

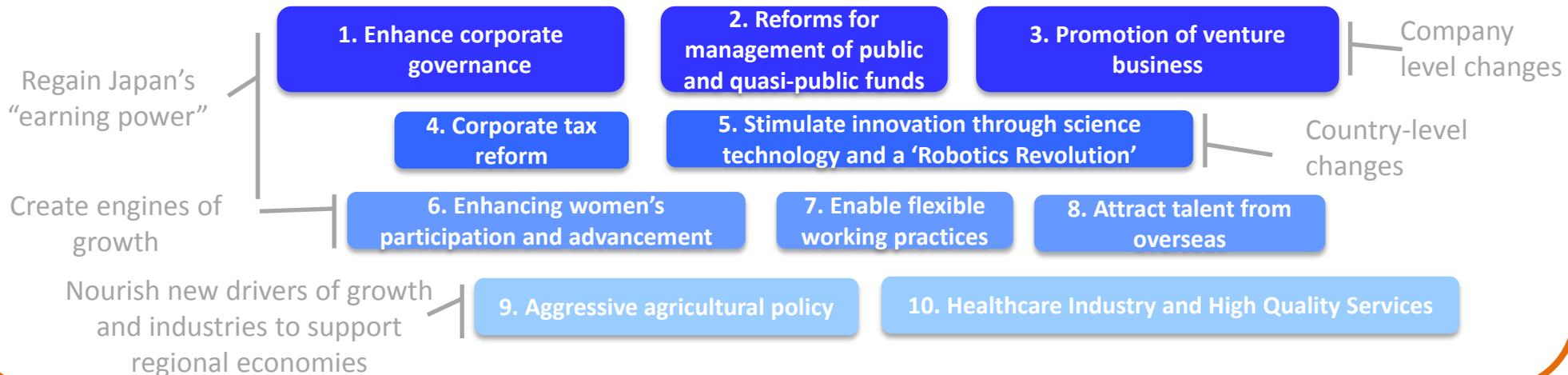
Revision of Japan Revitalization Strategy

~ 10 Key Reforms ~

Overview of the Revision of Japan Revitalization Strategy

- Positive economic momentum following implementation of Abenomics' "three arrows".
Examples:
 - **Growth in real GDP** for six consecutive quarters
 - Labor market in growth sector; **highest wage growth in the past 10 years**
 - Changes seen in corporate culture in Japan (e.g. increase in outside directors, substantial business restructuring, more capital investment)
- To put the Japanese economy on the path of sustainable growth, continued reforms in line with a constantly evolving Growth Strategy are essential.
- The aim of this revision of "Japan Revitalization Strategy" is to review the progress of already implemented policies and to provide basic guidance for remaining tasks, focusing on the 10 key reforms.

10 key reforms



Growth to create ripple effect across the nation

Local revitalization and innovation of small and medium-sized enterprises (SMEs)

Structural reforms in regional economies

1. Enhance Corporate Governance

—Aiming for sustainable growth in corporate value—

Sustained growth in corporate value through enhanced corporate governance as well as improved management and strengthened fundamentals supported by financial institutions.

Main initiatives to date:

- Industrial Competitiveness Enhancement Act
 - Established tax system to promote business realignment, creation of scheme that allows relaxing of regulations for business units, etc. [Enacted January 2014]
- Japan's Stewardship Code [Published February 2014]
- Revised Companies Act
 - Promoted introduction of external directors [Revised June 2014]

New measures to be adopted:

Enhance Corporate Governance

- Support the Tokyo Stock Exchange to draft the Corporate Governance Code which outlines the principles of corporate governance for listed companies. [To be drafted in time for the season of general shareholders' meetings next year]
 - The Code will outline the principles of corporate governance (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).
 - Based on listing requirements of the Tokyo Stock Exchange, listed companies are asked either to comply with the principles or explain why they are not complied with.

Enhancing financial institutions' functions for supporting businesses

- Encourage financial institutions to support improving the performance, productivity, and sustainability of their customers' businesses, to provide financing taking well into considerations the growth potential of the debtor's business pursuant to the supervisory policies of the Financial Services Agency .
- Review the legal system and operational practices relating to corporate restructuring.

2. Reforms for management of public and quasi-public funds

Steadily implement reforms for management of public and quasi-public funds, based on the recommendations presented by the expert panel.

Major Initiatives to Date:

- Recommendations compiled by the expert panel for sophisticating the management of public and quasi-public funds [November 2013]
- Implemented fund management reforms based on the expert panel recommendations
 - Example : Government Pension Investment Fund (GPIF)
 - GPIF decided to co-invest in infrastructure assets with the Development Bank of Japan (DBJ) and a Canadian pension fund [February 2014]
 - Introduced new equity index (including the JPX-Nikkei Index 400) in passive investments [April 2014]
 - Accepted Japan's Stewardship Code [May 2014]

New measures to be adopted:

Revising the policy asset mix (basic portfolio) of GPIF

- To respond to long-term economic changes and secure sound pension finances over an extended period of time, appropriate revisions will be made to the policy asset mix as quickly as possible, based on the results of this year's revaluation of pension finances.

Strengthening the governance structure of GPIF

- Immediately promote initiatives for strengthening the governance structure of GPIF, including the appointment of multiple full-time members to the investment committee and securing highly-skilled investment professionals. In addition, accelerate other necessary measures including discussions on the possible future amendment of legislation.

3. Promotion of Venture Business

—Creating an entrepreneur-friendly environment—

A 'Venture Ecosystem (virtuous cycle' of venture funding and business creation) will lead to globally competitive companies.

Main initiatives to date:

- Established the Industrial Competitiveness Enhancement Act
 - Introduced tax system to promote venture funding in private enterprise [Effective January 2014]
- Revised the Financial Instruments And Exchange Act
 - Promoted crowd-funding [Amendments passed in May 2014]
- Improved operational efficiency of 'Angel' investment tax system
 - Reduced administration burden through reform of the application process [Effective September 2013]

New measures to be adopted:

Establishment of the 'Venture Business Creation Council'

- The 'Venture Business Creation Council' is intended to encourage connections between start-ups and larger firms. [Expected to launch in Autumn 2014]

Acceleration of government procurement from start-up firms

- Review of current government procurement laws to promote government procurement from recently launched SME start-ups. [Bill to be presented at the next ordinary Diet session]
- Unemployment insurance provisions for entrepreneurs who are not currently employed. [Process to be expedited]

4. Corporate Tax Reform

—Bettering business environment for all companies—

We will strengthen Japan's competitiveness as a global business location by reforming the corporate tax rate to a globally competitive level.

Main initiatives to date:

- Taxation period of the special corporation tax for reconstruction from the Great East Japan Earthquake finished one year earlier than originally planned.
 - As a result, the corporation tax was reduced by 2.4% since April 2014
- A special tax system to promote capital investment into productivity increase was launched in January 2014.
 - As a result, approximately 10,000 capital investment have been recorded

New measures to be adopted:

Pro-growth corporate tax reform

- Aim to reduce the percentage level of the effective corporate tax rate down to the twenties in several years.
 - First phase reductions will start from FY2015
- 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. (further discussion will be made towards the end of this year when conclusions on the specifics will be reached).
- In light of the need to achieve primary surplus in FY 2020 at the national and local level, the government will proceed with the implementation of the tax reform while checking the progress towards the fiscal consolidation target.

5. Stimulate Innovation through Science Technology and a ‘Robotics Revolution’ —Japan as a technology frontier—

Promote innovation of science and technology and develop infrastructure that links innovative technology with new business.

Main initiatives to date:

- Enhanced the administrative power of the Council for Science and Technology Policy
 - Revised the Act for Establishment of the Cabinet Office [Effective from May 2014]
- Established Cross-ministerial Strategic Innovation Program (‘SIP’) and Impulsing PARadigm Change through disruptive Technologies Program (‘ImPACT’)
 - Included in the 2013 supplementary budget and the 2014 budget

New measures to be adopted:

“Mediation” – Reform functionality of R&D Institutes

- The National Institute of Advanced Industrial Science and Technology (AIST) and New Energy and Industrial Technology Development Organization(NEDO) will enhance precursory activities to link universities with business (through what is called “Mediation”), with a focus on winning research projects from private companies [Starting from FY2015] (These activities will be adopted by other institutes later on).

Knowledge Integration utilizing the “Cross Appointment system”

- Build infrastructure to allow researchers to hold concurrent posts at universities and R&D institutes.
 - Requires clarification of medical insurance, pension and retirement allowance, as well as ownership of trade secrets and intellectual property. [Infrastructure preparations to be completed FY2014]

Reform Employee Invention System and Enhance Protection of Trade Secrets

- Reform employee invention system in order to incentivize both employees and companies jointly. [Bill will be submitted to the Diet by the next ordinary session]
- Create effective measures to prevent leakage of trade secrets (alleviation of the burden of proof on victims , etc.). [Bill will be submitted at the next ordinary diet session]

Realize an Industrial ‘Robotics Revolution’

- Set-up the “Robotic Revolution Initiative Council” to create a 5 year plan (to be completed by the end of 2014).
 - Set targets to increase the size of the Robot market: double the use of robots in manufacturing, and increase their use in nonmanufacturing including the service sectors by a factor of 20.

6. Enhancing Women's Participation and Advancement(1/2)

Provide working environment conducive to women with/caring for children

Main initiatives to date:

- Secured additional childcare capacity for approximately 200,000 children by FY2015 and 400,000 by the end of March 2018. [“Plan to Accelerate the Elimination of Childcare Waiting Lists” formulated in June 2013]

New measures to be adopted:

Introduce Integrated after-school childcare services/programs and daycare centers

- Prepare over 10,000 integrated after-school childcare services/programs for children by fully utilizing unused classrooms at public-school.
 - Joint-efforts between MEXT (Ministry of Education, Culture, Sports, Science and Technology) and the MHLW (Ministry of Health, Labor and Welfare) to address “1st Grade Barrier” issue and to foster the next generation of talent.
- Prepare after-school daycare centers for about 300,000 children by the end of March 2020.
- Plan to be formulated jointly by MEXT and MHLW by mid-2014

Secure necessary nursery teachers

- Set targets and timeframe to secure necessary number of nursery teachers
 - Formulate and implement “Plan to secure nursery teachers”, which includes measures such as improving working conditions of such teachers, providing financial support for training and certification, and offering assistance for certified nursery teachers off-work to get back to the career (estimated as over 600,000) to return to childcare) [To be formulated within 2014]

Introduce “Official Childcare Supporters”

- Introduce a nation-wide system to appoint mothers with child-rearing experience as “Official Childcare Supporters” and enable them to work at small-scale childcare, homecare and after-school daycare as support staff.
- Government to provide standardized training courses available anywhere in Japan.
- The system will be established along with the introduction of “New System for Children and Child-raising”.

6. Enhancing Women's Participation and Advancement (2/2)

Improve business environment to enhance women's career advancement at workplace

Main initiatives to date:

- Encouraged companies to disclose information concerning the promotion of women to executive and management positions.
- “Website visualizing women in executive and management positions ” was launched, which covers 30% of listed companies to date.

New measures to be adopted:

Visualize women on executive and management position

- Oblige companies to disclose the number of women in executive positions in their financial reports. [Effective by March 2015]
- Request financial instruments exchanges to include information related to active utilization of women at work, such as the number of women in executive and management positions, as well as measures taken to promote the trend, into their corporate governance documentation. [Effective by the end of March 2015]
- Create new legislative framework to promote active use of women at work (or to help women take more active role at work) [Finalize by the end of March 2015 and submitted to the Diet]

Review tax and social security system to be neutral with regard to how women choose to work (or, to encourage women to participate in the labor market)

- Issues relating to tax, social security and marital tax deduction (including the so-called “Policy Wall” of 1.03 million yen and 1.30 million yen incomes for marital deductions), to be considered comprehensively at the Council on Economic and Fiscal Policy by the end of 2014.

7. Enable Flexible Working Practices (1/2)

—Improving our talent pool—

Develop a more creative working practice where performance is evaluated over number of hours worked.
 Spread and promote model cases of “diversified regular employment” focusing on job duties etc.
 Develop a transparent and globally recognized labor dispute resolution system.

Main initiatives to date:

- Shifted government subsidy support away from retaining employees towards outplacement.
 [30.1 billion yen assigned in 2014 annual budget, to be redressed in FY2015]
- Disclosing information on job offer/job seeking held by ‘Hello Work’ (public employment bureau).
 [To be introduced from September 2014(job offer)/around FY2015(job seeking)]

New measures to be adopted:

Review current working hours system

- Strengthen measures to prevent overwork by fully enforcing supervision by the Labor Standards Inspection Office
- Review flextime system to make provisions for workers with child-care and nursing requirements to ensure that temporary reduction in hours worked does not result in decreased payment by taking a paid leave.

Current Status	Outcome Following Review
The maximum period in which flexible working hours are legally permitted is one month.	Extension of time period to allow the apportionment of flexible working hours.

- Reform Discretionary Working System in order to allow creative work habits and allow more people to have flexible working practices, the formal process and scope of the current system will be reviewed.

Current Status	Outcome Following Review
Scope of the system is limited (e.g. people in strategic planning and analysis work) and the formal process is complex	Total scope to be reassessed (to include people working for company’s core divisions and R&D), easing of formal procedures

- Develop a new system based on evaluation of work rather than working hours. This system will apply for those who satisfy fixed annual income conditions (for example, no less than 10 million yen annually) who have clearly defined responsibility and possess high skill levels (A draft bill will be presented at the next ordinary Diet session, following an assessment by the Labor Policy Council).

7. Enable Flexible Working Practices (2/2)

—Improving our talent pool—

New measures to be adopted:

Spread and promote model cases of “diversified regular employment” focusing on job duties etc.*

* The scope of responsibilities for regular employment in Japan had not been clearly defined (i.e., duties are all-inclusive)

- Interpretation of labor contract laws will be coordinated and publicized. [To be implemented within 2014]
 - The way of thinking about the clarification of working conditions, the promotion of mutual transformation between “diversified regular employees” and ordinary employees , the equal treatment etc.
e.g. As much as possible, employer should define whether job duties are all-inclusive or not.
- Publish a list of key points for attention for introducing “diversified regular employee” management. [July 2014]

Developing a highly foreseeable system to resolve labor conflicts

- Develop a system to resolve labor conflicts which is globally recognized, fair, transparent and objective
 - Will be based on research into various relevant systems (both domestic and international*) to be conducted this fiscal year. Following this, a discussion and evaluation of suitable elements for Japan will be expedited and implemented. [To be discussed in 2015]
- * e.g. Dissolution of the employment relationship through a court decision; severance payment for the employee

8. Attract Talent from Overseas

—A society where foreign workers play an active role—

Create an environment where skilled professionals from overseas can play an active role.
Conduct drastic review of the Technical Intern Training System for foreign workers in Japan.

Main initiatives to date:

- Eased /Expanded a scope of points-based system for skilled professionals from abroad
 - Relaxation of approval requirements, shortening of residency requirements for permanent residency [Notice of revision December 2013; Amendment to law June 2014]
- Finalized urgent measures (up to FY2020) to enable workers who have completed Technical Intern Training to work in construction sector for 2 to 3 years [Scheduled to start in 2015]
 - Similar fixed-term urgency measures are planned to be applied to shipbuilding industry

New measures to be adopted:

Review Current Technical Intern Training* Systems

* System to invite trainees from abroad with the aim to support technology transfer from Japan to developing countries

- Drastically strengthen the management and supervisory structures: Introduce external officers to or making external audits mandatory for supervisory organizations; newly establish public administrative authority. [Transition within 2015]
- Expand job categories covered by the system: Will be added accordingly.
- Extension of training period: From maximum 3 years to 5 years. [Enforced by the end of March 2016]
- Expansion of admission quota [Enforced by the end of March 2016]

Launch new systems to encourage active use of foreign talents in key areas

• **Manufacturing**

- Accept foreign workers at overseas subsidiaries of Japanese corporations.
- Limited to the cases meeting certain conditions, such as short-term transfer within corporate groups for technical training.
- Detailed system to be formulated by the end of March 2015

• **Nursing**

- Enable foreign nationals who have obtained the national nursing qualifications by learning at Japanese schools to work in the field of nursing care. [Detailed system to be formulated within 2014]
- Incorporation of “nursing” as a job covered by Technical Intern Training System to be considered. [Conclude within 2014]

• **Home support**

- Enable people from abroad to work as home support in National Strategic Special Zones.
- Private home support service companies will be the employers, whereas local municipality oversees the system.
- Necessary arrangement will be made immediately.

9. Aggressive Agricultural Policy (1/2)

Aim to double the income of farmers and farming communities by turning the agricultural sector into a growth industry. We will draw on corporate experience while accelerating private sector participation in agriculture.

Main initiatives to date:

- Established “Public intermediate organization for farmland consolidation” [Established in 43 prefectures , as of June 1, 2014]
- Decision to review rice production regulations [November 2013]
- Promoted development of the “sixth industry” by fully utilizing the Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (A-FIVE) [Investment already made to 23 entities, as of May 2014]

New measures to be adopted:

Unified regulatory reform of Agricultural Committee, agricultural production corporation, Agricultural Cooperatives

- Undertaking comprehensive reform from the viewpoint of making suitable environment for farmers who are highly-motivated and business-minded can take aggressive production and operation with taking advantage of knowledge of companies. [Related bills will be submitted to the ordinary Diet session in 2015]

Agricultural Committee	Agricultural Production Corporation	Agricultural Cooperatives
<ul style="list-style-type: none"> • Shift to system of appointees by mayors for committee members • Establish “committee for promotion of optimized use of agricultural land(tentative)” 	<ul style="list-style-type: none"> • Reduce number of farm working required as Board Members (Current: approximately 25%; After: minimum 1 person) • Deregulation of requirements for voting rights (Current: non-farmers’ rights under 1/4 in principle; After: less than 1/2) 	<ul style="list-style-type: none"> • Local individual agricultural cooperatives will be more independent and active (promoting highly-motivated farmers in board members) • Allow National Federation of Agricultural Cooperative Association (ZEN-NOH) and its prefectural level organizations(KEIZAIREN) to be turned into a joint-stock company invested in by local individual agricultural cooperatives. • The Central Union of Agricultural Co-operatives (JA-Zenchu) will become an organization under a new self-governing system.

9. Aggressive Agricultural Policy (2/2)

New measures to be adopted:

Diversify distribution channels for dairy farmers

- Leverage the ingenuity of dairy farmers by establishing a system where farmers can select and sell their products to vendors of their choosing, in addition to the conventional designated vendors. [From FY2015]

Connect national and international value chain (promote the “AFFrinnovation (sixth industry)”^{*} and exports

- To accelerate promotion of the “AFFrinnovation(sixth industry)” the current capital contribution percentage rule to A-FIVE recipients will be reviewed. [Measurements including law amendment to be addressed by December 2015]
- Form organizations of exporters that handle specific products, especially for beef, Japanese tea and fishery products. [From FY2015]

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

10. Healthcare Industry and High Quality Services

—A stronger healthcare industry and improved Services—

Secure a sustainable social security system and revitalize the healthcare industry by establishing a structure to provide efficient and high quality services as well as streamlining insurance benefits coverage.

Main initiatives to date:

- Removed grey zones in relation to the healthcare industry (example: private sector guidance on physical exercise to prevent lifestyle-related diseases)
- Enabled online sales of nonprescription drugs (except for 5 items designated as dangerous) [Law enforced June 2014]
- Created ‘control tower’ for R&D in medical area
 - Headquarters for Healthcare and Medical Strategy Promotion and Japanese National Institutes of Health) [Law enacted May 2014]

New measures to be adopted:

Creation of non-profit holding company system

- Allow multiple medical and social welfare corporations to be managed in an integrated manner through general meetings of members, etc. [Measures taken within 2015]
- Design system required to allow university hospitals to be spun off as separate entities in order to be managed in an integrated manner with other hospitals by utilizing the above-mentioned new holding company system [Discussions to be concluded in FY 2014 and measure to be taken in FY 2015]

Provision of incentives to individuals to stay healthy and prevent disease

- Clarify conditions under which each insurer of the public healthcare insurance system can provide healthcare points or cash benefits to individuals. [Measures to be taken within FY 2015]
- Consider to introduce the public health insurance premium system under which the premiums can differ in fiscally neutral manner based on individual’s efforts for health and diseases prevention [Measures to be taken within FY 2015]

Considerable expansion of the system for mixed use of medical treatments covered and not covered by public insurance (the mixed medical treatment system)

Treatment requested by patients [Newly created]		• Create expedited scheme for the mixed medical treatment system, requested by patients, to expand options for patients when selecting medical treatments (related act to be submitted to the next ordinary diet session)
Evaluation treatment	Advanced medical treatment	• Speed up the evaluation process for regenerative medicine and medical equipment in addition to anticancer drug • Consider the scheme that allows the continued use of certain technologies even if they are evaluated as less effective under cost benefit analysis system that is experimentally planned to be introduced around FY 2016
	Clinical trial	• Establish a scheme under which patients not qualified for clinical trials can use investigational new drugs [Starting in FY 2015]
Selective treatment (incl. amenities etc.)		• Establish a scheme that includes continuous review of the system, including the expansion of coverage

Local Revitalization and Structural Reform

Creating a platform to revitalize local economies

Main initiatives to date:

- In January 2014, in an effort to eliminate 'stovepipes', promising projects proposed by municipalities were selected by the public and a "platform for revitalizing local economies" was launched, encompassing all relevant ministries and agencies working together. [33 projects selected as reform model cases in June 2014]

New measures to be adopted:

- Leveraging the Local Revitalization Law, create a one-stop platform for planning and implementing regional revitalization efforts [To be submitted in the next ordinary Diet session]

Promoting PPP/PFI to strengthen international competitiveness and develop new markets

Main initiatives to date:

- Introduced concession system for airports administered by the national government [Law established July 2013]
- Established the PFI Promotion Fund [Established October 2013]
- Enabled integral revitalization of cities and highways [Law revised May 2014]
- Set the next 3-year period as intensive period to formulate policy initiatives [Decision by PFI Promotion Council in June 2014]

New measures to be adopted:

- Accelerate target period (from 2022 to 2016) for PFI project concessions, and set goals for the next 3 years
 - 2-3 trillion yen target projects
 - Priority areas: Airports (6), Water Supply (6), Waste Water (6), Roads (1)

Support for hometown specialty products

Main initiatives to date:

- Expanded the topics eligible for regional collective trademark registration (Revision of the Trademark Law)
[Law enacted April 2014]
 - ※The system facilitates registration of trademarks to relax requirements when the trademark consists of a region name + brand name

New measures to be adopted:

- Help businesses promote tourism and development and expand sales channels of hometown specialty products to inspire consumer confidence through the revision of the SME Local Resource Utilization Promotion Act.
- Promote branding of local resources through the development, dispatch and training of human resources such as "Local Economic Development Corps"

Overall policy development system reforms

New measures to be adopted:

- Show long-term and comprehensive vision to overcome demographic challenges and aging society and to build dynamic local economic structure with local economic structural reform.
- Develop a system to set up a headquarter functioning as a control tower for the promotion of a comprehensive policy aimed at government, working together to:
 - Maintain regional economic vitality and networking consolidation and integration of industry, employment and urban functions to slow the outward migration to Tokyo
 - Overcome the declining population and birth rate.