

Section 1 Outline

I. Basic Concept of Revising Japan Revitalization Strategy

(The Second Stage of Abenomics)

The Japanese economy is regaining its erstwhile robustness.

Two and half years ago when the Abe administration started, the Japanese economy was unable to get out of the morass of deflationary economy caused by the lack of demand, with Japanese companies and people also incapable of envisaging the future prospects.

In order to overcome such a situation, the Abe administration, after the inauguration, launched the first arrow of bold monetary policy and the second arrow of flexible fiscal policy in a rapid succession aimed at supporting and stimulating demand from the macroeconomic side. Right now, it is “in the midst of implementing” boldly and speedily the third arrow of the Growth Strategy as a structural reform aiming to eliminate the deflationary mindset.

The Abe administration has carried out the “drastic reform in the postwar period” in areas where the so-called “bed-rock” regulations remain, such as agriculture, healthcare, energy and employment. At the same time, it has decided and implemented policies to encourage the “growth-oriented management” by corporate managers one after another, including corporate tax reform, enhancement of corporate governance, and full-fledged engagement in economic partnership negotiations. Furthermore, it has requested higher wages and taken measures for the passing-through of rising costs, utilizing the “Government-Labor-Management Meeting,” with the aim of eliminating the deflationary mindset which was widely spread among Japanese people and companies.

As a result, corporate earnings reached a record high, and were allocated for higher wages for two consecutive years, finally leading to a sign of recovering consumption, which had been frozen. The unemployment rate decreased to the lower 3% range, while the jobs-to-applicants ratio reached the highest level in 23 years, increasing the number of employees by as much as 1,000,000 people. Going forward, the economy is expected to overcome deflation, with the further tightening of the labor supply and demand relationship, as well as a rapid decrease in GDP gaps.

A virtuous economic cycle has been steadily in motion.

However, with the arrival of a society facing population decline, we are facing the situation where an increase in the productive population cannot be expected for a while, even if opportunities are maximized for active participation of women and elderly people. As a result, it is palpable that the limits to growth will be reached at some point, if productivity of the whole economy does not improve, even though consumption expands on its own.

In this sense, Abenomics has shifted from the stage where the focus was primarily placed on solving the lack of demand with the aim of overcoming deflation to a new “second stage” where steadfast policies are required to overcome the yoke of supply constraints due to the decreasing population.

It will depend on our achieving “Revolution in productivity” —where each individual as well as each local area can prosper its potentials by innovating the rusty capital stock not by way of a mere extension of the past but with totally new ideas and by making the most efficient and effective investment in a competitive environment where unconventional ideas are encouraged —as to whether we can maintain the virtuous economic cycle going forward as well and go through the path of sustainable economic growth.

Without doubt, the key to improving productivity is investment. What matters is investment in facilities, technologies and human resources for future development. For those who are striving to survive in the globalized economy, there is no “big tree to lean on,” with large enterprises, medium-sized enterprises, small- and medium-sized enterprises, micro enterprises, and individuals competing on the same ground. Today, with the overcoming of deflation in sight and corporate earnings reaching a record high, it is the “turn for the private sector” which makes investment in the future and “Now is the time for action” in order for Japan to create new industries and become a frontrunner in the world again. It is the time to take a decisive step to part with the past successes, and to take a new step forward towards the unknown world.

The same problem exists for local areas which are squarely facing the wave of population decline. While there still exist differences, the diffusion of Abenomics has steadily improved employment and income conditions in local areas at least compared to those in two and half years ago. Nonetheless, local labor productivity remains to be extremely lower than that in Tokyo, which is twice that in some local areas. If this situation continues, they may fall into a vicious cycle of accelerating economic shrinkage.

Without the vitalization of local areas, there will be no growth for the country as a whole, nor will there be success of Abenomics.

It is no doubt a fact that each local area has not fully exploited its potentials despite being endowed with abundant local resources that have not been utilized enough. However, answers cannot be found in the ways of doing things as in the past or reliance on others: Now is the time to “start actions” in order for “local areas to decide their own future.”

The second stage of Abenomics aims to put Japan back onto a growth path to become a leading nation in the world by promoting the following two as the two wheels of a cart: “Realization of Revolution in productivity by investment in the future” which covers not only equipment innovations but also technologies and human resources; and the “promotion of Local Abenomics” aimed at reviving a vigorous Japan where human resources and funds as well as technologies and information to support them are flowing freely and actively all over and in every corner of Japan by recovering vigorous workplaces and attractive investment

destinations in local areas.

It certainly is the objective of the Growth Strategy under Abenomics to ensure the movement towards overcoming deflation and reconstruct the basis for development in the future.

Fiscal consolidation cannot be achieved without economic revitalization. The Abe administration will tackle fiscal consolidation with strong stance and determination, while sparing no effort to make economic growth sustainable. The Growth Strategy should be constantly evolving so that economic revitalization and fiscal consolidation can proceed in tandem.

II. Key Policy Measures in the Revised Strategy

1. Revolution in Productivity by Investment in the Future

(1) Bringing out corporate actions to enhance “earning power”

i) Further enhancement of “growth-oriented” corporate governance

Since its inauguration, the Abe administration has undoubtedly implemented policy measures to improve business conditions one by one, including the pro-growth corporate tax reform, energy policy to prevent energy costs including electricity rates from rising, and full-fledged efforts for economic partnership negotiations including Trans-Pacific Partnership (TPP).

Nonetheless, government can do so much as developing conducive environment; economic growth should be led by enterprises, individual and the private sector in the end. Bold decisions by corporate managers themselves are required in the end in order to accelerate industrial restructuring and increase investment in the future.

Last year’s Growth Strategy listed as its first pillar enhancement of corporate governance to recover “earning power” of Japanese companies; accordingly, by formulating the Stewardship Code and the Corporate Governance Code, it introduced a framework to exercise discipline in corporate management through financial and capital markets and to encourage proactive decisions of managers.

As a result, investor-conscious management has been widely spread, with listed companies with ROE at 10% or higher accounting for one out of three companies compared to one out of four companies two years ago. Moreover, despite the short period of time of about one year, management system of companies has been undergoing substantial changes; this year, the number of listed companies to select two or more independent outside directors is expected to be twice that in last year, consisting of about a half of the total. Corporate management in Japan—which has been conducted solely by people within the company for a long time—has been drastically changed to become ready to pioneer the era of change, when competitive conditions change suddenly in a short period of time, through the proactive utilization of outside expertise and experience.

In order to sustain such movements and enhance “earning power” in global markets, it is essential to engage in “proactive management” by finding out the optimal solutions to earn and aggressively making “investment in the future” not only in capacity increase and renewal of equipment but also in technologies and human resources now when listed companies are showing record highs for both ordinary income levels and profit margins.

As part of the efforts to encourage bold and proactive decisions by managers, the Government will clarify the role of the board of directors and the range of responsibility of directors so that managers can make decisions quickly and aggressively.

In addition, the Government will promote constructive dialogue between companies and investors for mid/long-term corporate value creation, by reviewing the corporate disclosure rules set out individually by the Companies Act, Financial Instruments and Exchange Act, and listing rules of stock exchanges so that companies disclose their information to investors quickly and efficiently. Moreover, as regards financial institutions, through further promoting the strengthening of their capacity to provide support to business enterprises, we will encourage the financial institutions to proactively engage in the profitability enhancement and business restructuring of business enterprises.

In the past two years, the Government has developed the environment which is conducive to using corporate earnings for higher wages as the benefits of Abenomics. It is now necessary to accelerate private investment which will contribute to enhancement of the “earning power” in order to continue such a trend of higher wages. It is no exaggeration to say whether Japanese economy can overcome deflation and get back on a growth path will depend on decisions of enterprises to make investment for the future in the next one or two years.

Accordingly, we will encourage bold management decisions of enterprises aimed at improving their corporate value in the medium- to long-term, by starting the “public-private sector dialogue” to clarify the path the Japanese economy should proceed in the era of increasing uncertainties with the intensified global competition and rapid technological innovations as well as to share government’s approaches to develop conducive environment and the direction of private investment to target.

<Key policy measures>

- 1) Enhancement of the “growth-oriented” governance system**
- 2) Promotion of constructive dialogue between companies and investors**
- 3) Further promotion of strengthening financial institution’s capacity to provide support to business enterprises**
- 4) Pro-growth corporate tax reform**

ii) Creation of innovation ventures

1) Establishment of a “Venture Ecosystem ”

In order to enhance the earning power of the whole of Japan, it is not sufficient to improve the productivity of the existing players. By spreading the social values that fearless challenges should be commended, our society should be so made that it successively produces dynamic innovation ventures which give large impacts on the whole economies and societies and industrial structures.

In the world, as seen in the example of the west coast of the United States, there have been formed the bases in many places with the established “Venture Ecosystem”(virtuous cycle of venture funding and business creation) which connects new technological seeds such as IT and biotechnology to professional managers and investors, with universities acting as the focal points. They generate one after another venture companies—that combine new technologies and business models—which in turn attracts excellent human resources, technologies and funds, thereby creating new growing companies in the end.

In reality, regrettably, we cannot say such a virtuous cycle has been established in Japan. In the midst of global competition over technologies and human resources, in order not to be left behind, it is an urgent issue for Japan to give decisive flexibility to the management of universities etc., so that they can act as the seedbed for creating ventures including creation of seeds for future business, development of human resources, formation of personal connections and provision of financing for growth.

On the other hand, we should not lag behind global competition by spending too much time on intransigently forming the bases for ventures of our own. We should connect directly “Venture Ecosystem” with the bases for venture businesses elsewhere in the world by bridging motivated enterprises and individuals in Japan; with a sense of urgency, we should create attractive bases to lure excellent minds of the world.

In order to accelerate such efforts, we will host a “Global Venture Summit (tentative name)” to conduct business matching on a world-wide level by inviting top managers, entrepreneurs, venture capitals, institutional investors and others from all over the world in 2020 when the Tokyo Olympics and Paralympics will be held. We will rather need be able to demonstrate that Japan is leading the world as a flourishing base for creating venture businesses, by shoring up innovation venture activities in Japan to the global level by then.

Accordingly, we will formulate the “Venture Challenge 2020” as the roadmap until 2020 to promote the creation of venture businesses which are competitive globally, by organically integrating and coordinating venture-related policies which have not generated much results because they have been offered separately by various entities without coordination so far.

<Key policy measures>

- 1) Establish new under graduate and graduate school systems for formulation of international hubs for innovation/venture creation**
- 2) Silicon Valley-Japan Bridge Project(the Kakehashi Project)**
- 3) Coordination with global venture ecosystems**

2) University reform to launch a full-fledged national system of innovation

While aiming to become the world’s leading intellectual property-based nation, in order to

utilize in business sector innovative technology seeds, the past two Growth Strategies have promoted the establishment of the “national system of innovation” including the strengthening of the functions to bridge the industry, academia and public sectors as well as of the functions of public research institutes. In order to make it operate fully, we need to properly accomplish the National University Reform which remains to be an issue.

It is essential to have the wisdom for the basis of innovation and human resources to take charge of it, in order to remove the uneasiness about changes the society faces, and about the future as well as the accompanying sense of stagnation and to elevate Japan’s international status. For that, a conceptual breakthrough is necessary while utilizing the basis for the learning which has been accumulated continuously. Here, national universities are expected to play a significant role as the foundation for creating innovation.

On the basis of the continuation and development of diversified and important academic fields from liberal arts to natural sciences, with national universities supporting the whole endeavors, we need to contribute to solving challenges of economies and societies which regions, Japan, and the world are facing, by creating academic fields, such as new fields and interdisciplinary fields, which generate new values.

Accordingly, we need to fundamentally strengthen the human resource development function of national universities. In doing so, it is of importance to formulate a framework of developing human resources that meet the needs of the real society through accurately grasping changes in industrial structures and employment needs.

The “Strategy for enhancing managerial ability of National Universities”—which was compiled in June 2015—shows the direction for national universities to engage in self-reform, while national universities have their visions, and strengthen managerial ability and financial base. Going forward (from FY 2016), we allocate national universities’ operation cost subsidies with priority based on the results of the evaluation of self-reform. Through these efforts, each national university is expected to accelerate great challenges for academic progress and creation of innovation with taking advantage of its strengths.

<Key policy measures>

- 1) Promotion of competition among universities through the introduction of prioritized allocation of operation cost subsidies**
- 2) Reform of call for bids type grants for maximizing the results of research**

iii) Challenge to Asian and other growing markets

In order to ensure the sustainable growth of the Japanese economy, it is essential to take in the demand of growing overseas markets. In particular, it is no exaggeration to say that success in the remarkably growing Asian markets will be the key to success in the world market. At the same time, it is important to develop a win-win relationship with other countries, by not only exporting goods and services overseas but also making high quality investments, etc. While many countries are mutually strengthening economic ties with the

progress of globalization, we are seeing the increased importance of economic partnership agreements which promote movement beyond borders of goods, money, technologies and others.

Accordingly, the Government will continue striving for early conclusion of TPP negotiations, and at the same time, will promote strategically and speedily economic partnership negotiations including Japan-EU EPA, as well as Regional Comprehensive Economic Partnership (RCEP) and Japan-China-Republic of Korea FTA.

In growing Asia, demand for infrastructure is extremely robust. Japan is expected to play a major role as a country having years of technologies and experiences for the construction of infrastructure. Infrastructure projects in Asia tend to be large and take a long period of time to complete. Moreover, comprehensive regional development often includes multiple factors, such as the development of industrial infrastructure and inter-city transportation networks. Accordingly, we will develop comprehensive promotion systems under the cooperation of the public and private sectors to deal with development projects from the upstream planning stage, in cooperation with local governments, private enterprises and others.

As regards overseas demand for infrastructure, Japan will respond with especially “Quality Infrastructure Investment”. Accordingly, we will establish a new system of providing risk money by strengthening JBIC’s functions and implement proactive investments and loans for projects with relatively high risk profiles. Moreover, it is important not to respond to individual projects on an ad hoc basis, but to get involved continuously for a long period of time, and thereby realize the creation and promotion of diversified succeeding projects continuously. In promoting such efforts, we will build a win-win relationship with other countries, by providing the know-hows based on our past experiences, excellent related technologies and services, etc., while having strategic goal so that the development of overseas economic zones and Japan’s economic growth deepen organic relationships.

<Key policy measures>

- 1) Promoting economic partnership negotiations such as TPP and Japan-EU EPA**
- 2) Implementing “Partnership for Quality Infrastructure”**
- 3) Strengthening the system for the promotion of comprehensive regional development of overseas infrastructure**

(2) Accelerating challenges for a new era

i) Challenges for the upcoming change (“The Fourth Industrial Revolution”)

While the “Japan's Robot Strategy” was formulated based on last year’s Growth Strategy,

to strengthen the competitiveness of our industries and to solve social issues, a big change has been steadily making progress. It can be called the “Fourth Industrial Revolution” which shakes the very ways of business and society from their foundations beyond the range of robot technologies. The time has come for the era of IoT(Internet of Things), Big Data, and artificial intelligence.

The cyber world is rapidly spreading, with everything connected to the Internet. Accumulation of enormous data is in progress without our noticing, expanding a vast digital space without borders in an invisible place; as a result, it is beginning to have a significant impact not only on economic activities but also of the life of individual people. While the volume of world-wide data doubles every two years and artificial intelligence is evolving discontinuously, we should not be surprised if a drastic change occurs to the society in the next several years.

If we do nothing in such a situation, there is even a possibility that enterprises and industries, which have been competing internationally, will lose their competitiveness in a short period of time; or the knowledge and technique of skilled persons, who have been generating the high-value added, will become obsolete in no time. On the other hand, it is a golden opportunity for enterprises which dare to engage in new businesses. In particular, it is offering limitless opportunities in the eyes of business operators who are finally overcoming the yoke of deflation to make investment in the future, looking up for the first time in more than 20 years. Key to success is the decision to take on bold challenges with a sense of urgency.

Moreover, this trend of change, if incorporated in the society smoothly, has a potential of leading to solving various social issues, and energy and global environmental problems, including the problem of labor shortage caused by the decrease of population due to fewer children and aging.

While changes by IoT, Big Data, and artificial intelligence are expected to proceed with the unprecedented speed and impact, Japan does not have the luxury of trial and error, as we are a little behind. We need the vision to be shared between the public and private sectors as a compass so that the private sector can make appropriate investment without missing opportunities, and that the national government can develop and change without delay rules to facilitate and accelerate it.

Going forward, we will consider promptly the responses required for the public and private sectors, while clarifying the time frame: how fast innovations of information-related technologies will be introduced in the real world; how it will change industrial structures through the changes in sources of competitiveness; which areas will have shortage or surplus of human resources because of it; what kind of human resources and education/training will be required; and what kind of rules are required to be promptly developed and changed.

<Key policy measures>

Consideration of changes in industrial and employment structures due to IoT, Big Data, and artificial intelligence

ii) Thorough utilization of IT while ensuring security

As a first step towards the upcoming era of IoT, Big Data, artificial intelligence, we will thoroughly utilize IT, on the major premise of ensuring security.

First, we will fundamentally strengthen cybersecurity of the governmental bodies and government-related entities.

Since the incident of private information leakage at the Japan Pension Service would undermine public confidence in the governmental bodies and government-related entities that handle important private information, we will take maximum measures beyond the existing framework to ensure cybersecurity.

In addition to the governmental bodies, we will include certain public entities such as special corporations that provide public services in tandem with incorporated administrative agencies and the governmental bodies, as the subjects of monitoring and audit implemented by the National center of Incident readiness and Strategy for Cybersecurity (NISC), in a planned manner. At the same time, we will take thorough measures necessary to prevent the recurrence of the cyber incident, by strengthening the capabilities of the governmental bodies and government-related entities to detect, analyze, and counter cyber attacks as well as audit and others, through the qualitative and quantitative reinforcement of the organizational structure and the functions by combining the wisdom of experts in Japan and abroad.

Moreover, as regards the information system of the governmental bodies and government-related entities, we will take thorough cybersecurity measures on the premise of cyber attacks. We will take necessary measures continuously from the viewpoint of ensuring cybersecurity at each stage of planning, design, development and operation, in order to reduce cybersecurity risks, while realizing effective and efficient functions.

In addition, we will encourage private enterprises to strengthen cybersecurity.

The incident of the Japan Pension Service is not a simple problem of an individual special corporation. We need to squarely face the reality that not only the governmental bodies and government-related entities but also private enterprises are under threat of similar cyber incidents. In recent years, there are no boundaries in expanding cyberspace, and the penetration into computer systems, which could lead to information leakage, is repeatedly attempted every day in invisible forms.

Accordingly, while encouraging the strengthening of security by private enterprises by implementing measures, such as the introduction of cybersecurity certification schemes,

the promotion of cybersecurity insurance, the assistance for nurturing cybersecurity experts, we will take necessary actions to further enhance cybersecurity regarding critical information infrastructure that supports the social foundations essential for daily lives and economic activities of the people.

The fundamental reinforcement of cybersecurity measures is a substantial component of the Growth Strategy that encourages investment in the future. It will become a stimulating factor for economic growth to promote public and private partnerships for investing in system software responding to the latest threats, developing excellent cybersecurity experts, and advancing cutting-edge R&D, for the purpose of ensuring safe and secure cyberspace. We should accelerate the implementation of cybersecurity measures as a driving force for economic growth, bearing in mind the information leakage this time as a lesson learned.

While making the utmost efforts in strengthening these security measures, we will thoroughly utilize IT looking at the upcoming of a new era. In the era when everything is connected to the Internet and most of people's life and corporate activities are conducted in cyberspace, electronic exchanges will no longer be exceptions but rather the norm. Accordingly, as for the procedures such as applications and notifications, we will take measures for the system to change the existing principle of face-to-face/in-writing and make "IT in principle" as a rule.

As regards the My Number System to be introduced in October this year as well, in line with the reinforcement of security measures such as the introduction of monitoring and detection functions for the whole system of the national and local governments, we will expand the range for utilization from tax and social security to other administrative services in stages; at the same time, we will also examine its utilization for private services.

Such measures to promote the utilization of IT and data will not only reduce the time and cost of procedures but also improve the convenience for Japanese people and the quality of life. Moreover, with electronic exchanges becoming the norm, it will lead to the realization of more business-friendly environment than other parts of the world, while facilitating the creation of new services utilizing data to potentially generate unprecedented value-added. In order to facilitate such innovations, we will encourage enterprises to take on challenges which will create new business models utilizing data; at the same time, we will promote regulatory and institutional reforms aimed at creating new markets.

<Key policy measures>

- 1) Fundamental reinforcement of cybersecurity**
- 2) New legislative measures to promote IT utilization**
- 3) Expansion of the range for utilizing My Number**

(3) Thorough cultivation of individuals' potential capacities

i) Countermeasures to the low birthrate, improvement of labor quality, promotion of further active social participation of women, elderly, etc.

The arrival of declining population era is the major issue facing Japan's economy from both demand and supply perspectives. It is said that 5 years' delay in increasing birthrate will result in the decline of static population by approximately 3 million in the future. Under a sense of crisis that we can afford no further delay to overcome the declining population issue, the Government must make every effort nationwide, by positioning 5 years from FY2015 as the "period of intensive efforts to tackle the low birthrate," which includes the efforts to enhance support for parenting, marriage, households with many children, and improvement of "Comprehensive Support Center for Families with Small Children."

While promoting comprehensive measures for the low birthrate based on a long-term perspective, it is important to enhance "earning power" through improving labor productivity in terms of immediate response to the supply constraint.

At this time, the most important way of thinking is that to correct prolonged working hours and to push forward the working-style reforms will lead to the realization of individual potentiality. The correction of prolonged working hours and the working-style reforms will enhance "earning power" by improving the quality of labor, and in addition promote "work and child rearing/nursing care balance," leading to further societal participation of women who have not advanced in the labor market before and bringing a significant impact on economic growth from both quantitative and qualitative perspectives. Furthermore, these efforts are likely to be essentially effective as measures for the low birthrate and to be a key to the revitalization of local communities. It is important to share and foster this concept throughout Japan.

Women's participation in society will bring diverse values to workplaces where men have played a central role for a long time, leading to the occurrence of innovations. The expansion of places of women's participation will bring innovative changes in every place of economic and social activities, and be able to realize economic growth in an unconventional manner.

As a result of measures of the past growth strategies in which "active social participation by women" is one of the main pillars, the number of employed women has increased by 800,000 in the last 2 years or so. To accelerate this trend, utmost importance is to ensure elimination of childcare waiting lists. To that end, the Government will steadily proceed to secure nursery teachers. Also, in order to create a social environment, where companies active in creating working place that is easy for women to take active roles are "selected," the Government will thoroughly promote "visualization" of status of each company's working hours, etc.

Also, the Government will further promote active social participation by elderly. It would be a fool not to take advantage of such assets as business know-hows and human networks

the elderly had accumulated in their many years of experience which young people lack. In order to fulfill elderly's hopes and to ensure good living standards, it is very important to improve social environment where the motivated elderly can continue to take active service for the rest of their lives regardless of their age. The Government will further promote elderly's active participation by taking finely-tuned responses to the wide variety of elderly's needs for employment, while enhancing matching function of employment and by providing opportunities for ability development.

Amid globally intensifying competition to acquire excellent foreign human resources, it is vital to attract high-caliber human resources to Japan to further revitalize the Japanese economy and to increase competitiveness. Especially, we cannot afford to lose time in taking action for the shortage of IT human resources, who are the key to economic growth in the future, and from the standpoint to promote innovation made by the assimilation of most recent knowledge overseas and top-level knowledge in Japan, the Government will focus on attracting IT human resources from India, Vietnam, etc.

In addition, to actively respond to the increase of foreign tourists to Japan and to lead it to the economic growth, it is also important to use foreign human resources in the tourism area. The Government will accurately grasp the needs of using foreign human resources, for instance, foreigners who have full knowledge of customs and way of thinking peculiar to foreigners while having ability to provide services based on Japanese-style service culture, and will support those foreigners to maximize their abilities.

<Key policy measures>

- 1) Rectification of long work hours via thorough information disclosure by corporations**
- 2) Securing adequate numbers of nursery teachers to resolve problems with childcare waiting lists**
- 3) Promotion of a more active role by seniors (Enhancing job matching functions)**
- 4) Utilization of foreign human resources**

ii) Reinforcing of human resource capabilities preparing for the time of change: Integrated reform of employment and education

During the time of constant growth, Japanese-style system was maintained, in which people focus more on "company of their choice" rather than on "career of their choice." However, under intense global competition due to the development of IT and rapidly growing enterprises in emerging countries, the speed of business metabolism to enter/exit from business is dramatically accelerating, and the time has entered a new era in which a company cannot guarantee to provide lifelong steady work for an individual.

During the time of rapid change, companies are required to boldly change their business models in short period of time, and sometimes forced to make decision to replace the business field itself. During such time, it is important to create a system and environment throughout the entire society where people can flexibly retrain their abilities and skills in

tune with a new wave of changes rather proactively on that premise than to passively respond.

During tough times, all citizens are expected to positively challenge by maximizing their abilities as professionals.

To that end, first and foremost, people need a "chance to notice" to stop and think about their own career. The first decision is not necessarily right in any case. People always need to have a chance to stop and re-examine themselves, make another try, and relearn. For this reason, the Government will create the "Self-career Dock (tentative name)" to serve as a chance for people to think about their future career examining their professional experiences and skills they should develop. Also, as a place to brush up or relearn skills to adapt to the time of change, we will institutionalize new higher education facilities that provide practical vocational education. By creating a new amalgamated form of school education and vocational education that goes ahead of the times, we will promote the development of "professional workers" who will lead the next age.

<Key policy measures>

- 1) A set of initiatives for enhancing the capabilities of human resources that will sustain Japan in the future (employment/education measures)**
- 2) Institutionalization of new higher education facilities that provide practical vocational education**
- 3) Creation of a highly foreseeable labor dispute resolution system**

2. Promotion of Local Abenomics

Declining population and the low birthrate/the aging population are worse in rural areas. Facing these realities, the Government has dedicated all its strength to overcome the declining population and regional revitalization issues by establishing the "Headquarter for Overcoming Population Decline and Vitalizing Local Economy" in September last year. As a result, the sense of crisis was shared in local areas and new initiatives are being launched.

About 100,000 young people, mainly in their 20s, are outflowing away from rural areas to Tokyo area every year, which caused the vicious cycle to occur that made the sagging local economies even worse. To put a stop to this trend, most importantly of all, it is necessary to create attractive jobs in local areas. Many underground resources can be found in local areas. If we cultivate the local capacities and maximize their potentials, there will be sufficient possibility to develop new markets not only in Japan but also in overseas.

The Government will give a strong boost to the self-reliance of local communities by providing support to "striving communities," which take a stance such as not to rely on others or not to let things slide; "Information support" through the "Regional Economy (and) Society Analyzing System (RESAS)," "human support" for the formulation of Regional Comprehensive Strategies and for the implementation of its measures, and support for the introduction of "new type grant for regional revitalization" to financially support pioneering projects beyond conventional "vertically-segmented project."

If we succeed in revitalization of local economy by pushing forward Local Abenomics through the local revitalization efforts and growth strategy initiatives to improve industrial productivity as "the two wheels of a cart," combined with the attractiveness of local area including rich nature and others, we will be able to expect that people will rather stay rural areas or flow into there.

Without success of Local Abenomics, there is no economic growth. It is the start of changeover from vicious cycle to virtuous cycle.

(1) Thorough strengthening of “earning power” of mid-ranking companies, SMEs and microenterprises

It was mid-ranking companies, SMEs and micro enterprises who have supported the local economy until today. They have rooted in the community and provided employment basis. However, big wave of change is attacking these business operators. The more deeply rooted in the community business operator is, the more the basis of its existence is threatened from both the supply and demand aspects because of decrease in demand due to declining population, the low birthrate and aging population as well as the labor scarcity. Suffering from the repercussions of intensifying global competition of large enterprises, the conventional group business relationship, i.e. large company and its subcontractor, is

collapsing. The point is to challenge to find market opportunity "by themselves."

To that end, the Government will enhance "visualization" of growth strategy by analyzing the successful cases and failure cases of business operators who have struggled to develop new markets or new products, and by compiling and disseminating the business challenges and solutions in an easy-to-understand manner with the mindset of the business operators. Also, the Government will promote active business support by regional financial institutions to mid-ranking companies, SMEs and micro enterprises, while strengthening detailed business support system tailored to the needs of mid-ranking companies, SMEs and micro enterprises who aim to make a leap forward.

<Key policy measures>

- 1) "Visualization of growth strategy" for business operators**
- 2) Strengthening of business support system for mid-ranking companies and SMEs**

(2) Revitalization and productivity improvement of service industry

The service industry that accounts for about 70% of GDP is also under pressure of drastic change. As most of them run community-based business relying on the demand in the region, the population decline, the low birthrate and aging population have the direct impact on their survival. There is no time to spare for service industry's productivity improvement.

Some service business operators have achieved high productivity no less than manufacturing industry by capturing new demands in outside the region through IT-based marketing, etc., or by advancing on-site process improvement activities (Kaizen), which is common in manufacturing industry. The key to spread such advanced efforts throughout Japan is the support to SMEs and micro enterprises, for which it is not always easy to address single-handedly.

Therefore, the Government and private sectors jointly will implement productivity improvement activities in each industry. Specifically, private- and public-sector will promote the efforts together toward productivity improvement by applying "Kaizen improvement activities" of manufacturing industry and by using IT, big data, facilities, etc., in 5 fields, i.e. retail, food service, accommodation, nursing care, cargo road transportation industries. It is also important for SME organizations and financial institutions rooted in the region to cooperate in supporting SMEs and micro enterprises with their improvement of productivity. While formulating and sharing the indicators (local benchmark) that can be used as a reference to judge which business operator would be effective as a recipient of the business support, the Government will make an all-out effort to build a support system in the region, which facilitates easy access to get technical advices necessary to improve productivity.

By spreading such grass-roots patient effort all over the country, the Government will

encourage business operators in their positive challenges and aim to improve "earning power" of mid-ranking companies, SMEs and micro enterprises as well as to revitalize the entire service industry and improvement of productivity.

<Key policy measures>

1) Enhancement of regional business support by SME organizations and financial institutions

2) Development of activities to improve productivity of each service industry by public-private joint effort

(3) Key Industrialization of Agriculture, Forestry and Fisheries, healthcare/nursing care service, and tourism industries

The agriculture, forestry and fisheries, healthcare/nursing care service industry, and tourism industry are the community-based industries, serving as the backbone of employment in communities. We must strengthen "earning power" of these industries and make them grow to be the key industries that provide employment opportunities for as many people as possible.

i) Establishment of "Proactive Management" in Agriculture, Forestry and Fisheries

Recently, the number of new entrants into agriculture, forestry and fisheries is significantly increasing, and it is lead to the new high value-added industries partially due to the development of the Sixth Industry, which are collaboration among primary, secondary, and tertiary industries, being integrated food processing, distribution and sales.

To accelerate such trend and make a leap to a growth industry, it is necessary to further advance the agricultural policy reforms we have implemented, including the reform of the rice production adjustment. The important thing is that individual business operators will have the "spirit of management." The strongly-motivated efforts are needed, such as to thoroughly sharpen abilities of their own, sometimes in cooperation with other business operators, and courageously challenge the exploitation of a new market.

The wave of change is also surging towards agriculture, forestry and fisheries. For example, it is now necessary to carry out marketing, production, distribution and sales by making full use of ICT. What is required today for agriculture, forestry, and fisheries is the perspective to absorb the know-hows that have achieved effects in other industries.

Even if the system to support "proactive management" is built, it is not easy to put the "Proactive Management" in practice only by efforts of individual operators in agriculture, forestry, and fisheries. Therefore, the Government will build a system throughout Japan that can provide management assistance of high value, by combining know-hows of

certified tax accountants, registered management consultants, and local financial institutes who have made successful cases of assisting management of manufacturers and service providers, with the knowledge accumulated in agriculture, forestry and fisheries.

Also for agriculture, the Government will promote farmland consolidation to business farmers to achieve economies of scale. The Public Corporation for Farmland Consolidation to Core Farmers through Renting and Subleasing (Farmland Bank), which was established in each prefecture in 2014, holds the key to achieve the goal to "increase the ratio of farmland used by business farmers to 80% in the next 10 years," and the Government will enter into a new stage to raise the performance of this public corporation. The Government will also implement thorough "visualization" of performance of each prefecture and take satisfactory performance of each prefecture into consideration to apply further measures. Further, regarding the idle farmlands and the like, the Government will consider increase or reduction of taxation and put all its efforts into the farmland consolidation.

In conjunction with these efforts, the Government will promote export, focusing on the countries/products that have substantial growth potential, and will lead the agriculture, forestry, and fishery sectors to a growth industry, aiming to accelerate the achievement of the export value target of one trillion JPY by 2020 ahead of schedule.

<Key Policy Measures>

- 1) Improvement of the Support System to Strengthen Management Capabilities of Agriculture, Forestry, and Fisheries**
- 2) Acceleration of Efforts Toward Farmland Consolidation**
- 3) Promotion of Export of Agricultural, Forestry and Fishery Products as well as Foods**

ii) Revitalization and productivity improvement of medical care/nursing care/healthcare industry

The fields of healthcare, nursing care and health promotion have also reached a major turning point. While the needs are becoming more multifaceted such as rising health consciousness and preventive attention, the demand is rapidly expanding due to the low birthrate and the aging population, and understaffing problem grew into a serious problem in some region. In order to appropriately respond to the change in diversified needs for such service and to respond to the demand and supply situation, which is different depending on region, it is required more than ever to have a perspective of "revitalization of industry and improvement of productivity."

According to the tastes and lifestyles, the needs of service for health promotion and disease prevention are dramatically increasing and diversifying. As the so-called healthcare industry has a significant growth potential, we need to foster it to an industry that serves as an engine of the local economy by supporting them in securing human resources and funding, which are currently insufficient because of being a new field.

In addition, the demand for high quality service is not only within the country. The Government will aim to develop new market centering around Asia and bring in the growth in overseas market into the growth of local economy, which will also contribute to partner countries. By fully applying these ideas that are common to all industry into the healthcare fields, we create the new style of local economy.

Included in the growth strategy this time is that, from the standpoint of improving the convenience of people, the Government will thoroughly advance the use of ICT in the healthcare fields by setting 5 years of "intensified effort period" until 2020 by ensuring security.

By sharing and using healthcare information on site in local healthcare fields, it can eliminate the duplication of the medical check, prescription, etc., which have occurred because of unshared information, and can reduce the burden on people. In addition, by promoting anonymized big data of healthcare, etc., the health promotion- and disease prevention-related services can be vitalized in close cooperation with medical and nursing care. In addition, by further improving the quality of service itself through the improved quantity and quality of information physicians obtain during medical care, convenience of people will significantly be improved.

Also, the use of ICT in the healthcare fields is expected to achieve a wide range of effects, e.g. it will enable provision of high quality information analysis related to healthcare/nursing care policy, and through the building of world's pre-eminent database in healthcare fields, it will deepen the discussions and understanding of the administration policies among each level of the nation, enhance the safety measures for drugs, etc., and significantly advance R&D.

<Key policy measures>

- 1) Support for the creation of next-generation healthcare industry**
- 2) International promotion of medical services**
- 3) Introduction of a numbering system in healthcare-related areas**
- 4) Promotion and widespread introduction of Regional Medical Information Cooperation Networks/Electronic health record**
- 5) Further promotion of data utilization in policy for medical care and similar fields**

iii) Rebuilding of tourism industry as the driver of regional economies

Tourism industry is one of the fastest-growing industries today and the number of foreign visitors to Japan increased by about 5 million in only 2 years after the change of administration in Japan. The consumption by foreign visitors exceeded 2 trillion yen last year for the first time, which significantly contributed to the revitalization of regional economy. Without slowing down this trend, the Government will quickly and thoroughly prepare for the "age of 20 million" foreign visitors and aim at its early realization. To that

end, the Government will speed up its effort to improve the tourism environment to accept foreign visitors, including through securing capacities of airports and accommodation facilities, and make every possible effort to develop attractive tourism areas by shifting up one gear than ever before.

First, the Government will select private-public-run tourism management organizations (Japanese version of DMOs*), which are responsible for the development/marketing of world-class tourism areas, among other areas thought to be the top tourist areas of Japan, into which policy resources are intensively input. The regional touristic resources are different depending on the region, and there is no formula of success that can be simply applied. The local government of the region and relevant enterprises, by involving human resources from outside the region, need to develop world-class tourism resources unique to the region with strong will and determination.

*DMO: Abbreviation of Destination Management/Marketing Organization. It is a locally-owned promotion organization to develop tourism area, through various activities such as creation of integrated brand of the area by combining various resources of the area, information dissemination and promotion using website and SNS and others, effective marketing, strategy formulation, etc.

The Government will back up with utmost effort both in the aspects of hardware and software not only dissemination of tourism information to the world but also provision of multilingual service, improvement and enhancement of Wi-Fi, and realization of stress-free transportation, accommodation, shopping, etc. for foreign visitors.

Tokyo Olympic/Paralympic Games will be held in 2020. To make good use of these big opportunities not only in Tokyo but also all over Japan, we must drastically strengthen the international competitiveness of tourism industry and lead it to the enhancement of Japanese economy.

<Key policy measures>

- 1) Establishment of Japanese version of DMOs with intensive input of policy resources**
- 2) Improvement of the tourism environment to accept the increasing number of foreign visitors to Japan, including through securing capacities of airports, transportations and accommodation facilities in each region**

(4) New roles expected of local governments (creation of new business by opening up of public sector market to private sectors, etc.)

After all, the main implementing body of the region is the local government. Strong local government leadership is expected for any of the above-mentioned measures; for medium-sized companies, SMEs and small enterprises, for improvement of productivity of service

industry, for the key industrialization of agriculture, forestry and fishery industry, healthcare/nursing care service industry, and tourism industry.

In addition to this, local governments are expected to create business chances for regional enterprises in the future. By promoting opening up the rights to operate public facilities, etc. to the private sector, new service will be created based on private sector's creativity. Utilization of such PPP/PFI, as it is called, enables comprehensive realization of creation of business chances, upgraded service to citizens based on the private sector's creativity, and reduction of public spending for efficiency increase, in other words, "kill three birds with one stone."

Having entered into a society facing population decline, dwindling number of users of public facilities, together with the local tax revenue shortages, it must be acutely recognized that the promotion to expand the use of local public facilities has become a challenge to local economy, to which we "cannot afford to lose time." To accelerate nationwide PPP/PFI initiatives, the Government will select the facilities on which it focus its initiative and set the numerical target, and promptly respond to the request for easing of regulations from the private businesses, etc. as a part of national initiatives.

<Key policy measures>

Promotion of PPP/PFI

3. Executing “Reform 2020” (Public-Private Projects to Accelerate Growth Strategy)

It is important for Japan to accelerate reform and innovation using the year 2020 as momentum, when the country will attract global attention with the Tokyo Olympics and Paralympics and see a large number of foreign visitors.

In order to achieve this, Japanese government will unite and utilize opportunities such as the Olympics/Paralympics as leverage to promote key projects to be achieved by 2020. These projects, which will serve as accelerators of reform and innovation to speed up policies incorporating growth strategies, will create a legacy for future generations.

Specifically, the government will implement six projects in three key policy areas. These will be projects that 1) can achieve increased policy effectiveness through implementation concurrent with increased global attention, 2) can socially implement and showcase Japan’s strengths in order to appeal to foreign countries and persons, and 3) will lead to future economic growth.

<“Reform 2020” Projects>

- i) Technology-utilizing solutions to social problems and export of system solution technologies**
 - ① Use of next-generation transportation systems and automatic driving technology**
 - ② Solutions to energy/environmental problems through use of distributed energy resources**
 - ③ Realization of a universal future society through leading-edge robotic technology**
 - ④ International implementation of high-quality Japanese medical services and technology (inbound use of medical care)**

- ii) Developing an environment to increase the number of foreign tourists to Japan**
 - ⑤ Showcasing Japan as a country of tourism**

- iii) Expanding foreign direct investment in Japan and improving business environments**
 - ⑥ Policies to attract more foreign direct investment in Japan**

III. Future Initiatives to Realize Further Growth

(Thorough management of objectives and processes in order to realize growth strategy)

The growth strategy presented here is set out as the second stage of Abenomics in which new measures are taken to bring out private-sector investment and innovation. The key concept of the strategy is “a growth strategy that will be realized.” This point will remain unchanged in the second stage. The aim of the growth strategy is to ensure the materialization and realization of measures in line with the policy decided under the strategy and then to have those efforts lead to economic growth.

Additionally, of the measures that were decided through the growth strategy up to this point, many will produce results in the coming future—including bills submitted in the current ordinary Diet session.

Within the framework of the “growth strategy that will be realized” concept, the coming years will become a crucial stage. It is essential to solidly implement a PDCA cycle. This includes continual reviews of key performance indicators, including the effectiveness of past measures, to determine whether the real economy is steadily advancing toward objectives that have been set. For measures whose results are inadequate, it is important to thoroughly verify and evaluate them to determine why they failed, what additional measures are needed to achieve objectives, whether we should review KPI, and so on.

(Strengthening domestic and international communication of the government’s message)

It is important to strengthen communication of the government’s message both in Japan and abroad. Both domestically and internationally, the government must make sure to publicize and promote results and reform policies that become clear in implementing the growth strategy PDCA cycle.

When communicating to foreign countries, it is essential to have nations fully understand the changing nature of the Japanese economy—as well as the seriousness with which it is changing—and to connect that to Japan’s leadership in the global economy. In sending a message domestically, the Japanese government should not only convey the results of Abenomics, but must also ensure that corporations, individuals, and regions across the country understand that the government takes a stance of providing thorough support for their endeavors—the endeavors that play the key role in growth. In doing so, it must create a mood of unity in which all involved can take the first step in undertaking the challenge of achieving growth.

(An evolving growth strategy)

Initiatives toward overcoming supply-side constraints—the two core initiatives being “Realization of Revolution in productivity by investment in the future” and “promotion of Local Abenomics”—have only just begun.

On the other hand, the 4th Industrial Revolution is progressing beyond description. It is necessary to create rules such as improvement of competitive environment where private companies and each individual are able to maximize their potentials effectively, while making good use of promoting utilization of IT as a trigger and assessing the new business trends which could not be seen before. Additionally, the Government will clarify the direction of the actions of the government and the private sectors and policy issues, such as further promotion of working style reform, revision of human resources development processes and increased efforts to address energy constraints. Taking into account the entry into a society with a shrinking population led by the low birthrate and the aging population, Local Abenomics should be realized with a sense of speed. Furthermore, it is essential to further promote the use of the private sector's vitality to improve the productivity of the Japanese economy as a whole through measures such as further opening of government-controlled markets to spur revitalization of local economies and progress by the private sector in the key industries of agriculture, healthcare and tourism.

In doing so, the regulatory reforms should be further promoted to make the best use of private sector dynamism, and the support should be further boosted for initiatives of local governments which have the motivation for regional vitalization. For this, by utilizing National Strategic Special Zones including Regional Vitalization Special Zones in which demonstrations of near-future technologies and others are conducted, the government will respond promptly to the need for specific projects and measure proposals from private sector and local governments and achieve the visible results.

(Strengthening of unified government efforts)

It is clear that Japan has limited time. Thus, in close cooperation with the Council on Economic and Fiscal Policy, the Council for Regulatory Reform, the National Strategic Special Zone Advisory Council, Council for Science, Technology and Innovation, the Headquarters for the Vitalization of Towns, People, and Jobs and other such bodies, the Japanese government will unite and make swift, all-out efforts to tackle issues toward the goal of achieving growth, including regulatory and system reforms.

The growth strategy will continue to advance, without stopping, toward the creation of a steadfast virtuous economic cycle.

IV. Principal Measures of the Revised Strategy

With regard to this revised strategy, as shown in the following chapter, the Government has flexibly reviewed the measures upon the verification of the progress of “the Japan’s Revitalization Plan revised in 2014,” added new specific measures to be taken, revised the whole roadmap, and confirmed its policy to keep taking actions for its implementation..

Following are the measures which have been selected, based on the discussions in the Industrial Competitiveness Council, from the viewpoint of the fundamental idea of the revised strategy, “Revolution in productivity by investment in the future” and “Promotion of Local Abenomics.”

Note: the following measures are main examples, and does not show the importance and priority.

1. Revolution in Productivity by Investment in the Future

(1) Bringing out corporate actions to enhance “earning power”

i) Further enhancement of “growth-oriented” corporate governance

○Enhancement of “growth-oriented” governance systems

- In order to increase the effectiveness of supervising of management by the board of directors, formulate and publish an interpretation of Companies Act regarding issues such as the scope of work for which the board of directors can delegate decisions to the management ranks (matters which do not need to be presented to the board of directors), and the scope of actions that outside directors can take while still remaining external.

[formulate/publish by summer of this year]

○Promoting constructive dialogue between companies and investors

- In order for companies to provide investors with necessary information both efficiently and effectively, review the corporate disclosure rules set out individually by the Companies Act, Financial Instruments and Exchange Act, and Japan Exchange Regulation, consider the possible way of integrating such rules and reach a conclusion.

[Reach conclusion within this fiscal year]

- In order to expedite information provision to shareholders, discuss issues and measures necessary for the realization of the digitization of documents (as a general rule) that accompany shareholder meeting notices (business reports, financial statements, etc.) and reach a conclusion regarding such.

[Reach conclusion within next year]

○Further promotion of strengthening financial institution’s capacity to provide support to

business enterprises

- In order to encourage the enhancement of financial institution's governance and financial resources, continue to monitor the developments of their initiatives such as their selection of independent outside directors and their scaling down of their cross-stockholdings. In order to enable the Global Systemically Important Financial Institutions (G-SIFIs) to constantly provide sufficient support to business enterprises, ask for the G-SIFIs to reduce the risks of their stockholdings.

○ Reform corporate tax with the intent to pursue growth

- Complete current growth-oriented corporate tax reforms as soon as possible.

ii) Innovation/venture creation

① Establishing a "Venture Ecosystem" that leads to global markets

○ Establish new undergraduate and graduate school systems for formulation of international hubs for innovation/venture creation

- Establish a system of "Special Research Universities" (tentative name) that can independently expand income via profit-making projects and similar endeavors which have a greater degree of flexibility than those of general national universities. Through this system, create globally competitive national universities that attract corporate investment.

[Submit bill at next ordinary Diet session]

- In anticipation of the arrival of the era of IoT, "Big Data," and artificial intelligence, promote integrated education in the fields combining different fields (integration of liberal arts and sciences, etc.) at "Distinguished Graduate Schools" (tentative name) formed through cooperation among universities, research institutes, corporations, and overseas institutions, etc. Utilize these graduate schools as hubs for creating innovative human resources.

[Commence concrete initiatives starting next fiscal year]

○ Silicon Valley-Japan Bridge Project(the Kakehashi Project)

- Dispatch Japanese corporations with competitive technology and human resources to Silicon Valley. While cooperating with local venture support organizations and similar bodies, support activities to find partners and/or investment.

[Implement starting this fiscal year]

○ Interlink with the global venture ecosystem

- In coordination with the “Silicon Valley-Japan Bridge Project” and other initiatives, hold a large-scale “Global Venture Summit (tentative name)” in Japan in 2020. In preparing for the summit, organically integrate and coordinate venture-related policies and formulate the “Venture Challenge 2020” as the roadmap until 2020.

[Formulate by the end of this year]

② University reform to launch a full-fledged national system of innovation

- Promotion of competition among universities through the introduction of prioritized allocation of operation cost subsidies
 - Within the newly established three frameworks (*) for the prioritized support for national universities, allocate national universities’ operation cost subsidies based on the results of the evaluation of self-reform.

[Compile and publish allocation methods for universities’ operation cost subsidies by the end of this year]

(*) Three frameworks (each national university select one of the following)

- A) Contribution to regional economy and promotion of nationally/internationally competitive education and research in specific field(s)
- B) Promotion of nationally/internationally competitive education and research in specific field(s) without the aspect of regional economy.
- C) University-wide promotion of distinguished education and research.

- Reform of call for bids type grants for maximizing the results of research
 - In order to integrally promote university reform and reform of call for bids type grants, for call for bids type grants to universities offered by the Cabinet Office and the Ministry of Education, Culture, Sports, Science and Technology, allocate 30% of funds as indirect costs.

[Implement for new projects funded in the next fiscal year]

iii) Challenges to Asian and other growing markets

- Implementing “Partnership for Quality Infrastructure”
 - Cooperate with the Asian Development Bank (ADB) and make “Quality Infrastructure Investment” of 110 billion US dollars in the Asian region over the next five years (an approximate increase of 30% over previous investment). Strengthen the functions of JBIC, establish a new system for supplying risk money, and implement proactive investments and loans for projects with relatively high risk profiles.
- Strengthening the system for the promotion of comprehensive regional development of overseas infrastructure
 - Enhance cooperation and coordination overseas among Japanese enterprises, relevant

Japanese governmental institutions, and other related bodies to strengthen activities for discovering development projects. For prospective development projects, in order to present a proposal package that responds to local challenges and demands, strengthen cross-governmental planning and coordination function.

(2) Accelerating Challenges for a New Era

i) Challenges for the upcoming change

(“The Fourth Industrial Revolution”)

① Consider changes in industrial and employment structures due to IoT, Big Data, and artificial intelligence

- As a joint public-private compass to accelerate both private investment and policies to address the big change era by IoT, Big Data, and artificial intelligence, immediately advance consideration of the impact on industrial structure and employment structure, as well as what response is required of the public and private sector.

[Consider by around spring of next year]

ii) Thorough utilization of secured IT

○ Drastic enforcement of cybersecurity

A) Drastic enforcement of response capabilities of the governmental bodies and government-related entities

- In addition to the governmental bodies, include special corporations and other entities of which public functions are closely related to those of the government bodies and government-related entities including incorporated administrative agencies as subjects of monitoring and inspection implemented by the National Center for Incident Readiness and Strategy for Cybersecurity (NISC).
- Further promote the quantitative and qualitative enforcement of their organizational structures and functions based of the wisdom of experts in Japan and abroad; and subsequently advance their capabilities to detect, analyze, and respond to cyber attacks as well as audit and other functions.
- As for the information systems of the governmental bodies and government-related entities that handle critical information, for the purpose of fulfilling efficient operations, while reducing cybersecurity risks, establish cybersecurity measures as soon as possible, including enhanced measures such as the separation of information systems from the Internet and others connections and the full transition to cloud services in the future.

B) Promotion of security measures taken by private enterprises

- Establish guidelines to clarify measures that enterprises are encouraged to take as their business management matters, in order to ensure cybersecurity. Additionally, promote the execution of third-party evaluation on their activities to ensure cybersecurity, and establish information disclosure guidelines relating to cybersecurity measures taken by private enterprises and other relevant entities. [Establish the guidelines within this fiscal year].
- Discuss and decide the concrete components of further enhanced cybersecurity measures regarding the social foundations (critical infrastructure) essential for daily lives and economic activities of the people.

[Decide by the end of this year]

C) Enhancement of resources necessary for ensuring cybersecurity

- Promote initiatives towards the development of cybersecurity industry, such as research and development (R&D), investment, education, and human resources development.

○New legislative measures to promote the utilization of IT

- Shift from the general rule of utilizing person-to-person interaction and written documents and implement a general rule of utilizing IT. Additionally, take legislative measures necessary to achieve the “one-stop” streamlining of various administrative procedures (for deaths, when moving, etc.) and to vitalize the “Sharing Economy” and other new markets.
- In fields such as medical care and health services, establish a system of “Agency Service Institutions” (tentative name) that collect and manage personal information from various institutions. Utilize this system as infrastructure to create new services offered by private-sector businesses.

[Aim for sequential submission of bills starting with the next ordinary Diet session]

○Expanded scopes of the utilization of My Number

- Ensure security of the My Number system by taking necessary measures, such as the establishment of monitoring and detection mechanisms covering the national and regional systems as a whole.
- Expand the scope of My Number utilization from tax and social security to family registers, passports, information management for overseas Japanese, and wider applications of a public nature that includes securities.

[Take legislative measures at the earliest opportunity possible]

(3) Thorough enhancement of individuals’ potential

i) Measures against the low birthrate, improvement of labor quality, further promotion of activity by women and seniors

- Correction of prolonged work hours via thorough information disclosure by corporations
 - In order to correct prolonged work hours, upon the approval of the bill for promotion of a more active role by women and the bill to promote the employment of young workers, utilize platforms such as employer action plans and workplace information provision schemes to ensure that the situation of work hours and other conditions at corporations is visible.

- Securing adequate numbers of nursery teachers to resolve problems with childcare waiting lists
 - In order to secure adequate numbers of nursery teachers, promote initiatives such as further use of part-time workers and nation-wide adoption of best practices from childcare facilities with low employee turnover rates. Additionally, upon the approval of the revised National Strategic Special Zones bill, starting this fiscal year, hold the nursery teacher examinations twice annually in Nation Strategic Special Zones (region-limited nursery teacher system).

- Promoting a more active role by seniors (enhancing job matching functions)
 - In order to create a social environment in which seniors who desire to work can continue to play an active role regardless of age and utilize their skills/experience without having to retire, rapidly improve and enhance diverse employment/work opportunities and job matching functions for seniors.

- Utilization of foreign human resources
 - In order to promote the acceptance of highly skilled IT talent from countries such as India and Vietnam, enhance information provision to top-level regional IT-related universities regarding employment at Japanese corporations. Additionally, in order to provide support for study and work in Japan to graduates of foreign IT-related universities, promote inter-governmental cooperation with regards to designations for said universities.

[Aim to implement within this year]

- In the field of tourism (including hotels/inns, ski resorts, interpreter guides, etc.), clarify and publicize the requirements for visas for work that requires specialized knowledge and skills to provide services to foreign tourists in Japan.

ii) Enhancing the abilities of human resource in preparation for a changing era: Integral reform of employment and education

- A set of initiatives for enhancing the capabilities of human resources that will sustain Japan in the future (employment/education measures)
 - Establish an opportunity for individuals to confirm the career path they should take and the abilities they should acquire for such (“Self Career Dock (tentative name)”. Additionally, provide support for middle-aged and senior human resources who possess abilities, experience, and the desire to work and who endeavor to start a new career.

- Institutionalization of new higher education facilities that provide practical vocational education
 - Establish new higher education institutions that offer practical vocational training, enabling workers to enhance their skills and relearn them, to adapt to the changes to industrial structure and business models.

[In order to open schools in the 2019 academic year, aim to finalize discussions by the middle of next year and implement required institutional measures during the same year]

- Creating a highly foreseeable labor dispute resolution system
 - Advance discussions toward the realization of a labor dispute resolution system that is transparent, fair, objective, and globally accepted, then construct said system.

2. Promotion of Local Abenomics

(1) Thoroughly strengthen the “earning power” of mid-ranking companies, SMEs and micro enterprises

- “Visualization of growth strategy” for business operators
 - Compile key to success to serve as a guide for businesses endeavoring to develop new products and markets. Provide it to businesses and SME organizations.

[Provide it by around summer of this year]

- Strengthening of business support system for mid-ranking companies and SMEs
 - Create a system for detailed support to core regional enterprises regarding initiatives geared toward further growth, including R&D, overseas expansion, and establishment of standards. Also, dramatically enhance the function and systems of the “Yorozu Support Centers” that serves as comprehensive consultation centers for SMEs and micro enterprises.

[Execute starting this fiscal year]

- Consider the credit guarantee system in order to spur financial institution’s further efforts toward support of management improvements and productivity improvement in SMEs and micro enterprises.

[Aim to finalize considerations within this year and take necessary measures immediately thereafter]

(2) Revitalization and productivity improvement of service industry

○ Enhancement of regional business support by SME organizations and financial institutions

- Formulate evaluation indicators and methods (local benchmark) to serve as a reference for SME organizations and regional financial institutions that provide business support to local enterprises. Also create a list of human resources that offer support for IT utilization and on-site process improvements; provide and share list.

[Formulate and provide by the end of this year]

○ Development of activities to improve productivity of each service industry by public-private joint effort

- Promote cross-industry initiatives between the service industry and manufacturing industry, etc. At committees established by the retail, food service, accommodation, nursing care, and cargo road transportation industries, implement initiatives to improve productivity in the service industry.

(3) Set agriculture/forestry/fishery, medical care, nursing, and tourism as key industries

i) Establishment of “Proactive Management” in the Agriculture, Forestry,

Fisheries

○ Establishment of a Support System to Strengthen Management Capabilities in Agriculture/Forestry/Fisheries

- Establish targets for incorporation of agriculture at the prefectural level. Establish a supporting system with management specialists such as licensed tax accountants, SME consultants, and regional financial institutions in order to promote incorporation.

[Establish targets within this fiscal year]

○ Acceleration of Efforts toward Farmland Consolidation

- Rank and publish the prefectural performance of farmland consolidation achieved by the Public Corporation for Farmland Consolidation to Core Farmers through Renting and Subleasing (Farmland Bank). Satisfactory performance achieved by prefectures will be taken into consideration to apply further measures.

[Implement measures sequentially starting this year]

- Discuss schemes regarding the increase/reduction of taxation on possession of farmland.

[Discuss this fiscal year and reach a conclusion as early as possible]

- Promotion of Export of Agricultural, Forestry and Fishery Products as well as Foods
 - Implement priority initiatives for the promotion of the export of rice, beef, and other such items that have substantial growth potential. Aim to achieve the export target of “one trillion yen in 2020” ahead of schedule.

ii) Revitalization and productivity improvement of the medical care/nursing care/healthcare industry

- Support for the creation of next-generation health care industry
 - Promote the establishment of local versions of the Next-Generation Health Care Industry Council. Create a network of said councils and spread successful business models and initiatives in the region throughout the nation. In addition, cooperate with the Regional Economy Vitalization Corporation of Japan (REVIC) and other institutions to establish the platform which promotes the supply of risk money and the creation of business models that include human resources training that commences in the pre-investment stage.

[Execute within this fiscal year]

- International promotion of medical services
 - Implement initiatives to attract foreign patients to Japan. This includes certifying corporations that provide comprehensive support for the acceptance and care of foreign patients, and providing easy-to-understand information to foreign countries regarding “Japan International Hospitals” (tentative name), which are domestic medical institutions that possess the desire and ability to accept foreign patients.

[Carry out discussions within this fiscal year]

- Introduction of a numbering system in healthcare related areas
 - Utilize the infrastructure of the My Number system to introduce a numbering system in healthcare related areas, while ensuring the thorough security of said system.

[Commence phased operation starting in 2018; full-fledged operation by 2020]

- In order to achieve information sharing between regional medical institutions, the promotion of R&D, and improvement of the quality of medical care, discuss specific designs for the numbering system to be implemented and rules for managing personal information associated with specific numbers.

[Finalize discussions to a certain degree by the end of this year]

- Promotion and widespread introduction of Regional Medical Information Cooperation Networks/Electronic health record
 - Achieve nationwide expansion of the regional medical information sharing network by the 2018 fiscal year. By fiscal 2020, raise the national diffusion rate of electronic medical records to 90% at general hospitals with 400 or more beds, which are expected to play a central role in regional medical care.
 - To achieve the above objective, take measures to provide support for network creation via the fund for specialization/coordination of hospital beds. Additionally, at the time of the next revision of remuneration for medical services, discuss evaluations of medical information sharing that utilizes ICT within remuneration for medical services.
- Further promotion of data utilization in policy for medical care and similar fields
 - Formulate the program which will include specific measures and implementation schedules for promoting the application of medical and nursing care data in policies.
[Formulate within this fiscal year]

iii) Setting tourism as a key industry

- Establishment of Japanese version of DMOs with intensive input of policy resources
 - Select one or two model regions for the establishment of Japanese version of DMOs. These regions will serve as central organizations in carrying out the functions for the development of tourism areas. These functions will include enhancing regional tourism offerings, the improvement of the tourism environment to accept foreign visitors, and dissemination of tourism information to the world. Policy resources are to be input into the chosen model regions intensively.
[Select within this fiscal year]
- Improvement of the tourism environment to accept the increasing number of foreign visitors to Japan, including securing capacities of airports, transportations and accommodation facilities in each region
 - Utilize regional liaison committees geared toward accepting 20 million foreign visitors to Japan to compile information on the status of regions' tourism environments, as well as any challenges and related countermeasures to them. Information to be compiled should include that regarding airport/seaport CIQ systems, the capacity of airports, public transport and accommodation facilities.
[Aim for interim report by summer of this year]

(4) New roles required of municipalities (Creation of new business by opening government-controlled markets to the private sector, etc.)

- Promotion of PPP/PFI

- In order to further promote PPP/PFI overall, revise the project scale objective (12 trillion yen within 10 years) set in the “Action Plan Toward the Fundamental Reform of PPP/PFI” (decided upon in the June 6, 2013 Council for the Promotion of Private Finance Initiatives) and discuss concrete measures to achieve the objective. Aim to finalize discussions within the fiscal year.
- In order to enhance the promotion of PFI concession projects, promote the relaxing of regulations relating to proposals from the operators and others, using special zones and other similar matters.

3.Execution of “Reform 2020” (Public-Private Projects to Accelerate Growth Strategy)

< “Reform 2020” Projects> *Overview of each project presented later

- i) **Technology-utilizing solutions to social problems and export of system solution technologies**
 - ① **Use of next-generation transportation systems and automatic driving technology**
 - ② **Solutions to energy/environmental problems through use of distributed energy resources**
 - ③ **Realization of a universal future society through leading-edge robotic technology**
 - ④ **International implementation of high-quality Japanese medical services and technology (inbound use of medical care)**
- ii) **Developing an environment to increase the number of foreign tourists to Japan**
 - ⑤ **Showcasing Japan as a country of tourism**
- iii) **Expanding foreign direct investment in Japan and improving business environments**
 - ⑥ **Policies to attract more foreign direct investment in Japan**