

I. Overview

1. The Basic Concept of the Growth Strategy

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

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

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

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

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

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

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

Currently, Japan finds itself in the position of a "developed" country, facing many serious challenges that it must address head on, challenges which other countries will one day also be facing. These challenges include the declining birthrate, aging population, and resource and energy issues. If Japan can become a world pioneer in resolving these challenges, an

opportunity presents itself for Japan to become a global leader in new growth sectors.

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

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

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

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

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

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

2. Roadmap to Growth

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

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

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

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

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

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

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

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

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

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

(Regulatory and institutional reform and opening up government enterprises)

Will private sector creativity be fully utilized at the investment destination? What will change in sectors which had been heavily restricted? These are the most important questions

that need to be answered in order to stimulate private investment.

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

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

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

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

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

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

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

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

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

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

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

In particular, it is essential for the “power of women” – Japan’s greatest potential which had not been leveraged fully to date – to be fully utilized. This is critical from the standpoint of securing human resources who will support the new growth sectors amid concerns over the decreasing workforce population due to the declining birthrate and aging population.

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

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

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

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

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

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

(Developing Japan’s youth into globally competitive human resources)

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

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

(3) Creating new frontiers

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

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

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

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

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

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

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

(Leaping into the world and attracting the world)

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

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

Countries are now competing with each other to tap into the growing international market. Many Japanese SMEs remain within Japanese borders, despite possessing the world’s top products and element technologies in infrastructure sectors, such as electric power, water, IT,

and railroad. Furthermore, Japanese cultural content, Japanese food, and the Japanese healthcare system have an overwhelming competitive edge. Nevertheless, these companies were late in entering the world market, and investment in Japan and the number of tourists to Japan have remained static.

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

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

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

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

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

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

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

3. How to Realize the Growth Strategy

(1) Implementing policies at unprecedented speed

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

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

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

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

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

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

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

Other systems, such as the Special Zone Advisory Council chaired by the Prime Minister

and the Special Zone Promotion Headquarters for each special zone led by ministers, mayors, and private business operators, will be promptly established in order to advance the project from the top down.

4. An Evolving Growth Strategy

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

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

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

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

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

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

(2) Way forward for realizing full-fledged growth

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

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

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

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

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

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

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

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

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

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

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

1. Expanding private investment and promoting business restructuring

Target:

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

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

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

(Reach conclusion by end of August)

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

2. Creating new businesses

Target:

◆ Ensure that business startup rate exceeds business closure rate, and raise current 5% business startup and closure rate to 10% range on par with the US and UK

◆ Top 3 among OECD member countries in the Ease of Doing Business ranking

(i) In regulated sectors, including the health and energy sectors, enable companies to start

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

(Reach conclusion by end of August)

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

(Reach conclusion by end of August)

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

(Formulate by end of the year)

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

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

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

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

(Submit to Diet during next session)

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

(Compile by end of the year)

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

(Reach conclusion by autumn)

(Regulatory and institutional reform and opening up government enterprises)**4. Creating and developing a good health and longevity industry**

Target:

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

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

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

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

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

(Start with anticancer drugs aiming for autumn)

(iii) Approve the Internet sales of non-prescription drugs under the appropriate rules while securing the safety of consumers. However, for products that have newly become available as non-prescription, due to their different nature from other non-prescription ones, experts from the medical, pharmaceutical, and other fields will carry out necessary reviews regarding the arrangements that encourage people to exercise caution regarding sale and use of the drugs for medical purposes. Take the necessary measures after reaching a conclusion by around the coming autumn.

(Reach conclusion by around autumn)

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

insurance claim statement data, etc.

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

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

(Eliminate lag by 2020)

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

(Reach conclusion by end of August)

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

Target:

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

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

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

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

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

cross-industry partnerships, including medicine and welfare.

(Implement from this fiscal year)

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

(Implement from this fiscal year)

6. Developing the energy industry and acquiring global market share

Target:

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

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

(Implement by 2016)

Realize an electricity system that can trigger new innovations by taking steady steps to further secure neutrality of the electricity transmission and distribution sectors.

(Implement by 2018 and 2020)

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

(Implement by 2015)

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

- (iv) Facilitate and expand households’ and SMEs’ installation of solar panels, storage cells, etc., by holding down the initial costs. Support companies that make lump-sum

equipment purchases and offer the equipment to users at no initial fee (clean energy finance).

(Reach conclusion by end of August)

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

Target:

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

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

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

- (ii) Establish the Agency for the Promotion of the Private Finance Initiative through a public-private joint initiative. Private operators recover funds through user fee and supply risk money to PFI programs which establish social infrastructure. This encourages significant expansion of self-supporting PFI programs, etc. that collect user fees, in which, until now, private operators had very little involvement due to the risk of demand fluctuation.

- (iii) The concession system of public facilities promotes smooth fund procurement. Add the government administration airports, etc. to concession agreements in which private operators can exercise inventiveness. Accordingly, PFI programs will be expanded drastically based on concession agreements.

(Bill pertaining to the government administration airports, etc. submitted during current session of the Diet)

8. Propelling innovation using IT

Target:

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

- (i) The Government will actively promote the utilization of big-data and open-data at the world's highest level. For this purpose, the IT strategic Headquarters will establish the

rules for utilizing big-data which include personal information, while taking into consideration the balance between data usage and privacy protection. Also it will formulate the institutional reform policy, which will outlook new legal measures, including the establishment of third-party organization which has the power of dispute settlement etc.

(Formulate by the end of the year)

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

(Implement from the autumn onwards)

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

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

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

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

1. Fully utilizing the “power of women”

Target:

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

- (i) Implement “Plan to Accelerate the Elimination of Childcare waiting lists.” Prepare childcare arrangements for additional about 200,000 children over the next two years. Aim for the elimination of childcare waiting lists, without ignoring the quality, by securing childcare arrangements for another about 400,000 children by the end of 2017, in which year childcare demand is projected to hit its peak. To this end, the Government will develop childcare facilities that make use of rentals and government-owned land, secure childcare staff to support the expansion in childcare services, pioneer new systems including small-scale childcare services, support non-registered childcare facilities aiming to be registered, and support employer-provided childcare services.

- (ii) To support company initiatives that promote women's active participation and enhance companies' workplace environment, urge companies to employ more women in managerial positions and as officers and promote disclosure of information. Support companies that promote women's active participation, balancing of work and childcare, and skill enhancement during childcare leaves and after resuming work.

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

(Implement from this fiscal year)

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

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

Target:

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

- (i) Boldly shift from a policy of merely maintaining current job positions, to a policy of supporting motivated and able employees to move to positions in growth sectors after expanding opportunities for improving their capabilities.

(Reverse the budgets of funds to support the movement of labor (FY2012: 240 million yen) and Employment Adjustment Fund (FY2012: 113.4 billion yen) by FY2015)

- (ii) Take maximum advantage of the power of the private sector in matching people with jobs. Make job vacancy information which could only be used by public employment program and grants restricted to jobs through public employment program to private employment and recruitment agencies.

(Reach conclusion by end of August)

- (iii) Boldly support adult re-learning programs on an unprecedented scale, including voluntary efforts to receive education and training that will lead to the acquisition of qualifications. Through such programs, help motivated young people, etc. with non-regular positions to maximize their potential and rise up in the career ladder or change careers.

(Review at the Labour Policy Council and aim to submit bill to revise the Employment Insurance Act to the Diet during the next ordinary session)

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

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

Target:

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

(i) Immediately reform national universities to support prioritized budgetary allocations for pioneering initiatives. Accelerate reform over the next three years.

(Formulate national university reform plan in summer)

1. Human resource and wage reform, including the introduction of an annual salary system on a full-fledged basis and a system of combined wages using funds from external parties such as private companies.

2. Post instructors across universities and departments, reallocate budgets and other resources, realign organizations, and visualize resource distributions within universities.

3. Based on the outcomes of the above, introduce arrangements that make strategic and prioritized distributions of grants for operational expenses.

(Introduce from FY2016)

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

(Implement from FY2014)

4. Developing globally competitive human resources

Target:

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

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

(Start review from this fiscal year)

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

(Implement from next fiscal year)

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

through public-private cooperation.

(Reach conclusion by end of August)

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

(For National Public Service exam, introduce from FY2015)

(3) Creating new frontiers

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

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

Target:

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

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

(By August, establish schedule, including for legal revision)

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

(Reach conclusion by end of August)

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

(Reach conclusion by end of August)

(Leaping into the world and attracting the world)

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

economic partnership, etc.

Target:

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

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

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

(Establish by the end of this year)

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

Target:

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

(i) To strengthen sales of Japanese products and services through an all-Japan, public-private effort, make at least ten sales pitches each year to foreign nations by the Prime Minister and ministers.

(ii) Enhance policy support tools, including the use of the JBIC's Loan Facility Enhancing Global Business Development, the strengthening of local currency-denominated financing support through JBIC and NEXI, the active use of ODA including JICA's Private Sector Investment Finance, and enhancement of trade and investment insurance.

(iii) Make maximum use of Medical Excellence JAPAN (MEJ) and aim to capture a 1.5 trillion yen market share in overseas medical technologies and services by 2020.

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

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

Target:

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

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

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

(Implement within this fiscal year)

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

(Implement within this fiscal year)

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

(Implement by this summer)

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

(Commence within this fiscal year)