Government will seek to meet new needs in fields related to medical care, childcare, and education, among others.

To eliminate concerns about destabilization of one's livelihood when starting up a business, the Government will clarify the handling of employment insurance benefits for people preparing for or considering business startup while engaged in job-seeking. In addition, it will encourage subsidiary businesses, side jobs, and startup sabbaticals, which will enable workers to start a business, while still working as an employee. Moreover, the Government will revise the Public Agency Order Act and encourage young companies (small and medium-sized venture companies) to participate in government procurement, thereby supporting their management and improving their credibility. [Partially described above]

Given the rising average age of proprietors of SMEs and micro enterprises, the Government will encourage business proprietors to pass on the baton to the next generation. To this end, it will move forward with such initiatives as encouraging enterprises to use business succession as an opportunity to withdraw from existing areas of business and engage in new business development ("second startup"), compiling guidelines for facilitating the sale of the businesses of companies with no successor (M&A), upgrading the network of Business Succession Support Centers, utilizing vacant premises in shopping districts, and downsizing. Moreover, the Government will revise the small-scale enterprise mutual aid system run by the Organization for Small & Medium Enterprises and Regional Innovation, Japan, to enhance financial support for micro enterprises

and augment its functions as a safety net in the event of business closure and a source of support for business succession. In addition, the Government will strengthen the support functions of SME support organizations.

(Reform of the economic structures of Japan's regions)

6) Establishment of comprehensive policy promotion arrangements

To overcome rapid population decline and the unprecedented aging of the population, and build dynamic economic structures in Japan's regions, it is vital to consolidate administrative services and revitalize economic activities. As such, the Government will promote regional strategies that take advantage of each area's individuality through the utilization of local resources, among other measures, while also embarking on bold reforms of policy devices so that they better reflect the creativity and endeavors of individual local authorities and the regions in which they are located. In addition, the Government will seek the consolidation of urban functions based on local consensus building and will aim to form Regional Core Metropolitan Areas, etc. As such, it is necessary to set out a comprehensive long-term vision for the economic structure of Japan's regions.

In light of this fact, it is vital to seek the intensiveness and accumulation of urban functions, industries, and employment, and the development of networks between them. In addition, it is important to promote comprehensive policy aimed at maintaining the dynamism of Japan's regions, while preventing excessive concentration in Tokyo, as well as overcoming the declining birthrate and population. Accordingly, the Government will establish headquarters to serve as a form of control tower for such promotion and establish government-wide arrangements.

II. Strategic Market Creation Plan

Theme 1: Extending the nation's healthy life expectancy

(1) Progress in achieving KPIs

<KPI> Extend the nation's healthy life expectancy by one year or more by 2020 [70.42 years for males and 73.62 years for females (2010)]

⇒ Average life expectancy in 2012: 74.94 years for males and 86.41 years for females [79.55 for males and 86.30 for females (2010)]

<KPI> By 2020, reduce the number of citizens with metabolic syndrome by 25% from FY2008 [14 million (FY2008)]

⇒ FY2011: Down 9.7% from FY2008

<KPI> By 2020, aim that medical examine rate (for the 40-74 age range) will be 80% (including specified health check-ups) [67.7% (2010)]

⇒ Proportion of citizens receiving specified health checkups in FY2011: 44.7% [43.2% (FY2010)]

(2) Progress made in implementing measures

(Removing “gray zone areas” regarding the health industry)

- In response to an application by a business operator utilizing the system to remove the gray zone areas created under the Industrial Competitiveness Enhancement Act enacted in December 2013, the Government confirmed that private sector service providers would not be subject to regulation in relation to the provision of guidance concerning exercise to prevent lifestyle diseases, including the maintenance of motor functions, as well as the provision of simple blood tests and health information based on such tests. The Government has also sought to eliminate gray zones regarding the industry focused on extending healthy life expectancy, creating a guideline for new business operations in this sector, which offered a number of other examples as well.

(Internet sales of over-the-counter drugs)

- The Pharmaceutical Affairs Act was revised in December 2013 to facilitate safe Internet sales of all over-the-counter (OTC) drugs, in principle. The revision paved the way for Internet sales of more than 10,000 OTC drugs, excluding five powerful drugs. (Former prescription drugs that have recently been granted OTC

status will be made available for Internet sales once their safety has been confirmed during the verification period, which will last up to three years in principle.)

(Creating a control tower for medical R&D)

- A bill establishing the Promotion Headquarters for Healthcare Policy as a control tower for medical research and development was passed in May 2014, along with another establishing the Japan Agency for Medical Research and Development. Systems have thus been put in place for promoting research and development in the medical field, including drugs and medical devices, based on cooperation between government ministries. In addition, a bill to revise the Pharmaceutical Affairs Act, in order to accelerate the approval of medical devices and regenerative medicine products, was enacted in November 2013, along with the Act on the Safety of Regenerative Medicine, which promotes swift, safe commercialization of regenerative medicine technologies, thereby putting in place a framework for accelerating the research, development, and commercialization of medical technologies.

(Accelerating assessments of the advanced medical services)

- Other measures implemented include the acceleration and streamlining of the evaluation of advanced medical services (anticancer drugs) through the creation of a new external agency; clarification of rules regarding investment in foreign corporations by medical corporations with a view to the international expansion of medical services; and the imposition on social welfare corporations of a requirement to publish financial statements, to ensure the transparency of their operations.

(3) Specific new measures to be taken

The Japan Revitalization Strategy identified the health and longevity industry as one of the strategic sectors and cited various measures, including those aimed at the development of an industry focused on extending healthy life expectancy, as well as the pharmaceuticals and medical devices industries. However, unresolved challenges to the achievement of medium- to long-term growth remain, including such issues as how to develop the healthcare and nursing care field into a growth market, how to

provide high-quality services, and how to ensure the sustainability of the relevant systems.

To address these challenges, the Government will implement such measures as (1) establishing systems for providing efficient, high-quality services; (2) creating a thriving industry for services that are not covered by social health insurance; (3) consolidating and considering the scope of services subject to insurance benefits; and (4) accelerating ICT use in healthcare and nursing care.

i) Establishing systems for providing efficient, high-quality services

1) Creating a non-profit holding company system (tentative name)

Institutional reforms to promote the division of functions among regional healthcare and nursing care service providers and to encourage cooperation among them will be implemented to improve the efficiency and quality of healthcare and nursing care services, thereby providing an integrated community care system.

To this end, the Government will clarify that corporations can become members of a medical corporation under the medical corporation system, and then will create a non-profit holding company system (tentative name) that would allow a holding company to control multiple medical, social welfare and other corporations via a general meeting of members.

In designing the system, the Government will refer to the key points of an interim report (December 26, 2013) by the Healthcare and Nursing Care Subcommittee of the Industrial Competitiveness Council. It will also consider relaxing regulations on medical corporations, and other measures that would allow participation in the non-profit holding companies (tentative name) by various non-profit corporations (including local governments, independent administrative agencies and national university corporations), as well as enabling these holding companies to decide the ratio of voting rights on making decisions among participants in the non-profit holding companies (tentative name) at will and facilitating group-wide funding procurement, the efficient use of surplus funds, and close cooperation with for-profit corporations offering healthcare and nursing care services as part of comprehensive community care services as part of integrated community care system. The Government will seek to reach a conclusion on these

measures by the end of 2014 and take relevant institutional measures in 2015.

In addition, the Government will consider utilizing the non-profit holding company system (tentative name) to allow university hospitals to become separate corporations from the university to which they are affiliated, to facilitate integrated management with other hospitals using the same system, on condition that steps are taken to maintain and improve the educational, research and clinical functions of university hospitals. Accordingly, the Government will formulate specific measures for securing the educational, research and clinical functions of university hospitals and design the systems required to establish these hospitals as separate corporate entities from the universities in question, taking into account deliberations on the non-profit holding company system (tentative name). The Government will seek to reach a conclusion on these measures and the system design by the end of FY2014 and implement the relevant institutional measures in FY2015.

The Government will also consider institutional measures for allowing public hospitals established by local governments, independent administrative agencies and the like to participate in the non-profit holding company system (tentative name).

2) Revising regulations regarding the medical corporation system

The Government will consider the following matters within 2014 and promptly take the relevant institutional measures based on its conclusions:

- Dividing up medical corporations

Medical corporations will be permitted to use the same kind of scheme as the company split system under the Companies Act.

- Expanding the subsidiary operations of medical corporations

The scope of subsidiary operations of medical corporations will be expanded to include leasing idle space for nursing care facilities or housing for elderly people.

- Revising requirements for social medical corporations

Requirements for social medical corporations will be revised to reflect local conditions, as a means of making such corporations more widespread.

3) Promoting further disclosure of information on the quality of medical services and improving the quality of nursing care services

The following measures will be implemented to contribute to improving the quality of healthcare and nursing care services:

- The Medical Care Quality Assessment and Disclosure Program will be used to promote the disclosure of data to facilitate comparisons between public hospitals, including those established by local governments.
- A trial of DPC (Diagnosis Procedure Combination) data (summary data) services offered by third parties will begin during FY2014, with a view to full-scale operation in the future.
- The Government will consider the creation of a quality assessment system for nursing care services and release the outcomes of its deliberations by the end of FY2014.

4) Building an appropriate system for the provision of nursing care services to eliminate waiting lists for admission to residential care facilities

Municipalities need to make appropriate estimates of the volume of nursing care services required, including those at residential care facilities, so that they can develop Municipal Insured Long-Term Care Service Plans and Prefectural Insured Long-Term Care Service Plans settled in FY2015. Accordingly, the Government will provide support tools for identifying and analyzing local challenges and needs, as well as developing a system for comparing and analyzing statistical data from other prefectural and municipal governments.

5) Addressing healthcare and nursing care demand arising from the aging population in metropolitan areas

In order to build an urban model (including wider-area cooperation and the promotion of home healthcare and nursing care) in response to an increase in healthcare and nursing care demand arising from a rapid rise in the elderly population in metropolitan areas, the Government will consider demand estimates and relevant measures, and take the requisite action in partnership with local governments in the Tokyo Metropolitan area by the end of FY2015.

6) Expanding the roles of nurses, pharmacists and other non-physician medical professionals

The Government will consider approaches to services that can be offered by nurses, nursing care workers, pharmacists and other non-physician medical professionals, reaching a conclusion and taking the requisite measures as needed within 2014.

ii) Creating a thriving industry for services not covered by public insurance

1) Providing individuals, insurers and business managers with incentives to promote health and prevent disease

To increase incentives for individuals and insured persons to promote health and prevent disease, the Government will take the requisite measures, including the insurance system measures listed below, within FY2014:

- Incentives for individuals

The Government will explicitly state that, under the health insurance laws, insurers can offer health services in which they selectively award healthcare points or cash benefits to insured individuals who meet certain standards, taking into account the results of a large-scale trial of a health promotion model using ICT. The Government will thus encourage more widespread provision of such services. In addition, the Government will consider introducing health promotion incentives, including the fiscally neutral differentiation of premiums according to individuals' efforts to promote their own health and prevent disease, while taking into account the purposes of the public health insurance system.

- Incentives for insurers

Regarding the system for increasing or reducing funding for healthcare for elderly people aged 75 and over, the Government will consider specific measures to make the system an effective incentive for insurers to work on health promotion services, based on the opinions of stakeholders and verification of the effects of specified medical examinations and health guidance.

The Government will conduct deliberations based on the results of its

verification of scientific knowledge and data concerning approaches to specified health checkups and specified health guidance.

In addition, the Government will attempt to encourage investment by companies in health promotion by building a framework for winning social approval for their health-management efforts and assessing their achievements through the following initiatives. In this respect, the relevant government agencies will take the requisite measures within FY2014.

- In order to make health management more widespread, the Government will develop assessment benchmarks to compare companies' health management efforts and will consider specific measures to allow these benchmarks to be used for data health projects created and implemented by insurers.
- The Tokyo Stock Exchange will consider designating a new brand of stocks (tentatively named "health management stocks").
- Corporate governance reports, corporate social responsibility reports and other company reports will include initiatives for employee health management and disease prevention.
- Enterprises will be selected and commended for excellent efforts to promote better health among their employees.

2) Developing market environments for private healthcare business operators to demonstrate their originality and ingenuity

- To provide the healthcare industry with funds and business management know-how and promote the development and popularization of new business models in the industry, the Regional Economy Vitalization Corporation of Japan (REVIC) will create the Regional Healthcare Industry Support Fund (tentative name) within FY2014 to support the creation and expansion of the healthcare industry in Japan's regions.
- To afford companies and individuals peace of mind in the use of health promotion and disease prevention services, the Government will run a trial of third-party accreditation by private sector entities of exercise guidance services, for which there is a great need, and develop systems to enable academic societies, industry groups and other specialist

organizations and experts to support this endeavor. The Government will also consider utilizing the third-party certification system to provide policy-based finance tailored to the specific characteristics of business operators.

- The Government will attempt to create regional Next-generation Healthcare Industry Councils nationwide, to nurture the healthcare industry using local resources, including collaboration among the medical, agricultural, commercial and manufacturing sectors.
- In order to make effective use of public health nurses and other experts, as well as utilizing active senior human resources on a region-by-region basis, the Government will support efforts to match them with private sector business operators involved in the healthcare industry.
- The Government will develop a new health guidance camp program (tentative name) within FY2014, targeting those suspected to have diabetes and using hotels, inns and other regional tourism resources. The Government will run a pilot program before seeking its more widespread introduction.
- A mechanism will be developed within FY2015 for the designation of “WAC WAC Place” (tentative name) multi-function bases for health promotion, support for daily life, nursing care and disease prevention services (comprehensive advice, home-visit services, parcel and food delivery services, care services, etc.) offered by private-sector companies (including convenience stores and restaurants). Information about “WAC WAC Places” will be collated by municipal governments for provision to local residents.

3) Promoting the switching of drugs from prescription to over-the-counter status (switched OTC drugs)

The following measures will be implemented to accelerate efforts to switch drugs from prescription to OTC status (switched OTC drugs) to promote self-medication.

- In response to applications by relevant enterprises, the Government will promptly screen the drugs for suitability for switching, including in its deliberations data obtained from overseas.

To this end, measures will be implemented gradually from FY2014, aimed at setting and shortening the target periods for screening for approval and enhancing systems for responding to inquiries from enterprises, with the aim of enhancing the predictability of screening by the Pharmaceuticals and Medical Devices Agency, as well as encouraging enterprises to develop new drugs.

- Using examples from the USA and other countries as a point of reference, the Government will build a mechanism to reflect the opinions of a more diverse range of parties, including industry representatives and consumers.

4) Promoting inbound and outbound healthcare and nursing care services

The Government will seek to enhance systems for the acceptance of foreign patients by medical institutions through such measures as the development of model bases with medical interpreters so that foreign patients can use medical services in Japan safely and with peace of mind. The Government will also create a system for enabling foreign travelers to easily obtain information on medical institutions.

Regarding the international expansion of medical services, the Government will implement medical projects in other countries, including human resource development focused on physicians and nurses among others, as well as supporting the development of public health insurance systems and the utilization of private insurance, and the creation of medical technology and service bases using Medical Excellence JAPAN (MEJ). At the same time, the Government will promote international joint clinical research and trials and the simplification of licensing procedures in other countries for drugs and medical devices approved in Japan.

The Government will also take steps to support the overseas expansion of nursing care service providers through policy discussions with foreign governments regarding measures to address the issue of aging populations.

iii) Consolidating and considering the scope of services subject to insurance benefits

1) Securing prompt access to cutting-edge medical technologies and drugs (substantially expanding the combination of insured and uninsured

healthcare services)

While taking into account the universal health insurance system's fundamental principle of ensuring insurance coverage for necessary/appropriate healthcare services, the Government will implement measures to facilitate a more appropriate response to such demands as the necessity of meeting various patient needs, the need to bolster the healthcare industry's competitiveness, and the need to maintain the sustainability of health insurance.

- Improving access to advanced healthcare services (healthcare services to be assessed)

Following the launch of an organization to assess anti-cancer drugs, the Government will launch a special organization within FY2014 to assess whether to offer insurance coverage for regenerative medicine therapies and medical devices, in an effort to accelerate and streamline the assessment of advanced healthcare services with a view to their coverage by insurance.

- Improving amenity during healthcare services (selected healthcare services)

The Government will create a mechanism for constant revisions of the selected healthcare service system, including the expansion of services subject to the system. Specifically, within FY2014, the Government will revise the method for collecting information on actual use of the system to accurately identify and analyze the actual situation, as well as promptly surveying current use of the system and creating a mechanism via academic societies, etc. for regularly identifying examples of selected healthcare services that should be introduced. In this process, the Government will differentiate between selected healthcare services and services having no direct connection with provision of health insurance, offering clarification as needed.

- Introducing cost-benefit analysis for assessing whether to offer insurance coverage for innovative medical technologies

To simultaneously satisfy patient needs to enjoy the benefits of medical

innovations and the requirement to ensure the sustainability of health insurance, the Government will trial cost-benefit analysis in the assessment of innovative medical technologies for insurance coverage by FY2016. The Government will also consider a mechanism for offering ongoing access to a system combining insured and uninsured healthcare services for use in the case of medical technologies assessed as less cost-effective. Regarding the combination of insured and uninsured healthcare services, the Government will consider how to deal with medical technologies that are assessed as effective but are unlikely to be covered by insurance due to the failure of clinical trials to progress, as a result of difficulties in recovering development costs.

- Introducing a Japanese version of the compassionate use system

While promoting the development and approval of unapproved or off-label drugs that are highly necessary for medical purposes, the Government will consider introducing a Japanese version of the compassionate use system to expand access to investigational new drugs for patients failing to meet eligibility requirements for participation in clinical trials. The system will begin operating in FY2015.

- Creating a new combination of insured and uninsured healthcare services (tentatively named “patient-proposed healthcare services”)

Under the system for combining insured and uninsured healthcare services, the Government will create “patient-proposed healthcare services” (tentative name) to increase alternative healthcare services for patients by promptly enabling drugs awaiting approval in Japan or off-label use of drugs approved in Japan to be used in such a combination, in response to proposals from patients battling intractable diseases, while the safety and effectiveness of such drugs is being confirmed. At the same time, the Government will seek the preparation of implementation plans and reports aimed at offering insurance coverage for these drugs. To this end, the Government will seek to submit relevant legislation during the next ordinary Diet session.

2) Using generic drugs proactively

The Government will steadily implement measures to promote more widespread use of generic drugs, based on a specific work schedule, and will continuously improve these measures through the PDCA cycle, in order to achieve its targets.

iv) Accelerating ICT use in healthcare and nursing care

1) Developing ICT infrastructure in the fields of healthcare, nursing care and health promotion

The Government will implement the following initiatives to improve the quality of healthcare and nursing care services, revitalize the industries in question, promote medical innovation, and link up information spanning the fields of healthcare, nursing care and health promotion.

- A study panel on the utilization of the national identification number system in the fields of healthcare will consider the necessity of numbers and specific situations in which numbers could be used in the field of healthcare, and will reach a conclusion within 2014.
- The Promotion Headquarters for Healthcare Policy will take the lead in developing digital infrastructure for the fields of healthcare, nursing care and health promotion, in partnership with the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society and relevant government agencies. Specifically, the headquarters will ensure the interoperability and portability of ICT infrastructure for government-related projects, consider using a numbering system in healthcare-related areas, clarify social rules regarding the utilization of healthcare information, design a new mechanism for the smooth and affordable utilization of data using private sector resources, and promote research, development and commercialization of next-generation medical devices and hospital systems using ICT.

2) Introducing electronic prescriptions

The Government will consider introducing electronic prescriptions by FY2015 in a manner that will help to improve convenience for patients,

streamline the work involved in dispensing, and ensure safety, based on the results of a trial project.

3) Promoting more widespread introduction of health information collaboration networks; promoting information sharing and collaboration by various bodies in offering integrated community care system

- To promote more widespread introduction of healthcare information collaboration networks, the Government will establish standard models showing the standards to be met in terms of sustainability, interoperability and minimum items for information sharing. In addition, it will create and diffuse standards on information sharing in the fields of home healthcare and nursing care, and promote services for providing vaccination schedules and other healthcare information.
- The Government will promote the collection, analysis and utilization of information on various aspects of healthcare-related areas.
- To promote the spread of healthcare information collaboration networks, the Government will collect specific sample cases including those demonstrating approaches to obtaining patients' consent for the handling of personal information, analyzing successful cases and taking the requisite steps within FY2014.
- To develop healthcare ICT utilization infrastructure, the Government will promote cloud computing at the National Hospital Organization and other organizations.

4) Improving simulation technologies contributing to innovative drug development

In order to enhance infrastructure for advancing healthcare and drug development processes through simulations using supercomputers and for promoting pharmaceutical companies' use of these processes, the Government will work on the development of state-of-the-art supercomputers contributing to efficient drug development.

v) Others

1) Developing a pleasant working environment for female physicians

The Government will set up a panel of female physicians and, in conjunction with the panel's report, will implement specific integrated measures for supporting female physicians in terms of childcare and returning to work, as well as improving their working environment.

2) Promoting world-leading commercialization of innovative drugs and medical devices (“Strategy of SAKIGAKE as a Package”)

The Government will promote a package of measures, including the creation of a priority examination designation system that would halve the approval examination period before commercialization (from 12 months to 6 months) for drugs identified in the early clinical trial phase as being likely to be remarkably effective. Through these measures, the Government will aim to ensure that Japan leads the world in commercializing innovative drugs, medical devices, regenerative medicine products, and other items targeting fatal diseases (including orphan cancers, intractable diseases, and other serious conditions) for which effective remedies do not exist.

Theme 2: Realizing clean and economical energy supply and demand

(1) Progress in achieving KPIs

<KPI> (Offshore floating wind power generation) Be the first in the world to achieve commercialization of offshore floating wind power generation by around 2018

⇒ One facility has been installed off the coast of Fukushima Prefecture, and another off the coast of Nagasaki Prefecture.

<KPI> (Storage batteries) Capture 50% of the global market for storage batteries by 2020

⇒ Estimated share in 2013: Approximately 10%

The number of lithium-ion batteries for stationary storage in use stood at 17,000 as of March 2014

(June 2013: 3,400)

<KPI> (Smart meters) Complete introduction of smart meters, including in households, in the early 2020s

⇒ Four electric power companies have completed the introduction of smart meters for factories and other users in the high-voltage sector. Other electric power companies are scheduled to complete introduction by the end of FY2016. Their progressive introduction for households and other users in the low-voltage sector is due to begin in FY2014 and to be completed by the end of FY2024.

<KPI> (Next-generation automobiles) Aim to increase the share of new automobiles accounted for by next-generation automobiles to between 50% and 70% by 2030

⇒ 2013 (preliminary figure): 23.2% (2012: 21.2%)

<KPI> Introduce the top-runner system to building materials by the end of FY2013

⇒ Insulation materials have been added to the scope of products covered by the top-runner system.

(2) Progress made in implementing measures

(Implementing regulatory and institutional reforms to introduce renewable energy)

- Regarding renewable energy, the Government achieved steady, stable operation of the feed-in tariff system, expedited the procedures of environmental impact assessments, rationalized safety regulations, and undertook technical verification to promote introduction, including carrying out a demonstration project for improving power transmission networks and starting up an offshore floating wind power generation facility.

(Conducting surveys, etc. in preparation for commercialization of methane hydrate)

- Regarding the development of domestic maritime resources, such as methane hydrate, the Government intends to develop technologies by FY2018 with a view to achieving commercialization. In March 2013, Japan became the first country in the world to use the depressurization method to conduct a gas production test in an offshore area, focusing on the deep methane hydrate, and is now analyzing the test results. In addition, the Government conducted its first fully-fledged extensive geological survey in FY2013 for identifying the volume of shallow methane hydrate reserves, and plans to conduct a survey of reserves over the next three years or so. Moreover, in January 2014, the Government became the first in the world to acquire interests in a cobalt-rich crusts exploration area. Through these activities, the Government is proceeding with exploration and development of production technologies in preparation for the commercialization of maritime mineral resources.

(Promoting technological development of storage batteries and international standardization)

- Japan is developing large-scale storage batteries used to stabilize power grids and technologies to improve the cruising range of electric vehicles, etc. In addition, Japan and France are working together to develop international standards for the safety and performance of lithium secondary batteries for stationary energy storage.

(Promoting more widespread use of energy management systems and

next-generation automobiles)

- In order to create a society based on smart consumption of energy, the Government conducted demonstration projects to establish an energy management system, including one focused on a demand response scheme, which was carried out in four smart community areas. In addition, the Government implemented measures to improve the environment with a view to phased introduction of the requirement for new houses and building by 2020 to comply with the energy-saving standards, including the revision of energy-saving standards and promotion of more widespread use of the standards. To popularize next-generation automobiles, the Government also supported the introduction of electric vehicles and recharging equipment and installed hydrogen stations, revised regulations related to hydrogen infrastructure, and promoted international harmonization of standards for fuel cell vehicles.

(Promoting measures to deal with peak power demand)

- In response to the amendment of the Energy Saving Act in May 2013, the Government has, since April 2014, been promoting measures to deal with peak power demand by formulating benchmarks for evaluating measures in this area taken by business operators. Moreover, the Government added insulation materials, self-ballasted LED lamps, etc. to the scope of products covered by the top-runner system.

(3) Specific new measures to be taken

Due to the implementation of various institutional reforms in the energy sector, private-sector energy-related investments have increased significantly, creating new jobs. The Government will continue to implement measures to achieve clean and economical energy supply and demand.

In particular, the Government will accelerate the introduction of renewable energy as much as possible over a period of around three years from 2013 and will continue to promote introduction thereafter, with a view to its becoming self-sustaining in the medium to long term, thereby removing the need for governmental support. To that end, the Government will operate the feed-in tariff system in a stable and appropriate manner and strengthen its own headquarters functions through a newly-established Cabinet council focused on renewable energy, etc. Through these

measures, the Government aims to achieve a higher level of renewable energy introduction than the level indicated in the Strategic Energy Plans to date.

The Government will also promote measures to create a hydrogen-based society, as well as encouraging the use of woody biomass energy and development of maritime resources.

1) Enhancing measures to accelerate introduction of wind power generation

To meet the need to expand the introduction of renewable energy, including making maximum possible use of wind power generation in Hokkaido, Tohoku, and other suitable areas, power transmission infrastructure, including inter-regional tie lines, will be strengthened based on a plan to be formulated by the Organization for Nationwide Coordination of Transmission Operators, which will be established by the end of 2015. In addition, work will begin to install the world's largest wind turbine in order to accelerate the spread of offshore wind power generation. These measures will be coordinated with research and development and demonstration projects aimed at cost reduction, as well as harbor and fishery policies geared toward promoting development of wind power.

2) Implementing a roadmap with a view to creating a hydrogen-based society

Based on the roadmap toward realizing a hydrogen-based society, the Government will steadily implement measures necessary for the production, transport and storage of hydrogen and its use of residential fuel cells (ENE-FARM), fuel cell vehicles, etc. It will also keep track of progress in implementation via a consultative council consisting of representatives from industry, academia and government.

3) Promoting development of maritime resources and fostering related industries

Regarding the deep hydrate, a long-term offshore production test will be conducted and technologies will be developed by FY2018 with a view to achieving commercialization. In addition, surveys on shallow methane hydrate resource recovery technology will start. The first exploration of maritime mineral resources in an extended shelf recognized by the UN Commission on the Limits of the Continental Shelf will be launched during FY2014. In addition, in order to

foster industries related to development of maritime resources, the Government will support development of technologies related to maritime resource development and will begin during FY2014 a study on the establishment of a system to train engineers who will constitute the foundation of maritime development. The Government will also formulate an action plan for improving the environment to promote participation by private-sector business operators in fields related to maritime resource development. The plan will include the formulation of common rules concerning the collection, management and disclosure of maritime survey data.

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

(1) Progress in achieving KPIs

<KPI> By 2030, achieve efficient inspection and repair of all important and aged domestic infrastructure using advanced technologies, including sensors and robots

⇒ The Government determined the priority fields for development and introduction of robots for next-generation social infrastructure in December 2013 and started publicly soliciting proposals regarding such robots during FY2014.

<KPI> By 2030, ensure safety driving support equipment and systems are installed in all new automobiles sold in Japan, as well as in most existing ones

⇒ Development of the market for driving safety support equipment and systems that automatically control acceleration, steering or braking is progressing.

(Reference)

Number of passenger cars sold in Japan in which automatic braking equipment* is installed: Approximately 185,000 units in 2012.

*Automatic braking equipment: braking equipment which mitigates damage from a collision with an obstacle in front of the vehicle or which mitigates such damage at low speeds

(2) Progress made in implementing measures

(Formulation of the Basic Plan for Life Extension of Infrastructure)

- In November 2013, the Government formulated the Basic Plan for Life Extension of Infrastructure, which set out the direction to be taken in establishing an infrastructure maintenance cycle, reducing and leveling total government expenditure for infrastructure, developing new technologies, and cultivating a infrastructure maintenance industry. In accordance with the Basic Plan, the national provides technical findings and accumulated technologies to local governments, etc. And the national and local governments, etc. in charge of managing and overseeing infrastructure are formulating the Action Plans for Life Extension of Infrastructure.

(Promoting the establishment of infrastructure inspection and diagnosis systems using IT, etc.)

- The Government has established a system that constitutes the foundations of a platform for updated information on infrastructure maintenance and management, which centrally handles such data as information on the current status of individual facilities. In February 2014, the Government also established a maintenance and management support site, which publicly discloses information on technologies useful for inspection and diagnosis which have been proposed in response to a call for public submissions. Regarding robots for next-generation social infrastructure, relevant ministries and agencies cooperated in establishing the Study Group on the Development and Introduction of Robots for Next-generation Social Infrastructure in July 2013 and determined the “priority fields for development and introduction of robots for next-generation social infrastructure in December, taking into consideration both needs and seeds. Moreover, in October 2013, the Government established the Study Committee on Promoting the Use of Technology to Monitor Social Infrastructure, which began deliberations with a view to publicly soliciting proposals for such technology.

(Decision on the Public-Private ITS Initiative/Roadmaps)

- Based on the Plan to Upgrade Driving Support Systems, which was finalized in October 2013, the IT Strategic Headquarters decided on the Public-Private ITS* Initiative/Roadmaps and formulated goals and strategies for the use of automated driving systems and road transport data.

*ITS: Intelligent Transport Systems

(3) Specific new measures to be taken

Regarding efforts to extend the life of infrastructure, to follow up on existing measures, the national and local governments, etc. in charge of managing and overseeing infrastructure will formulate the Action Plans for Life Extension Infrastructure by the end of FY2016, as well as drawing up the Individual Facility Life Extension Programs, and will promote a maintenance cycle. The following measures will also be taken in order to develop and put into practice new technologies that support new infrastructure businesses and translate into reality the

vision for a society in which people and goods can move safely and smoothly.

1) Conducting research and development and introducing robots for next-generation social infrastructure and infrastructure-monitoring technology

Regarding robots for next-generation social infrastructure, the Government will start publicly soliciting proposals during FY2014 and will promote development and modification by conducting on-site reviews and evaluation in national projects. The Government will seek to introduce such robots and technology in earnest after a trial introduction, starting in FY2016. Regarding technology to monitor social infrastructure, the Government will start soliciting public submission of proposals during FY2014 and will then conduct on-site reviews and evaluation. Based on the results, such technology will be introduced for practical use.

2) Executing a strategy for world-leading ITS

Based on the Public-Private ITS Initiative/Roadmaps, an organization responsible for promoting public-private collaboration will be established, with a view to establishing world-leading ITS with the involvement of not only the public sector but also the private sector. The Government will execute its strategy for establishing world-leading ITS in coordination with the Strategic Innovation Promotion Program (SIP) under the Council for Science, Technology and Innovation. Under the strategy, the Government will promote the development of technologies and institutional improvements with a view to starting trial use of fully automated driving systems in the latter half of the 2020s. The Government will also achieve optimum use of road networks using big data, and will ensure appropriate traffic of large vehicles through the utilization of road transport data, as well as promoting the creation of new services using automobile-related information.

3) Deliberations on the medium- to long-term vision for space infrastructure, including satellites

In order to contribute to expansion of the use of outer space, the Government will consider a medium- to long-term vision for efficient and effective

development, arrangement, and operation of satellites and other space infrastructure, based on the division of roles between the public and private sectors. The vision will cover such matters as priorities in satellite development and how to plow back into society related profits earned by private companies.

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

Theme 4-1) A rich rural society which produces the world's highest-quality agricultural, forestry and fishery products and food produce

(1) Progress in achieving KPIs

<KPI> Increase the ratio of farmland used by leading farmers to 80% in the next 10 years

⇒ Public Intermediate Organization for Farmland Consolidation began operating during FY2014 and had been designated in 43 prefectures by June 1. The increase in the ratio of farmland used by leading farmers will be disclosed every year. (2010 ratio: 49%)

<KPI> Reduce the cost of rice production by leading farmers by 40% in the next 10 years compared with the current national average cost, including through efforts by industry

⇒ National average cost of rice production in 2011: ¥16,001/60kg
→ National average cost of rice production in 2012: ¥15,957/60kg
(The cost of rice production by leading farmers, which has not yet been disclosed, will be disclosed every year in future.)

<KPI> Increase the number of corporate farmers four-fold from the 2010 level to 50,000 in the next 10 years

2010: 12,511 ⇒ 2013 : 14,600

<KPI> Expand the market size of agriculture based on collaboration among the primary, secondary and tertiary industries (sixth industry) from the current ¥1 trillion to ¥10 trillion in 2020

FY2010: ¥1.2 trillion ⇒ FY2012: ¥1.9 trillion*

*This figure is an estimate arrived at by adding the market sizes of agriculture and fishery based on collaboration among the primary, secondary and tertiary industries.

<KPI> Increase the value of exports of agricultural, forestry and fishery products and foods to ¥1 trillion by 2020 (2012: approximately ¥450 billion)

⇒ 2013: ¥550.5 billion

(2) Progress made in implementing measures

(Creation of Public Intermediate Organization for Farmland Consolidation responsible for consolidating farmland)

- A law to create Public Intermediate Organization for Farmland Consolidation responsible for consolidating farmland into the hands of leading farmers at the prefectural level was enacted in December 2013, and such institutions were designated in 43 prefectures by June 1, 2014. In the same month, the revision of the Act on Promotion of Improvement of Agricultural Management Foundation was enacted to promote the incorporation of farms and strengthen measures to encourage young people to engage in agriculture.

(Decision on reforms, including the reform of production adjustment)

- “The Plan to Create Vitality for Agricultural, Forestry and Fishery Industries and Local Communities” was formulated in December 2013. Regarding the Farm Income Stabilization Program, the Government decided to halve the unit amount of the direct payment for table rice in FY2014 and the following years, and to end the program entirely from production in FY2018, while creating a Japanese version of the direct payment program in FY2014. The Government also set out a policy of seeking to enable rice to be produced according to demand, without relying on government quota allocation, with a view to putting this into practice in five years’ time (regarding production in FY2018). Accordingly, laws related to the reform of the Farm Income Stabilization Program and the creation of the Japanese version of the direct payment program was enacted in June 2014. In addition, laws related to the promotion of ornamental plants, pig farming and inland fishery were legislated to reinforce front-line production in the agricultural, forestry and fishery industries.

(Promoting collaboration among the primary, secondary and tertiary industries through the Agriculture, Forestry and Fisheries Fund for Innovation, Value-chain and Expansion Japan)

- Regarding the Agriculture, Forestry and Fisheries Fund for Innovation, Value-chain and Expansion Japan (A-FIVE), which is responsible for promoting collaboration among the primary, secondary and tertiary industries (dubbed ‘Sixth Industrialization’), 43 sub-funds were established, which had invested in 23 projects by May 2014. In November 2013, the Rural Renewable Energy Act

was enacted to promote renewable energy power generation in harmony with the sound development of the agricultural, forestry and fishery industries. In addition, in June 2014, a system was put in place to protect geographical indications that constitute the names of agricultural, forestry, and fisheries produce and foods with traditions and attributes cultivated in Japan's regions. Under this protection, such indications are treated as intellectual property.

(3) Specific new measures to be taken

The Government will steadily implement reforms that represent an innovative step toward improving agricultural productivity, including the enactment of laws related to Public Intermediate Organization for Farmland Consolidation and the reform of production adjustment, in accordance with the actual circumstances faced by farms. The Government will also carry out systematic reforms to transform agriculture into a growth industry under the revised growth strategy.

In order to transform agriculture into a growth industry by dramatically improving its productivity, the Government will make use of the vitality and knowhow of companies and encourage companies to enter the agricultural and related industries, to create a mechanism which ensures both that market needs are reflected in farming and the standards of quality in front-line farming are conveyed consumers both within and outside Japan. To that end, the Government will promote exports by (1) further strengthening production capabilities; (2) increasing added value by organically linking domestic value chains; and (3) linking domestic value chains with foreign ones. Efforts will also be made to develop new domestic markets. Specifically, the measures listed below will be taken. At the same time, the Government will (4) strive to transform forestry and fishery into growth industries.

The Government will aim to double the income of farmers and farming villages, as well as contributing to the preservation of beautiful, traditional rural villages, and maintaining and improving the food self-sufficiency rate and self-sufficiency capabilities. It will achieve this by transforming agriculture, forestry and fisheries into growth industries through integrated implementation of these measures with the measures included in the revised Plan to Create Vitality for Agricultural, Forestry and Fishery Industries and Local Communities.

i) Strengthening production sites

The Government will improve productivity by using Public Intermediate Organization for Farmland Consolidation to consolidate farmland into large blocks and improve production and distribution systems.

1) Fostering leading farmers

Public Intermediate Organization for Farmland Consolidation will start operating in earnest, with a view to consolidating farmland into the hands of leading farmers, with the involvement of people wishing to engage in agriculture anew. The Government will monitor how prefectural governments exercise governance over Public Intermediate Organization for Farmland Consolidation and appropriately operate the system to ensure that these institutions succeed in consolidating farmland in such a way. In addition, the Headquarters on Creating Dynamism through Agriculture, Forestry and Fishery Industries and Local Communities will evaluate the Public Intermediate Organization for Farmland Consolidation.

Regarding the reform of rice production adjustment program, the Government will create an environment that encourages farmers to choose their production based on the market demand and will strive to make it possible to produce agricultural products without relying on government quota allocation, with a view to putting into practice in five years' time (regarding production in FY2018). To that end, the Government will create an environment conducive to agricultural production that takes into consideration demand trends through such measures as providing detailed rice-related information, including market prices and information concerning supply and demand.

Regarding the introduction of income insurance for agricultural producers, the Government will consider relevant systems (e.g. an agricultural mutual aid system) and take the necessary legislative action.

2) Integrated reform of agricultural committees, agricultural production corporations and agriculture cooperatives

The Government will implement the following reform measures in accordance with the Regulatory Reform Implementation Plan (Cabinet Decision on June 24, 2014).

A) Reforming agricultural committees

Agricultural committees will prioritize efforts to optimize the use of farmland, including the use of idle farmland, and will actively conduct relevant activities.

To establish a transparent process that ensures that only persons suited to carrying out the proper mission of an agricultural committee become committee members, the existing systems of election via voting, and appointment based on recommendation from local assemblies and organizations will be abolished in favor of a new unified system: appointment by the heads of municipalities subject to consent from municipal assemblies.

At the same time, the Government will make it possible for local communities to recommend candidates and publicly recruit candidates, and will require that a majority of a committee are certified farmers.

Moreover, a law will be enacted to provide a legal basis for the establishment of Farmland Utilization Optimization Promotion Committees (tentative name), which will be responsible for implementing – under the supervision of agricultural committees – regional measures to optimize utilization of farmland, including consolidating farmland into the hands of leading farmers, preventing farmland from being abandoned, reducing abandoned farmland and promoting new entry to the sector, as well as for supporting training of skilled and diverse responsible farmers.

B) Reforming corporations permitted to own farmland (agricultural production corporations)

The Government will revise the requirements for corporations permitted to own farmland (agricultural production corporations) as follows, with a view to supporting corporations seeking to achieve successful agricultural production through collaboration among the primary, secondary and tertiary industries:

- 1) Regarding the requirements concerning executives, at least one executive must be involved in agricultural work.

2) In terms of the requirements concerning members, a majority of investors with voting rights must be persons involved in agriculture, while no restrictions will be imposed with regard to the minority of investors.

In addition, the Government will consider further relaxation of the requirements for agricultural production corporations and reform of the farmland system at the time of the five-year review of the Act on Promoting Intermediate Management of Farmland as a Business (as prescribed in the supplementary provision to the Act), taking into account the situation faced by companies which entered the agricultural market through lease arrangements.

In light of the fact that the restoration of leased farmland to the original condition is guaranteed through the cancellation of lease contracts if the land has been effectively deserted or converted into an industrial waste disposal site, the Government will seek to establish an equally secure method of restoring it to its original condition (e.g. confiscation by the Government) as a prerequisite when it considers liberalizing companies' entry into agriculture through the ownership method.

C) Reforming agricultural cooperatives

In order to enable regional agricultural cooperatives to play a leading role in converting agriculture into a growth industry through creative initiatives, the Government will encourage voluntary reform by designating the next five years as a period of intensive agricultural reform and will aim to submit relevant bills during the next ordinary Diet session, to facilitate smooth voluntary reform.

The Government will promote a shift from the Central Union of Agricultural Cooperatives system to a new autonomous system and will make it possible for the agricultural cooperative associations and agricultural economic federations to be converted into stock companies invested in by agricultural cooperatives.

Regarding municipal agricultural cooperatives, the Government will make it clear that they should seek to earn profits through proactive economic activities and return some of their profits to members while

setting aside another portion for future investment. At the same time, the Government will promote business methods that reduce risks and the burden of paperwork related to financing businesses (credit provision and mutual insurance). A majority of board members will be required to be certified farmers and persons with professional expertise in the sale of agricultural products and management of farms.

Moreover, the Government will make it possible for municipal agricultural cooperatives and federations to be divided up or converted into stock companies and consumers' cooperatives, etc.

ii) Linking domestic value chains

In order to make enable those in the agriculture, forestry and fishery industries to incorporate added value created by those in the food industry by organically linking domestic and foreign value chains, the Government will promote regional collaboration among the primary, secondary and tertiary industries using local resources involving various business operators. The Agriculture, Forestry and Fisheries Fund for Innovation, Value-chain and Expansion Japan (A-FIVE) will be actively used as the core of this initiative.

In addition, the Government will develop the strengths of Japan's agricultural industry based on a market-oriented approach that responds appropriately to market needs. It will also secure stable sources of demand for rice used as livestock feed.

1) Promotion of collaboration among the primary, secondary and tertiary industries

Regarding A-FIVE, although the number of investment projects has recently increased, investment is not yet adequate. A lack of capacity to formulate investment projects on the part of those in the agricultural, forestry and fishery industries has been pointed out as a major challenge to adequate implementation of investment, so the Government will conduct comprehensive deliberations regarding the handling of investment ratios for such people, as well as the possible revision of relevant laws, as part of a review of the law to be conducted three years after its entry into force (December 2015). Based on the results of these deliberations, the

Government will take the necessary measures.

In the meantime, the Government will (1) formulate guidelines for promoting the use of A-FIVE by companies that have entered the agricultural, forestry and fishery industries and will clearly recognize such companies' status as actors in the industries concerned; and (2) take steps within FY2014 to allow the investment ratio of sub-funds to be raised if the situation requires. The Government will also add to the scope of projects eligible for investment (1) active use of capital-like subordinated loans; and (2) agricultural production by joint ventures, including plant factories, required for promoting collaboration among the primary, secondary and tertiary industries. In addition, it will facilitate cooperation with Agribusiness Investment & Consultation Co., Ltd. Through these measures, the Government will promote the use of A-FIVE.

2) Converting livestock and dairy farming into growth industries through collaboration among the primary, secondary and tertiary industries

The Government will promote differentiation and branding of livestock and dairy products through the use of domestic feed crops and rice. Systems for supply, processing and distribution of regional feed resources, including feed rice, will be improved. At the same time, new technologies will be developed and popularized, and livestock clusters will be created to promote regional efforts to improve earnings and strengthen the foundation of production. In addition, in order to support collaboration among the primary, secondary and tertiary industries and exports by dairy farmers using innovative ideas, the Government will conduct the following initiatives starting in FY2015:

A) Improve fresh milk transactions with designated organizations through the following measures, while giving consideration to the functions of such organizations:

- Double the daily domestic production quota to 3.0 tons.
- Enable dairy farmers to simultaneously commission sales to designated organizations and sell distinctive fresh milk directly to milk producers (with a daily processing capacity of 3.0 tons).
- Allow dairy farmers to conduct price negotiations regarding

distinctive fresh milk directly with milk producers so that its distinctive nature can be reflected in the price.

B) Ease regulations on the establishment of small milk production facilities for promoting collaboration among the primary, secondary and tertiary industries, as well as regulations on milk facilities for export.

- Through these initiatives, the number of projects to promote collaboration among the primary, secondary and tertiary industries with regard to dairy farming will be doubled to 500 by 2020.

iii) Promoting exports, etc.

In order to encourage bold expansion into foreign markets, where population and market growth is expected, the Government will improve the export environment by implementing domestic reforms in line with foreign markets and promote a shift to products that are actively selected by consumers in foreign markets. Through these initiatives, the Government will aim to raise the annual export value of Japanese agricultural, forestry and fishery products and foods, first to ¥1 trillion by 2020 and then to ¥5 trillion by 2030, and will study specific measures to achieve the target figures. Efforts will also be made to develop new domestic markets.

1) Improving the export environment

First, the Government will review domestic and foreign regulations that may impede exports from Japan and strengthen the system for authorizing the standards required by export destination countries. At the same time, the Government will improve the export environment through the measures listed below, including the creation of cold chains through overseas expansion of the Japanese food industry. In addition, the Government will establish a one-stop consultation service for business operators seeking information concerning exports of Japanese agricultural, forestry and fishery products and foods.

- Regarding the HACCP approved of fishery processing establishments required for exports of fishery products to the EU, the Ministry of Health, Labour and Welfare and the Ministry of Agriculture, Forestry and Fisheries will cooperate in ensuring that approved is appropriately

implemented. As well as in setting, a 90-day standard processing period improving, the approved system to allow certification of around 100 establishments over the next five years, and handing applications for certification will be appropriately processed. In the area of applications for registration of farming sites, the Ministry of Agriculture, Forestry and Fisheries will cooperate with prefectural governments in managing progress in processing applications, to allow completion of registration within the 30-day standard processing period.

- (gardenia, monacus, and safflower pigments) Food additives approved as existing additives are widely used in domestic processed foods, but their use is not permitted in the United States and European countries. In order to promote exports of Japanese processed foods, the Ministry of Agriculture, Forestry and Fisheries, together with business operators, will finalize a prioritized list of the food additives within FY2014 and will support data collection by business operators starting in FY2015, working in partnership with the Ministry of Health, Labour and Welfare as required, to enable those food additives to be used in major countries. In addition, in order to enable Japan to export processed foods containing domestically produced meat extract to the United States, the Ministry of Agriculture, Forestry and Fisheries will identify challenges related to such exports and, in light of the results, will conduct a survey on the intentions of companies hoping to export such foods. If there are companies hoping to export such products, the relevant ministries will conduct the necessary intergovernmental consultations with foreign counterparts, starting in FY2015.
- In order to enhance the food safety of Japanese agricultural products and strengthen the competitiveness of the Japanese food industry, the Government will formulate internationally acceptable standards and will seek to establish international standards under Japan's leadership. For example, there is no unified standard for production process management of agricultural products in Japan. In addition, in some cases, Japanese standards are not accepted under international business practices. In order to bolster the domestic production base and strengthen the appeal of Japanese products to foreign buyers, the Government will set up a

consultative body involving the relevant parties during FY2014 and review GAP (good agricultural practices) with a view to promoting exports. In light of the expected increase in entry into agriculture by corporations, the Government will seek to ensure adequate education of employees, as well as appropriate installation of bathrooms and provision of facilities such as resting places.

- Based on the Strategy for the Global Food Value Chain, which was formulated in June 2014, industry, academia and government will cooperate in improving the export environment, including the creation of cold chains and distribution and sales networks through overseas expansion of the Japanese food industry, as well as promoting the establishment of an export system based on a market-oriented approach, while making strategic use of economic partnerships, primarily those with emerging countries in Asia, which are promising markets. In addition, the Government will promote exports of Japanese agricultural, forestry and fishery products and foods by local companies by establishing production, processing and distribution systems using advanced technologies.

2) Promoting the Japan Brand

The Government will bring export promotion initiatives, which are currently conducted by individual prefectures, under the umbrella of the Japan Brand initiative. To that end, the Government will nurture and support organizations responsible for exercising headquarters and marketing functions on an item-by-item basis. Starting in FY2015, the Government will forward the establishment of organizations of exporters that handle specific products, especially for beef, Japanese tea, and fishery products. Moreover, the Export Strategy Executive Committee established in June 2014 will promote exports, serving as the headquarters for export strategies throughout Japan.

In order to promote exports of Japanese food ingredients and overseas expansion of Japanese food companies, the Government will create a public-private consortium as the headquarters for strategically promoting the spread of Japanese culinary culture, including authentic Japanese foods,

following the addition of Japanese cuisine to UNESCO's Intangible Cultural Heritage list. It will also unify the Japan Brand and support overseas expansion of Japanese foods via the Cool Japan Fund. The consortium will promote branding of Japanese foods by disseminating information on Japanese culinary culture, including local cuisine and ingredients, improve the environment for promoting exports and overseas expansion, and support training of chefs and other personnel responsible for promoting the spread of Japanese culinary culture and opening Japanese restaurants overseas. In conducting the above initiatives, the consortium will cooperate with JETRO and make use of its knowledge concerning support for overseas expansion and promotion of exports.

3) Creating examples of success cases through the establishment of model export zones and model items

The Government will offer support for model export zones in regions which strive to improve the export environment through implementation of HACCP authorization, halal certification and acquisition of GLOBAL G.A.P., and which utilize wholesale markets. The Government will also strive to create examples of success cases by establishing item-by-item export promotion organizations focused on beef, tea, and fishery products, ahead of other items.

4) Developing new domestic markets

The Government will expand the share of domestic agricultural products for which demand is growing, such as vegetable for processing and/or industrial use, organic agricultural products and medicinal plants. In addition, it will develop new domestic markets through collaboration between the medical care, welfare, food and agricultural sectors, and between the agricultural and tourism sectors.

iv) Transforming forestry and fishery into growth industries

1) Transforming forestry into a growth industry

The Government will convert forestry into a growth industry by utilizing Japan's abundant forest resources while maintaining and enhancing the

multifunctional role of forests.

- To create new demand for wood products, the Government will accelerate efforts to popularize domestic CLT (Cross Laminated Timber). In light of the results of a demonstration project, the Government will establish a general method of designing buildings using CLT early in FY2016 and promote comprehensive initiatives to establish a production system for domestic CLT.
- The Government will promote the use of wood biomass energy using a combination of small-scale regional power generation and heat utilization, as well as promoting use of new materials through research and development focused on cellulose nano-fiber.
- The Government will establish a stable and efficient system to supply domestic wood by consolidating forestry practices.

2) Transforming fishery into a growth industry

The Government will strengthen initiatives in each of the production, processing, distribution, sales and export stages, while taking into consideration the situation facing the fishery industry, including soaring fuel prices.

- The Government will promote the formulation of fishing village revitalization plans, under which fishing regions themselves aim to achieve structural reform of the fishery industry and fishing villages with the support of companies, NPOs, etc. By increasing the income of regions that have formulated the plans by more than 10% within five years of formulation, the Government will lay the foundations for a sustainable and highly profitable fishery and fish farming industry. In the case of marine fishery (using fishing boats), the Government will promote structural reform by strengthening the international competitiveness of fishing and production systems.
- The Ministry of Health, Labour and Welfare and the Ministry of Agriculture, Forestry and Fisheries will cooperate in accelerating HACCP authorization of fishery processing establishments for export to the EU. [Described above]. The Ministry of Agriculture, Forestry and Fisheries will promote exports of fishery products by enabling the Fisheries

Agency to carry out HACCP authorization, a procedure until now undertaken only by the Ministry of Health, Labour and Welfare, thereby further promoting the acquisition of authorization.

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3) Recovery of evacuation order zones

In areas where evacuation orders have been issued due to the nuclear accident, the Government will take the necessary measures to facilitate and accelerate use of farmland for non-agricultural purposes, such as the installation of renewable energy facilities. These measures will include simplifying procedures for local governments to prepare recovery and development plans.

Theme 4-2) A society which makes use of potential such as tourism resources to invite many tourists from around the world to regional communities

(1) Progress in achieving KPIs

<KPI> Increase the annual number of foreign visitors to Japan to over 30 million by 2030

⇒ 2013: 10.36 million (2012: 8.36 million)

(2) Progress made in implementing measures

(Relaxing visa requirements, primarily for visitors from ASEAN countries)

- Visa requirements have been relaxed, primarily for visitors from ASEAN countries. Specifically, visitors from Thailand and Malaysia are now exempt from visa requirements, visitors from Vietnam, the Philippines, Cambodia, Laos and Myanmar can now be provided multiple-entry visas, and the period of stay on multiple-entry visas for visitors from Indonesia has been extended. As a result of a combination of the effects of strategic promotion of visits to Japan, expansion of airline networks, and exchange rate movements, the number of visitors from the ASEAN region has increased significantly. Japan has thus attained its goal of increasing the number of foreign visitors to the country to 10 million as the first step toward achieving the KPI of increasing the annual number of foreign visitors to Japan to over 30 million by 2030.

(Expanding the scope of the tax exemption system for foreign visitors from consumption tax)

- As part of the initiative to improve the environment of foreign visitors enjoy during their stay, in the FY2014 tax reform, regarding the tax exemption system for foreign visitors from consumption tax, the Government has decided to expand the scope of tax exempt items to all items, and to simplify its procedures (the measure shall come into effect in October 2014).

(3) Specific new measures to be taken

Now that the goal of increasing the annual number of foreign visitors to Japan to 10 million by 2013 under the Japan Revitalization Strategy has been achieved, the Government aims to increase the number to 20 million by 2020 as a KPI, by taking advantage of the golden opportunity presented by the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games.

To that end, the following measures will be taken, based on the Action Program

toward the Realization of Japan as a Tourism-Oriented Country 2014, which was approved at a meeting of the Ministerial Council on the Promotion of Japan as a Tourism-Oriented Country in June 2014.

- Promote tourism with an eye to the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games.
- Implement initiatives to drastically expand inbound tourism (increase the number of foreign visitors to Japan).
- Facilitate to visit Japan through such measures as relaxing visa requirements.
- Develop world-class attractive tourism areas.
- Improve preparedness to accept foreign visitors.
- Promote the invitation and holding of international conferences, etc. (MICE) and attract foreign business visitors.

In relation to the above measures, the following additional specific measures will be taken in order to achieve the KPIs.

1) Promoting tourism and drastically expanding inbound tourism (increasing the number of foreign visitors to Japan) with an eye to the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games

- In order to spread the effects of holding the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games 2020 beyond the host city to other regions, the Government will take such opportunities as cultural programs to disseminate information about cultural attractions in Japan's regions and organize hands-on experience programs nationwide, based on appropriate cooperation with local governments, artists, etc.
- Efforts will be made to attract visitors to regions from within and outside Japan through the hosting of international events, including the Rugby World Cup 2019 in Japan, as well as through Pre-Games Training Camps for the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games.
- With a view to striving to make Japan a Sport Nation, the Government will promote the enhancement of international competitiveness, the realization of a life-long sport society, and the improvement of health through sports.
- The Government will make steady efforts to achieve the development target prescribed by the "Basic Policy on Accessibility" based on the "Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disabled

Parsons, etc.”(attaining a accessible rate of 100% by FY2020 at all passenger facilities used by 3,000 or more passengers per day, etc.) With an eye to the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games, the Government will promote further efforts to make passenger facilities, vehicles, etc. accessible, including the creation of two or more accessible routes at each railway station and airport, and creating barrier-free zones in areas around railway stations in tourist spots. At the same time, the Government will promote efforts to improve accessibility by non-physical measures.

- In order to create new initiatives by expanding the range of people involved in promoting inbound tourism (increasing the number of foreign visitors to Japan), the Government will establish a platform for encouraging collaboration using advanced technologies and innovative ideas in various fields.
- Aiming to achieve the goal of increasing the number of foreign visitors to Japan to 20 million, the Government will implement more scientific marketing by establishing a marketing strategy headquarters involving external marketing experts, etc. at the Japan Tourism Agency.
- Starting in FY2015, the Japan National Tourism Organization (JNTO) will be the implementing agency for projects focused on promoting visits to Japan, making prompt decisions locally and expanding the scope of target markets in a strategic manner, strengthening promotion efforts aimed at the coastal and inland regions of China, Southeast Asia, India, Russia, etc.

2) Further relaxing visa requirements, creating a strategy to facilitate longer stays of foreign visitors in Japan, and accelerating and facilitating immigration procedures

- As part of efforts to increase the annual number of foreign visitors to 20 million, toward the realization of Japan as a tourism-oriented country full of attractions with the emphasis of ensuring national security, the Government will endeavor to realize visa exemptions as soon as possible to visitors from Indonesia, the Philippines and Vietnam, where the measure is expected to be effective in increasing visitors to Japan, with the cooperation from those countries on condition that due consideration be paid to security. As the first

step, the Government will relax visa requirements as follows from a strategic viewpoint. The Government will also study an electronic system for travel authorization

- Introduce visa exemption to visitors from Indonesia (prior registration by passports with Japanese diplomatic missions in Indonesia).
 - Further relax visa requirements for visitors from the Philippines and Vietnam (applied only to the purpose of tourism, tours organized by designated travel agencies), relaxing requirements for multiple-entry visas, extending the effective period of visas to a maximum of five years, etc.).
 - Start issuing multiple-entry visas for visitors from India by this summer, in addition to the above measures.
- Regarding a program to grant wealthy foreign visitors the permission for a long period of stay, relevant ministries and agencies will hold consultations on a draft program with a view to permitting a stay of up to one year for sightseeing purposes. After finalizing the program by this summer, the Government will take the necessary measures, aiming to start the program in FY2015.
 - In order to increase the annual number of foreign visitors to Japan to 20 million by 2020, it is imperative to significantly increase flights by low-cost carriers to regional airports. In addition, it is necessary to expedite and facilitate foreign visitors' entry into and exit from Japan and make it possible to deal with an increase in foreign visitors to Japan in preparation for the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games. In order to overcome these challenges, the Government will systematically develop the physical and human resources necessary for operating CIQ (customs, immigration and quarantine) systems, including at regional airports and sea ports, and for gathering and analyzing information essential to ensuring safety for the Games of the XXXII Olympiad and Tokyo 2020 Paralympic Games .
 - The Government will implement measures to further facilitate immigration procedures for cruise ships through the amendment of the Immigration Control and Refugee Recognition Act in 2014.
 - In order to expedite airport immigration procedures for participants in

international conferences and VIPs, the Government will study appropriate ways of managing the fast lane program. The first step will be to create fast lanes for such visitors at the Narita and Kansai international airports in FY2015, on condition that the requisite number of immigration personnel, etc. be secured.

3) Developing world-class attractive tourism areas, improving the environment to accept foreign visitors, promoting invitation and holding of international conferences, etc. (MICE), and attracting foreign business visitors

- Wider-area cooperation between regions will be enhanced to strengthen their communication capabilities. Various wider-area tourism routes with a rich array of stories and themes appealing to target markets will be developed and offered, and will be proactively publicized to other countries.
- In order to enable regions to attract visitors from both within Japan and overseas through their own strategies, taking advantage of their strengths, the Government will improve the quality of regional initiatives by enhancing the provision of information on examples of advanced practice in the management of organizations responsible for developing tourism areas.
- The Japan Tourism Agency and the Regional Economy Vitalization Corporation of Japan will cooperate with each other in creating models for tourism-based regional revitalization by using regional revitalization funds for tourism.
- In order to enhance the appeal of tourist spots, the Government will cooperate with local governments, power cable managers, etc. in promoting full-scale removal of utility poles.
- The Government will create a program to designate Japan Heritage sites. The regions in question will take the lead in strategically publicizing information on cultural assets of historic value, targeting both Japanese and foreign audiences.
- The national government, local governments, tourism associations, chambers of commerce and industry, and other organizations will cooperate in promoting industrial site tourism using such industrial heritage as Tomioka Silk Mill and Related Sites and Sites of Japan's Meiji Industrial Revolution.
- Regarding the introduction of multilingual services for art , museums, natural

parks, tourist areas, roads, public transportations, etc., the Government will improve and enhance efforts to introduce such services across Japan in line with the Guidelines for Improvement and Enhancement of Multilingualization toward the Realization of Japan as a Tourism-Oriented Country (March 2014). The Government will also promote the provision of multilingual information and advances in navigation systems using high-precision positioning and other forms of ICT.

- The Government will promote the development of the free public wireless LAN environment to attract tourists [described above]. At the same time, the Government will promote the provision of information at post offices, roadside stations, etc. and consider a program to promote tours using such facilities as bases.
- The Government will promote the expansion of cashless payment to realize further convenient and efficient of payment system. [Described above]
- The Government will seek to enhance systems for foreign patients so that safe and reassuring medical services of Japan can be provided to them. The Government will also create a framework for enabling foreign tourists to easily obtain information on medical institutions. [Described above]
- Regarding the tax exemption system for foreign visitors from consumption tax, the Government will seek to double the number of tax-free shops across Japan to 10,000 towards 2020 through enhancing prior consultation services at Regional Transport Bureaus and Regional Bureaus of Economy, Trade and Industry, and improving the training in tax exemption procedures provided for tax-free shop operators and staff. The Government will also study ways of further convenience regarding tax-exempt sales procedures.
- Integrated resorts (IR) are expected to contribute to the promotion of tourism, regional prosperity and industrial development. Meanwhile, as a precondition, it is necessary to study institutional measures to prevent problems from the perspective of preventing crime, maintaining security, ensuring the sound development of youth, and preventing pathological gambling. Therefore, relevant ministries and agencies will study this matter in light of the status of the IR promotion bill (*) and public debate on IR.

*IR promotion bill: The Bill on Promotion of Development of Specified Complex Tourism Facility Areas.

III. Strategy of Global Outreach

(1) Progress in achieving KPIs

<KPI> Aim to raise the FTA ratio to 70% (2012: 18.9%) by 2018

⇒ 2013: 18.2%

*The 2013 FTA ratio comes to 22.6%, including the value of trade with Australia, with which Japan has reached the substantive agreement in economic partnership agreement (EPA) negotiations.

*Negotiations on nine EPAs in process with a view to an early conclusion.

<KPI> Double inward foreign direct investment (FDI) stocks to ¥35 trillion (as of the end of 2012: ¥17.8 trillion)

⇒ As of the end of 2013: ¥18.0 trillion

<KPI> Double the value of exports by SMEs by 2020 compared with the 2010 level

⇒ The value of exports by SMEs owning overseas subsidiaries increased by more than 30%, from approximately ¥3.7 trillion in FY2010 to approximately ¥5 trillion in FY2012.

<KPI> Raise overseas infrastructure project orders received from the current ¥10 trillion to ¥30 trillion by 2020

⇒ The value of overseas infrastructure project orders received in 2013 only in terms of major projects grasped by the ministries concerned increased to approximately ¥9.3 trillion, up sharply from approximately ¥3.2 trillion in 2012.

*KPI figures were calculated comprehensively using various statistics. They include income from business investments on overseas infrastructure, etc.

<KPI> Triple overseas sales of broadcast contents by FY2018 from the FY2010 level

⇒ Overseas sales of broadcast contents (in terms of exports of TV programs) in FY2010: ¥6.25 billion → FY2012: ¥6.22 billion

(2) Progress made in implementing measures

(Progress made in EPA negotiations with various countries, including the substantive agreement on the Japan-Australia EPA)

- In terms of economic partnerships, Japan agreed with Turkey in January 2014 to start EPA negotiations and reached a substantive agreement on the Japan-Australia EPA in April. When the Prime Minister visited Europe in April and May, he expressed that the Government of Japan aims to reach agreement in principle on the Japan-EU EPA in 2015 and concurred with leaders of European countries and the EU on the importance of the early conclusion of the EPA. Regarding TPP (Trans-Pacific Partnership) negotiations, Japan and the United States identified a path forward on important bilateral TPP issues in April. At TPP Ministerial Meeting held in May, ministers reviewed the progress in overall negotiations and accelerated bilateral negotiations among each country.

(Actively implementing the Infrastructure Export Strategy through sales pitches by the Prime Minister and Cabinet Ministers)

- Regarding infrastructure exports, the Prime Minister and Cabinet Ministers made a total of 67 sales pitches in 2013 (including 25 made by the Prime Minister), far surpassing the KPI of at least 10 sales pitches each year. The Government promoted strategic implementation of ODA through the improvement of various measures for strategic use of ODA loans and JICA's Private Sector Investment Finance, as well as through active use of grant aid and technical cooperation. In addition, the revised Trade and Investment Insurance Act, which reforms the functions of trade insurance, and the Act on the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development, which supports overseas transport and urban development projects, were enacted in April 2014. In June 2014, the Infrastructure Export Strategy of May 2013 was revised.

(Multifaceted support for overseas expansion by SMEs)

- Regarding support for overseas expansion by SMEs (including service businesses), the Government opened a support portal site called "Mirasapo", created the "SMEs' Overseas Development Fastpass" program, and established

one-stop overseas consultation offices (a platform for local support for overseas expansion by SMEs) by which the KPI of establishing 10 such offices by the summer of 2013 was achieved. The Government is also implementing such measures as promoting cross-border internship programs for young Japanese workers, cultivating local core personnel, and dispatching experienced elderly workers to companies eager to achieve overseas expansion.

(Establishing the Cool Japan Fund, etc.)

- As part of the Cool Japan Initiative, the Cool Japan Fund was established in November 2013. The Cool Japan Fund aims to strengthen cooperation with relevant organizations. In August 2013, a cross-industrial organization to support overseas sales of broadcast contents was established. Efforts are underway to realize continuous broadcasting of appealing Japanese contents, in major ASEAN countries as the main targeted markets for the moment.

(Working out the specifics of National Strategic Special Zones and establishing the Council for Promotion of Foreign Direct Investment in Japan)

- Regarding inward FDI, the Government is working out the specifics of the National Strategic Special Zones. It has already designated six National Strategic Special Zones; these include the Tokyo and Kansai zones. In addition, in April 2014, the Expert Group Meeting on Foreign Direct Investment in Japan was held to hear opinions from the top management of foreign companies and others and to specify the issues which should be addressed in order to promote foreign direct investment in Japan. In the same month, the Government established the Council for Promotion of Foreign Direct Investment in Japan as new headquarters for cross-ministerial promotion of inward FDI.

(3) Specific new measures to be taken

Regarding EPA negotiations, the Government will push forward to achieve early conclusion on TPP negotiations in a way that maximizes Japan's national interests. At the same time, the Government will promote strategic and prompt negotiations on other EPAs including RCEP, the Japan-China-Republic of Korea FTA and the Japan-EU EPA, in order to enhance Japan's external economic relations and to promote domestic structural reforms through progress in global rule-making

concerning trade and investment. The Government will also encourage more active overseas business activities by private sectors through promoting their utilization of the existing EPAs.

In terms of infrastructure exports, the Government will pursue its order target by quickly and steadily implementing the revised Infrastructure Export Strategy.

At the same time, in order to promote inward FDI and capture foreign markets in a strategic manner, the following measures will be taken.

1) Strengthening the system to facilitate doubling inward FDI stocks

In order to achieve the ambitious goal of doubling inward FDI stocks to ¥35 trillion by 2020, it is essential for the Government to develop the investment promotion system, including the establishment of the system required to improve the investment environment in Japan, taking foreign companies' needs into consideration. Therefore, with the Council for Promotion of Foreign Direct Investment in Japan as the headquarters, cross-ministerial efforts will be made to conduct activities focused on identifying and attracting investment projects, and carrying out the necessary institutional reforms.

Japan's diplomatic missions abroad and JETRO overseas offices will cooperate in strengthening overseas activities focused on attracting investment projects, such as encouraging the top management of foreign companies to invest in Japan, conducting public relations campaigns, and disseminating information. Regarding promotion of individual projects, JETRO will work with relevant ministries and agencies to strengthen its one-stop support functions, to create opportunities for Japanese SMEs to form investment partnerships with foreign companies, and so on. Moreover, the Government, in cooperation with JETRO, will provide full-scale support for active local government efforts to attract foreign companies. Strategic sales pitches will be conducted by the Prime Minister and Cabinet Ministers, in coordination with advanced initiatives by local governments (at least 10 sales pitches per year).

The Council for Promotion of Foreign Direct Investment in Japan will promote activities to identify and attract investment projects by monitoring progress. It will also seek opinions from the top management of foreign companies and cooperate with bodies such as the Council on Economic and Fiscal Policy, the Council for Industrial Competitiveness, the Council for Regulatory Reform, and the Council on National Strategic Special Zones in continuously implementing additional measures, such as regulatory system

reforms that contribute to the improvement of the investment environment and support measures effective in expanding investment. At the same time, the Government will promote translation of Japanese laws and regulations into foreign languages as part of an effort to improve the information infrastructure for promoting inward FDI.

2) Establishing a new cross-ministerial framework to promote the Cool Japan initiative

It is important that Japan effectively transmits the attractions of Japan to the world such as contents, culture and arts through an all-out effort involving both the public and private sectors, thereby creating new industries. To this end, the Government will use the Inter-Ministerial Cool Japan Liaison Council as a platform to identify themes and fields of high strategic priority. This includes dissemination of information through large-scale international events, promotion of Japanese foods and liquors overseas, as well as creation and dissemination of media arts and modern arts. After identifying priority themes and fields, the Government will come up with new inter-ministerial partnership projects. In addition, the Government will strengthen dissemination of information using Japan's diplomatic missions overseas, while promoting Japanese-language education. Moreover, providing risk money by the Cool Japan Fund as a catalyst, the Government will promote cross-sectoral and cross-industrial collaboration in building commercial facilities abroad and distributing contents, and will link such activities with continuous broadcasting of contents to achieve overseas expansion of peripheral industries. Through these initiatives, successful business models will be developed. At the same time, the Government will invite personnel who are trend setters or who have influence abroad while building and expanding exhibition halls in order to enhance international communication capabilities.

3) Deepening strategy toward emerging countries

In order to improve the institutional infrastructure that supports the overseas business operations of Japanese companies, the Government will provide further technical assistance in the area of legislative system primarily to China and the ASEAN region. In addition, making effective use of the Economic Research Institute for ASEAN and East Asia (ERIA), the Government will implement the Standards-Regulations Strategy, which seeks to link international standards with

regulations in individual countries. Moreover, the Government will strengthen sectoral strategies in such fields as medical care, distribution, and foods, where the combination of strategies and institutional improvements is expected to produce spillover effects. In Africa, the Government will encourage initiatives by regional economic communities (RECs) that will lead to the creation of broader markets.

In order to capture emerging markets by promoting whole-of-Japan approach, the Government will provide increased support for efforts to gather local information, to search for local partners, and to overcome challenges related to legal, labor and intellectual property issues. It will do this by strengthening cooperation between organizations offering consistent support for overseas expansion through enhancing the “SMEs’ Overseas Development Fastpass” program, while strengthening the functions of JETRO. The Government will also promote collaboration activities by building and strengthening its network of connections with foreign nationals familiar with Japan, such as international students with experience studying in Japan and former trainees at HIDA (The Overseas Human Resources and Industry Development Association).

In order to support legal problems of Japanese companies expanding into foreign markets, the Government will strengthen such functions as cultivating highly capable legal professionals with international expertise.