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**Comprehensive Strategy for the Rebirth of Japan
~ Exploring the frontiers and building a
"Country of Co-creation"**

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Comprehensive Strategy for the Rebirth of Japan

~ Exploring the frontiers and building a "Country of Co-creation" ~

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I. Overview

1. As a "Country Facing Frontiers of Emerging Challenges"

To overcome the Great East Japan Earthquake and the accident at the Fukushima Daiichi Nuclear Power Plant of Tokyo Electric Power Company (TEPCO), and to create a “country in which everyone can have a dream and pride” through building a new Japanese society: these are the responsibility laid on us Japanese who have experienced the earthquake and the nuclear power plant accident. To this end, it is necessary to fundamentally review what our society and sense of values were like before the Great East Japan Earthquake.

The "New Growth Strategy," which was decided by the Cabinet in June 2010, was formulated and took off based on the recognition that we must correctly understand the background of the "lost 20 years" without being caught up by our past successful experience, and take a new step forward with strong awareness of our faults and self-reflection. However, nine months later, we were hit by the 3.11 incident—the Great East Japan Earthquake—and were confronted with new challenges. It is this "Comprehensive Strategy for the Rebirth of Japan" that points to the direction in which we should proceed from now on in order to revive Japan as a nation more attractive and vibrant than before the Great East Japan Earthquake, by reformulating and refortifying the "New Growth Strategy" in response to this new situation and making the actions taken thereunder lead to reconstruction of the affected areas.

Japan may have boasted of being an outstanding economic power in the world and enjoyed the status of being the only developed country in Asia, but such an era ended long ago. Today, Japan is becoming a super-aging society ahead of the rest of the world, has encountered a disaster of an unprecedented scale, and faces serious energy constraints due to the nuclear power plant accident.

Facing such various difficulties ahead of other countries, Japan stands in the new position of a "Country Facing Frontiers of Emerging Challenges," and is able to set a precedent for the world by overcoming these difficulties.

The goal that the "Comprehensive Strategy for the Rebirth of Japan" aims to reach is to build a society which regards the numerous difficulties facing Japan as frontiers of opportunity for Japan, and which shows model solutions for the world by courageously exploring these frontiers.

The frontiers we face are unknown territory that nobody has ever explored in the past. Opening up these territories involves various pains. However, it is the responsibility of Japan as a "Country Facing Frontiers of Emerging Challenges" to overcome this challenge.

Our predecessors have overcome numerous difficulties to date. In that process, Japan has "interacted" with heterogeneous existences and new knowledge with an "open-mindedness," "compiled" them by combining various skills and abilities, "transformed" them while streamlining to remove what is unnecessary, and created new unique values such as a "culture of subtraction" represented by "wabi-sabi" (Japanese aesthetics generally referring to simple and quiet elegance). In exploring the frontiers, it is important to rediscover our inherent Japanese potential and utilize it with a mindset to consult the past to learn about new things.

Cognizant of being a "Country Facing Frontiers of Emerging Challenges," the government will implement the "Comprehensive Strategy for the Rebirth of Japan" and aim to realize new forms of economy and society in Japan ahead of the rest of the world.

2. Exploring the frontiers and building a "Country of Co-creation"

In exploring the frontiers and aiming to achieve new growth, the government will realize a "paradigm shift of economic growth," which emphasizes not only "quantitative growth," or a GDP (gross domestic product) increase, as in the past, but also "qualitative growth."

Looking back, in the second half of the 20th century, Japan had pursued affluence based on the GDP level, and in the second half of 1960s, it ranked second highest in the world, surpassing then West Germany. However, Japan was overtaken by China and receded to third place in 2010. It has also been pointed out that the GDP increase has not necessarily resulted in raising people's happiness levels. Moreover, the Great East Japan Earthquake occurred last year prompted the whole nation to reconsider what happiness is.

Then, what is the "quality" to be sought in "qualitative growth"? For example, in June this year, the United Nations released the "Inclusive Wealth Report 2012." In this report, which evaluates the size of capital assets consisting of manufactured capital (machinery, buildings, infrastructure, etc.), human capital (population, education, skills, etc.), and natural capital (land, forest resources, fossil fuels, minerals, etc.), Japan is

rated as second following the United States, and ranks highest, surpassing the United States, in terms of per capita figures. Such indicator could serve as one of references.

In particular, human capital includes elements that cannot be expressed by economic (monetary) value. To date, Japan has been rich in diligent and high-quality "human resources," which are indeed the country's wealth. In other words, the essence of human capital lies not only in how much education and skills people acquired, but also people's mind-sets (sentiment) in facing society or their work. Since ancient times, Japanese people have placed importance on such values that cannot be expressed by economic value. This is suggested by the fact that such terms as "connection" and "bond" have special implications for Japanese people.

The kind of growth that enriches these elements is "qualitative growth." It is a new form of economic growth which we emphasize on top of pursuing the kind of richness indicated by GDP. It needs to be "inclusive growth" whereby a wide range of people making up the whole society can enjoy benefits. In order to find solutions for the large number of challenges which Japan faces as a "Country Facing Frontiers of Emerging Challenges" based on such understanding, it is necessary for the diverse actors in society to demonstrate their current or potential abilities and resources to the fullest, and "co-create" new value by creatively linking various strengths. That is the form of a "Country of Co-creation."

A "Country of Co-creation" is a society where all people have "a place to belong" and "a role to play," participating in their respective communities and remaining active throughout their lives, and each individual becomes an actor in the "New Public Commons." It is a society where a broad middle class has been revived. Each and every person can lead a vibrant daily life in a setting where the necessary basis of living is guaranteed in a sustainable manner.

Without imposing excessive burdens on the working generations, women, young people, and senior citizens can participate in society and work, and sufficiently demonstrate their abilities and potentials more than before. This not only applies to natural persons, but also to businesses, local governments, and local communities; thus, a "Country of Co-creation" is at the same time a country of decentralization and regional sovereignty.

In addition, a "Country of Co-creation" is a society where small and medium-sized enterprises (SMEs) operating in a local community demonstrate their abilities and potentials to the maximum, and become core players that support the economy and new innovations.

Furthermore, a "Country of Co-creation" must also demonstrate its ability in the international community. The country also means the one to actively take the lead in building a better world by engaging in the creation of new international order and rules, promoting international contributions and international cooperation, and striving to achieve "human security" on a worldwide basis.

To explore the frontiers and realize such a "Country of Co-creation" as above, that is what Japan needs. The government will work to build a "Country of Co-creation" through implementation of the "Comprehensive Strategy for the Rebirth of Japan."

3. Basic policy of the "Comprehensive Strategy for the Rebirth of Japan"

The "New Growth Strategy" aimed to switch over the conventional style of policy system. It was designed to correct the over-dependence on public works and the supply-side-oriented ideas, and to create new demand and employment.

Shortly after the launching of the "New Growth Strategy," which was formulated when the effects of the Lehman Shock still lingered, the European sovereign-debt crisis surfaced. In addition, Japan was hit by the Great East Japan Earthquake and the accident at TEPCO's Fukushima Daiichi Nuclear Power Plant. In exploring the frontiers of various emerging challenges under such new situation and changes in the conditions, the government will follow the basic policies presented below.

Firstly, under a strong resolution that "without reconstruction of the affected areas, there can be no rebirth of Japan" and "without the rebirth of Fukushima, there can be no rebirth for Japan," the government will implement the policy actions mentioned in the "Comprehensive Strategy for the Rebirth of Japan" in a prioritized and intensive manner in the reconstruction process. The government and TEPCO will jointly make utmost efforts toward decommissioning TEPCO's Fukushima Daiichi Nuclear Power Plant Unit 1-4. In particular, since new technological development and many specialized staff members are required for removing fuel debris and taking other measures, it is essential to inject resources (human resources, materials, funds, technology, etc.) in a concentrated manner by making it a national project. Furthermore, a national discussion is currently being carried out throughout Japan on the three options for the strategy for energy and the environment, based on the principles to reduce dependence on nuclear power generation as much as possible and maximize use of renewable energy and energy saving efforts, while constantly evaluating the energy situation. In order to thus reduce dependence on nuclear energy, the government will position the "Green Growth

Strategy," which robustly promotes a shift in energy structure "from nuclear energy to green energy," as the top-priority strategy.

Next, the government will seek new growth in key policy areas, including the three policy areas of Green (energy & the environment), Life (health) and Agriculture, Forestry and Fisheries (converting the industry into more value-added one incorporating secondary and tertiary industries within it ("Sixth Industrialization")) for which future demand growth is expected within and outside Japan. To this end, the government will review relevant regulations, etc. in these areas and preferentially allocate the limited financial resources for policy implementation to these areas during the next three years as the intensive implementation period, while using to the maximum the vitality of SMEs that underpin the Japanese economy.

Third, in order to achieve a nominal growth rate of about 3% and a real growth rate of about 2% (average up to fiscal 2020), which is considered as desirable economic growth, it is vital to first break away from the prolonged deflation at an early stage, and to address the rapid appreciation of the yen. To this end, the government, together with the Bank of Japan, will make all-out efforts in close cooperation with each other to overcome deflation, and utilize all sorts of policy means to prevent a vicious spiral of yen appreciation and deflation.

The fourth point is that, with the aim to break down the detriments of vertical administrative divisions, the practice of following precedents, and the principle of emphasizing the previous year's results, which have been tackled since the change of administration, the government will further strengthen policy-oriented, horizontal (cross-sectoral) budgeting.

Finally, the government will implement strict progress management and review the policies based on it every year. The government will not only pursue policy implementation, but will rigorously pursue achievement of the concrete results targeted by the policy. In May this year, the government conducted a follow-up evaluation of the "New Growth Strategy" as a premise for formulating the "Comprehensive Strategy for the Rebirth of Japan." During that process, the government strictly evaluated the policy actions, breaking away from the conventional practice of overestimating or exaggerating the policy outcomes. As a result, it was clarified that although 98% of the policy actions under the "New Growth Strategy" are already being implemented, bottlenecks need to be cleared in order to achieve the specific targeted results. The "Comprehensive Strategy for the Rebirth of Japan" presents concrete measures for eliminating such bottlenecks and promotes their implementation.

4. Points of attention in implementing the "Comprehensive Strategy for the Rebirth of Japan"

Japan faces a wide variety of challenges which include; the economic stagnation that has continued since the bursting of the economic bubble, the prolonged yen's appreciation and deflation, the shrinkage of the population and labor force associated with the declining birthrate and aging of society, decreases in domestic demand and investment opportunities, expansion of the revenue-expenditure imbalance and fiscal deficit, a decline in the sustainability of social security systems, an expansion of relative poverty and a decline in the vitality of the middle class, an erosion of international competitiveness, and deterioration in the terms of trade and balance of international payments. The effects of these challenges are in interaction with one another.

In implementing the "Comprehensive Strategy for the Rebirth of Japan," which aims to respond to changes within and outside Japan, the government will pay special attention to the following implications while taking account of the linked effects of the various challenges.

The first is the implication for social security systems. For Japan, which has been confronted ahead of other countries with a super-aging society, it is an urgent challenge to enhance the sustainability of social security systems. Achieving growth through the "Comprehensive Strategy for the Rebirth of Japan," in addition to steadily implementing the comprehensive reform of social security and taxation systems, will consolidate the sustainability of the systems from both aspects of the revenue and expenditure.

The second implication is for government finances. It is an unavoidable challenge to simultaneously achieve both economic growth and fiscal health. The ratio of national and local government long-term debts to GDP is estimated to reach 196% at the end of fiscal 2012, and the rigidity of the budget has become conspicuous. Simultaneously achieving economic growth and fiscal health through successful implementation of the "Comprehensive Strategy for the Rebirth of Japan" will enhance the sustainability of social security systems and help make the budget flexible.

Third, the implication for the effort to harness the growth of the global economy should be noted to strengthen the Japanese economy. Since domestic demand remains weak due to the population shrinkage in Japan, it is imperative not only to make efforts to expand domestic demand but also to build international trade relations to capture demand in emerging economies and other countries around the world. In particular, the key for this is to capture demand in the rapidly growing Asian region.

Fourthly, the implication for new energy policy and growth also needs to be taken note of. Amid the rising prices of fuels and materials due to a rapid increase in global demand in recent years, the Japanese economy has been affected by much steeper rises in the prices of fuels and materials incomparable to those during the past oil crises. In addition, Japan was hit by the accident at TEPCO's Fukushima Daiichi Nuclear Power Plant, so for a while, the country will need to depend on fossil fuels more than before. As a result of the rising prices of fuels and materials as well as the increase in imports, Japan's price competitiveness is weakening and its terms of trade are deteriorating. This has in turn depressed corporate earnings, worker wages and employment and has also adversely affected the trade balance.

Based on the above, in implementing the "Comprehensive Strategy for the Rebirth of Japan," the centerpiece of which is the "Green Growth Strategy" that includes promoting a shift "from nuclear energy to green energy" and developing renewable energy and other energy sources while reducing dependence on nuclear power generation, the government must always keep in mind consistency between the achievement of growth and the energy mix. Generally speaking, the higher a country's economic growth rate is, the larger its electricity demand is. Therefore, it is essential to accelerate the development of new energy and implement measures to address problems related to electricity demand in an effective manner.

The last point of attention is the implication for fostering of human resources and development of basic infrastructures that are essential to the achievement of growth in any form. Innovation means more than the development of new products and technologies. It means achieving such development and growth as would have been inconceivable by using new ideas and creative solutions that are not constrained by conventional thinking. To this end, policy cooperation is important in terms of the training of human resources capable of innovation and the development of basic infrastructures, such as those of ICT and finance, which induce growth, support for research and development activities, and regulatory reforms.

5. "Comprehensive Strategy for the Rebirth of Japan" and budget compilation

In the future budget compilation process, the following measures will be taken in order to ensure steady implementation of the "Comprehensive Strategy for the Rebirth of Japan."

- (i) The government will continue to address reconstruction from the Great East Japan Earthquake and the rebirth of Fukushima with utmost efforts as issues of the highest importance and priority.
- (ii) For key policy areas including Green (energy & the environment), Life (health) and Agriculture, Forestry and Fisheries (“Sixth Industrialization”), the government will take rigorous actions to ensure horizontal (cross-sectoral) budgeting (prioritized budget allocation) across government ministries, while using to the fullest the vitality of SMEs underpinning the Japanese economy and taking into consideration strategic means such as comprehensive special zones.
- (iii) In that process, the government will secure the effectiveness of the prioritized budget allocation by actively using fiscal investments and loans and taking comprehensive measures including the revision of taxation systems, regulatory reforms, and institutional financing.
- (iv) Mainly with regard to key policy areas, the government will take rigorous actions from the budget request phase to eliminate overlapping of similar policy measures among ministries and to exclude easy compilation of indirect, related budgets. In addition, not only the government's general account, but also special accounts will be rebudgeted in such a manner that will contribute to the implementation of the "Comprehensive Strategy for the Rebirth of Japan."
- (v) The government will introduce a budget compilation system that will contribute to drastic rebudgeting across ministerial borders. Specifically, it will not cut budgets uniformly across ministries, but will enable prioritized budget allocation by policy area and action. In order to secure the effectiveness thereof, the government will also strengthen the function of horizontal (policy action-based) assessments.
- (vi) The government will review all government expenditures, including the social security field, without any sanctuary. In doing so, the government will make sure to reflect results of administrative program reviews or matters pointed out in the past by the Board of Audit in the budgeting for the following fiscal year.

II. Revival from earthquake damages and nuclear power plant accident

1. Reconstruction from the Great East Japan Earthquake

(1) All-out effort on early reconstruction and strengthening of human bonds

The Great East Japan Earthquake is an unprecedented national crisis. The government will work on recovery and reconstruction with all its strength, aiming to revitalize the society and economy of the disaster-affected areas and restore people's daily life therein, as well as to revive a vigorous Japan. The government will steadily implement concrete policy actions in accordance with the "Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake" decided by the Reconstruction Headquarters in Response to the Great East Japan Earthquake in July 2011.

In the affected areas, the indices of industrial production have been recovering to the levels observed before the earthquake and improvements are observed in such industries as agriculture, fisheries, and tourism. However, full-fledged reconstruction of the tsunami-hit areas still remains to be tackled. The employment situation in the three disaster-affected prefectures continues to be severe, particularly in the coastal areas. Accordingly, the government will promote industrial reconstruction and securing of jobs in the affected areas. In order to achieve reconstruction of the affected areas while providing side-by-side support for the affected people, the Reconstruction Agency established in February 2012 will extract in detail demands in the affected areas as a one-stop contact, and further accelerate the reconstruction projects acting as the headquarters within the whole government. The Agency will also carry out appropriate follow-up activities using a Program of Works for clarifying the reconstruction processes.

The world's attention has turned to Japan's reconstruction and revitalization. Since the earthquake to date, Japan has received offers of assistance from 163 countries and regions as well as 43 international organizations. In proceeding with reconstruction from the Great East Japan Earthquake, the government will work on enhancing human bonds with the international community and drawing on the various dynamisms of other countries, aiming at reconstruction open to the world rather than turning inward-looking.

(2) Intensive efforts on decommissioning nuclear reactors and compensating

damages

As for the nuclear power plant accident, the government confirmed in December 2011 that Step 2 in the "Roadmap towards Settlement of the Accident at Fukushima Daiichi Nuclear Power Station, TEPCO" (TEPCO, April 17, 2011) has been completed based on the concept "without the rebirth of Fukushima, there can be no rebirth for Japan." The government will continue to push ahead with steady implementation of measures for decommissioning nuclear reactors, while fostering and securing human resources that are necessary for the decommissioning from a medium- to long-term perspective, and develop an international research and development center, in accordance with the "Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Units 1–4, TEPCO" decided by the Government and TEPCO's Mid-to-Long Term Countermeasure Meeting. With regard to decommissioning, in particular, there are tasks such as removal of fuel debris that cannot be handled by humans alone. Therefore, it is indispensable to bring together wisdom within and outside Japan toward the development of remote-controllable robots, etc. To this end, the government needs to work on technological development and demonstration as quickly as possible, and unless they succeed, decommissioning cannot be steadily promoted. The related ministries and agencies are required to have a common recognition on this point, strengthen the research and development framework directed toward decommissioning, and take necessary measures without a moment's delay. The government must complete the decommissioning, and use this experience to foster Japan's future human resources and industries. At the same time, to restore the daily lives of the disaster-affected people, the government will tackle with full effort decontamination works and health management services for local residents. In addition, the government will take all possible actions to realize payment of compensations through mediation of a settlement by the Nuclear Damage Compensation Dispute Resolution Center and compensation support by the Nuclear Damage Liability Facilitation Fund so that affected people will quickly receive appropriate compensations.

(3) Reconstruction of disaster-affected areas as a pioneering example for rebirth of Japan

In the process of reconstruction from the Great East Japan Earthquake, the government will promote accelerated implementation of the creation of new industries and other policy actions, by effectively utilizing the system for special zones for reconstruction as well as private-sector funds, so that disaster-affected areas can achieve

sustainable development that will serve as a pioneering example for the rebirth of Japan.

In particular, the government will strongly push ahead with policy actions to create new industries and job opportunities from innovations in the green, life, science and technology, information and communications fields, aiming to develop world-leading research and development centers in the affected areas. By doing so, the government will promote reconstruction projects that make use of the strengths in local communities to serve as a cutting-edge regional model for the rest of Japan.

For example, as innovations in the energy and environment fields, the "Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake" (decided by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011) set forth that the government will work on promoting the use of renewable energy and improving the energy efficiency, and realizing smart communities and environmentally advanced areas (eco-towns). Thus, the government will establish research and development centers, promote introduction of renewable energy as well as of electric power, heat, and other energy supply systems making use of regional resources, and realize low-carbon community planning, by making disaster-affected areas into pioneering examples.

As for innovations in the medical and long-term care fields, as part of the Tohoku Medical-Megabank Initiative in which Tohoku University takes the initiative to accumulate, share, and use regional medical and health care information, health surveys will be conducted for residents in the affected areas and a large-scale biobank will be created to form the foundation for personalized medicine, with an aim to realize Tohoku-originated next-generation medicine. In three Tohoku prefectures—Iwate, Miyagi, and Fukushima—, the government will take pioneering actions including promotion of doctor-led clinical trials, establishment of drug-discovery and cancer-treatment centers, and development of medical devices and robots, in order to promote development of innovative drugs and medical devices.

In the fields of skilled manufacturing and agriculture, commerce, and industry, the government will promote management renovation through enterprise partnerships and joint businesses so as to achieve higher added value to businesses and realize industrial accumulation. Furthermore, the government will encourage use of the "special zones for reconstruction" program that allows an unprecedented tax incentive (a five-year tax exemption for firms newly-established in certain industry agglomeration districts) and drastic deregulations, aiming to attract new investments from private companies in and outside Japan and accelerate the reconstruction process.

Thus, the government will steadily implement reconstruction measures based on the

"Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake" so as to make the reconstruction of affected areas a pioneering example for the rebirth of Japan.

(4) Strengthening measures for disaster prevention and mitigation

At times, disasters can rage beyond people's expectations, taking many valuable human lives and inflicting enormous damage on national land and people's property. Since Japan has a combination of disaster-prone natural conditions and such social conditions as a dense population, enhanced land use, and an increase of hazardous materials, "disaster prevention" for protecting national land, local communities, and people's lives, bodies, and property from disasters is an extremely important policy action.

There is no limit to disasters, and it is impossible to completely prevent disasters. Placing top priority on preventing the loss of human lives in the event of a disaster, it is necessary to promote building a disaster-resilient nation and local communities based on the concept of "disaster mitigation" to minimize damage at the time of a disaster. To reduce damage, administrative organs, business operators, and residents need to jointly prepare against disasters, in each phase of disaster prevention, emergency response measures against disasters, and recovery and reconstruction from disasters. In this process, they should combine both tangible measures such as securing alternative and multilayered traffic infrastructures, ensuring facilities earthquake-resistant, and developing flood-control facilities, and intangible measures such as strengthening the warning and evaluation systems.

Based on the above standpoint, the government will utilize the lessons learned from the Great East Japan Earthquake, and enhance the disaster-response abilities of the affected areas and the whole of Japan.

2. Redesign of energy and the environment policies

(1) From nuclear energy to green energy

To reduce dependence on nuclear energy as much as possible—This is the government's basic policy developed by reflecting on the accident at TEPCO's Fukushima Daiichi Nuclear Power Plant. Reducing dependence on nuclear energy is to be supplemented by renewable energy such as wind power and solar power, as well as enhanced efforts for energy saving. In other words, Japan will aim to shift from "nuclear energy to green energy." It is a vital challenge how this shift to green energy should be

linked with Japan's growth. A strategy to this end is the Green Growth Strategy, and this is the issue which Japan should address with the highest priority at present.

For Japan, which relied on nuclear power as the key source of electricity until the Great East Japan Earthquake, realizing reduced dependence on nuclear energy means a major constraint. However, Japan needs to turn that constraint into an advantage, engage in structural reform and consider a strategy that will lead to growth.

The Energy and Environment Council, which is a sub-committee meeting of the Council on National Strategy and Policy, presented three options concerning energy mix and the environment in June 2012. They are three scenarios, reducing dependence on nuclear energy from the actual 2010 level (before the earthquake disaster) of 26% to either 0%, 15%, or to a 20–25% level by 2030. All three scenarios are designed to shift focus to clean energy such as renewable energy, hydrogen and power storage systems, and energy saving, decrease dependence on both nuclear energy and fossil fuels, improve energy security, and reduce emission of greenhouse gases.

As energy sources alternative to nuclear energy, the government needs to mobilize all possible policy resources to powerfully support people to introduce energy saving effort and renewable energy. At present, the share of renewable energy accounts for about 10% (about 2% excluding water power) of all sources of electricity. Whichever scenario is chosen, this percentage will be increased to 25–30% or higher (13–19% or higher, excluding water power) within less than 20 years. As for energy saving efforts, the government will pursue a policy to reduce energy consumption by 20% from the present level even if the living standards and industrial activities expand by about 20% by 2030.

Currently, however, the power generation costs for renewable energy are high, and the output of solar and wind power generation is unstable, greatly affected by weather. Intensification of energy saving efforts might also lead to higher costs depending on the situations. In light of these factors, fossil fuel will remain important at least in the immediate future. Therefore, it is necessary to facilitate the shift to green energy while strengthening resource fuel policy, such as promoting development investment, procurement reform, technological development, and clean use of fossil fuels.

Japan needs to achieve growth while addressing such challenges.

(2) Experience of oil crises and lessons learned therefrom

This is not the first time Japan has faced energy constraints. When Japan experienced an oil crisis in the 1970s, use of alternative energy resources progressed in order to reduce dependence on oil. With regard to energy saving efforts, the Act on

Rational Use of Energy (Energy Saving Act) was enacted, which backed up the industrial sector, in particular, to actively promote investment in energy conservation, and spurred energy efficiency of buildings, etc. Then, the initiation of the top-runner system introduced upon the subsequent revision of the Act accelerated the improvement of the energy efficiency of home electrical appliances and the fuel efficiency of automobiles. As a result, Japanese products were highly evaluated in overseas markets and contributed to Japan's economic growth. This development further led to long-term research and development projects on new energy and energy conservation, such as the Sunshine Project and the Moonlight Project, which support Japan's energy technology today.

Thus, at the time of the oil crisis, the rise in energy costs resulting from oil supply constraints and the enhancement of cost competitiveness through investments in energy saving and alternative energy due to the rise in energy costs brought change to the industrial structure and created new patterns of energy supply and lifestyles, which generated a driving force for Japan's economic growth.

Today, the government needs to turn the energy constraint of reducing dependence on nuclear energy into an advantage, just as at the time of the oil crises, and achieve "Green Growth" through new social change and an evolved industrial structure.

(3) Households playing a major role: a change through synergy of demand and supply

Green innovation, which is a great wave of technological change combining information and communication technology (ICT) and energy-related technology, has enabled consumers, such as households and commercial sectors which had been mere recipients, to play a major role and has increased the possibility for expanding distributed energy systems that utilize cogeneration, etc. In order to overcome the vulnerability of the conventional supply-side-oriented electricity system using a large-scale concentrated power source, the government needs to develop a policy with an eye toward both the supply side and the demand side.

Establishment of new compact energy supply technology, such as renewable energy and stationary fuel cells for household use, has enabled each household to be an electricity supplier. While energy consumption has been increasing in the commercial and household sectors in recent years, Japan's recent experience of electricity-saving measures has revealed that there is room for saving energy and electricity in these sectors, and energy- and electricity-saving products created a new market. So as not to let this experience pass as something temporary, but to continue with the

electricity-saving efforts, it is necessary to establish a model that creates a new market through synergy between supply and demand, and the government must take the initiative for such action. In addition, the government will consider further reform of the electricity system, such as enhancing the neutrality of power-grids, based on a review of energy mix and construction of a distributed energy system that can coexist with the system using a large-scale concentrated power source.

(4) Shift from vertical approach to horizontal approach

Green innovation does not only involve the energy field, but creates a chain of innovations by combining with such fields as communication, transport, automobiles, buildings, urban development, medical care, safety and security in new ways, thereby realizing a change in society, creation of new industries, and evolution of industrial structure.

Conventionally, Japan's overseas market strategy tended to establish technology in the domestic market of Japan, and then expand it overseas, but such business model has been facing its limits in recent years. This is because the speed of technological competition in the global market and the cost-competitiveness of emerging countries are rising to an unprecedented level. Under such circumstances, it has been more important to consider what kind of business model should be pursued by Japanese green-related industries to (i) make profit, (ii) succeed both within and outside Japan at the same time, and (iii) carry out business not in a temporary but in a continuous manner. Companies are required to have a strategy as to what Japan's strengths are and in which part of the value chain they should leverage their advantage in competing in the international market. At the same time, it is important for the government and private sectors to jointly promote such strategy.

The government's industrial policy should respond to such changes in markets and society, and shift from a vertical approach of developing measures for each industry to a horizontal approach of considering what kind of society is desirable and what kind of technology is required for achieving such society.

(5) Roles of the government

The government will play the following six roles.

- (i) The government will point out the direction in which society should proceed by setting targets and sharing them with companies and households by making them visible.
- (ii) The government will improve household welfare by promoting further reform of the

electricity system aimed at enhancing the neutrality of power-grids and developing a competitive market in which the price mechanism functions appropriately under fair and equitable rules.

- (iii) For companies, the government will develop an environment that facilitates creation and dissemination of new products by reviewing regulations and systems as well as promoting standardization.
- (iv) Since it is important for the government to develop an appropriate environment for creating new public goods, such as reinforcing power-grids to adapt to changes in the energy market and developing gas pipelines, the government will form highly efficient and convenient infrastructures through developing platforms such as smart communities that make efficient use of energy, by fully utilizing ICT. With regard to the development of power-grids, in particular, the government will expand grids in some parts of the Hokkaido and Tohoku regions which are suitable for wind power generation but have fragile grids. International frameworks and rules can also be considered as new public goods. As the energy issue is an urgent challenge also for the entire world, the government will communicate Japan's green strategy as a desirable model to be followed to the world by promoting establishment of the Bilateral Offset Credit Mechanism (BOCM) and other measures.
- (v) When creating new markets, the government can play a significant role in financing, such as support for long-term research and development that creates new technology as well as for investments to create initial demand for advanced technology. By managing and taking over the risk that cannot be totally borne by private business operators, and providing funds for inducing investments at times, the government will encourage investments by private financial institutions, etc. and promote inflow of funds into new markets and expansion of such markets.
- (vi) The government needs to propose detailed policies for households, which have been overlooked in the past.

The government will set leading core policy areas for materializing the concept of green growth, place them duly in the "Comprehensive Strategy for the Rebirth of Japan," and intensively implement policy actions in those fields. Furthermore, the government will formulate a "Framework for Green Development Policy" presenting more specific targets and policy actions by the end of 2012.

III. Extricating from deflation and ensuring medium- to long-term economic and fiscal management

The government will jointly work with the Bank of Japan to overcome deflation, which is the greatest challenge facing the Japanese economy in the immediate future. Moreover, the government will push ahead with measures toward the rebirth of Japan and promote comprehensive reform of social security and taxation systems so as to achieve both economic growth that is desirable for all people, entailing income increase, and fiscal health.

1. Path toward the extrication from deflation

(1) Background of deflation

Deflation has remained unresolved for more than the past ten years in Japan. Behind such long-term deflation lie three major factors including (i) negative supply-demand gap, (ii) falling growth expectation by business sectors and consumers, and (iii) persistent deflationary expectations. Shortage of demand and price drops have pushed down income, leading to continued deflationary expectations and lower growth expectations, which in turn have caused further downward pressure on both demand and price. In recent years, the rapid yen appreciation has also been a deflationary pressure and deflation in turn has caused yen appreciation. Against this background, Japanese firms could not raise the prices of their goods and services which face fierce competition against emerging economies although their input costs rose due to the hike in import prices including crude oil, suppressing wages and corporate profits. Real national income and purchasing power (real gross national income [GNI]) has been pushed down, due to the deterioration of the terms of trade, which is the ratio of export price to import price.

At present, the economy is moderately recovering on the back of reconstruction demand, etc. In response to the increase in domestic demand, the negative output gap has narrowed, and the pace of price fall is becoming moderate. The comparison between the current economic condition and the previous phase (2006–2008) where economic recovery centered on external demand led to a temporary rise in prices shows that a more desirable situation is developing for now as follows: (i) domestic demand driven growth is anticipated for the time being as the reconstruction measures are supporting the economy; (ii) the wage development is somewhat stronger in light of the improvement of the labor market; and (iii) inflation expectations by households stand

firm.

The Japanese economy is still in a mild deflationary phase, and sufficient attention needs to be paid, given that the growth rate is expected to become moderate on a quarter-over-quarter basis due to a decrease in the effect of reconstruction measures during the second half of fiscal 2012, and that there are various downside risks to the economy, such as the European sovereign-debt crisis and the constraints of electric power supply. However, there is now a window of opportunity for ending the longstanding issue of deflation, and the government will address the issue with full strength.

(2) Basic policy direction toward overcoming deflation

Without missing this opportunity to overcome deflation, the government will exert all possible powers to carry out appropriate macroeconomic policy management as well as to reform the economic structure predisposed to deflation, and aim at achieving growth accompanying increase in income, which is desirable for all people.

The government and the Bank of Japan share the recognition that exiting deflation is a crucially important challenge. The Bank of Japan decided to pursue powerful monetary easing, with the aim of achieving the goal of 1% in terms of the year-on-year rate of increase in CPI for the time being. The government expects the Bank of Japan to continue powerful monetary easing until the extrication from deflation is ensured.

In order to dynamically mobilize "goods," "people" and "money" as mentioned in III. 2. of this Strategy, the government, focusing especially on fiscal 2012 and 2013, will mobilize optimal policy measures including regulatory and systems reforms, budget, fiscal investments and loans, and tax, and will embody them in the fiscal 2013 budget formation and other processes. Particularly, the government will promote regulatory and systems reforms more rigorously, since they are essential in order to realize economic revitalization by promoting competition and changing the economic structure. Through these measures, the government will create a virtuous economic cycle among output, distribution and expenditure and the growth accompanying wage and profit increase, thereby achieving early overcoming of deflation. Moreover, the government will implement flexible and prompt policy actions if necessary in light of economic conditions. In addition, recognizing that excessive volatility in the foreign exchange markets including rapid yen appreciation has a negative impact on economic and financial stability, the government will continue to watch the market trend with a sense of vigilance and take decisive actions if necessary. Private sectors are also expected to enhance their value added by reviewing their deflationary practices.

The output gap has been shrinking from around 3% in fiscal 2011 to around 2% in the first quarter of this year. In the future, domestic demand is expected to recover as a result of the government's continuous work on reconstruction from the Great East Japan Earthquake and implementation of the abovementioned policy actions, as well as private investments that are planned through to fiscal 2013 in fields such as effective uses of radio waves and stable supply of energy. Consequently, the output gap is expected to continue shrinking toward fiscal 2013. Furthermore, it is anticipated that inflation and growth expectation will gradually rise, contributing to further improvement toward the extrication from deflation.

Toward overcoming deflation and revitalizing economy, the government will, based on the "First Report by the Ministerial Council on Exiting Deflation," continue to materialize and promote the policies through the Council, and regularly review the economic conditions including deflation and economic policy management twice a year (at the beginning of the year and mid-year).

2. Priority policy areas toward the overcoming of deflation and economic revitalization

(1) Mobilize goods

While over seven million empty houses exist in Japan, the market for distribution of existing homes is small, and housing stocks are not optimally utilized on the one hand. On the other, the needs of child-rearing households for spacious houses remains unmet, and the demand for quake-proof and eco-friendly houses has risen since the Great East Japan Earthquake. In addition, the needs for infrastructure renovation and disaster-proofing are heightened. It is necessary to meet these demands and needs, and thus to enhance the value of assets and to revitalize the real estate distribution market.

Japan's housing policy has now shifted from securing the "quantity" of housing to pursuing better "quality" in one's dwelling life. By accelerating measures to ensure housing stocks more quake-resistant and eco-friendly and facilitating change of dwellings, the government will promote developing "spacious, quake-proof and eco-friendly" houses, and undertake the fundamental reform of the real estate distribution system, such as accumulating and providing necessary information for consumers, and reviewing the pricing method based on the age of the building. In addition, the government will promote necessary renovations for quake-resistance through such measures as to encourage conducting check-up and displaying the indication of the quake-resistance of important buildings and to develop a system for

securitizing real estate in order to introduce private-sector funds. Moreover, the government will promote investment such as infrastructure renovation by actively encouraging Private Finance Initiatives (PFI) and utilizing fiscal investments and loans. The government will also deal with asset deflation through these measures.

In terms of goods and services, to harness the growth in Asian and other economies, the government will strengthen the non-price competitiveness of the manufacturing sector through research and development of next-generation technology, etc., and promote business conversion from the areas exposed to fierce price-cut competition against emerging economies, as well as develop a system for promoting overseas expansion of wide-ranging service industries along with promoting exports of infrastructure and related systems and implementing the "Cool Japan" strategy. In order to stimulate latent domestic demand, the government will also promote business development in the medical and long-term care and other fields, and take measures to make the public sector database open and promote use thereof by private sectors for expanding business opportunities for service industries. Furthermore, the government will carry out the comprehensive reform of social security and taxation systems, which is expected to contribute to consumption increase and economic growth, by ensuring a sense of security in daily life throughout all generations. In addition, the government will strengthen the measures to establish the goods and services markets where consumers feel secure. The government will also consider truly effective consumption-stimulating measures that will not be wasteful, for cases where there would be a sharp drop in consumption and it would be very likely to persist.

(2) Mobilize people

The importance of "human resources" as a main engine for economic growth has been increasing in the context that the working age population has continued to decline. Accumulation of human capital, however, has stagnated because both firms and households have less and less leeway, and the opportunities and workplaces to make the best use of the talents and abilities of workers are insufficient. In order to achieve the growth accompanied by increase in income, fostering human resources and expanding opportunities are the urgent agenda items to be tackled.

In order for working people to acquire the ability to produce higher value, the government will promote human capital investment by firms and encourage self-development by workers themselves. At the same time, the government will support senior citizens, etc. to enhance investment and donation for fostering next-generation human resources.

Moreover, in order to enable working people to move to the industry or workplace in which they can demonstrate their abilities to the fullest, the government will shift the policy focus from "defensive mode" for crisis management taken after the Lehman Shock to "offensive mode" for enhancing new business and employment in fields where demand is expected to increase. To this end, the government will promote support for business start-ups by young people and women, job creation in local communities through collaboration with industrial development measures, and conversion of the agricultural sector, as a growth area, into the "Sixth Industry" (converting the industry into a more value-added one by incorporating secondary and tertiary industries) and incorporation of farmers. In addition, the government will reduce employment mismatches by promoting internship and other measures. Concerning the crisis management measures taken after the Lehman Shock, the government will consider shifting to the next stage taking into account economic and employment conditions, and restore the operation of the employment adjustment subsidy to its normal status, taking due note of the views of employers and employees. The government will also enhance comprehensive support for improving the management of SMEs, with a view to the final extension of the effect of the SME Financing Facilitation Act being until the end of fiscal 2012. With regard to public credit guarantee for SMEs (item (v) of the Safety-net Guarantee Program), the government has maintained its current practice to designate all categories of industry, in principle, in the first half of fiscal 2012, but for the second half of the fiscal year, the government will determine the categories of industry to be designated by closely watching the business conditions. The government will promote vocational training as well as education and matching services for fostering human resources in growth sectors, and consider measures for helping entrepreneurs restart.

Furthermore, toward facilitating fair and rewarding working environments, the government will strengthen the effectiveness of equal and balanced treatment between regular and non-regular employees and support working career development and movement to regular employment, while the whole government will accelerate the measures to promote women's active participation in economic activities. The government will also improve the business and living environment for people from abroad.

At the same time, the government will promote establishing Japan as a tourism nation from the perspective of revitalizing the economy through inter-regional or international exchange of people.

(3) Mobilize money

Private sector funds have not been invested sufficiently in growth areas; for example, more than half of personal financial assets, amounting to about 1,500 trillion yen, have been held as cash and deposits. Based on discussions by the Council on Promotion of Growth Finance, the government will establish a mechanism where the money flow of private sector, including that held by elderly people who own more than half of personal financial assets, is reinvigorated, thereby leading to consumption and investment.

3. Medium- to long-term economic and fiscal management: Achieving both economic growth and fiscal consolidation

The government will aim to achieve a nominal growth rate of about 3% and real growth rate of about 2%, on average from fiscal 2011 to fiscal 2020. Although there are some concerns such as constraints in terms of labor supply due to the continuing decline and aging of the population, the government positions such growth as an important target for policy efforts, and exerts all power to achieve it. To this end, it is necessary first to ensure the extrication from deflation, and also implement such measures as those aimed at "rebirth of Japan," thereby (i) making maximum use of the benefits of globalization, (ii) enhancing the dynamism of domestic economic activities, (iii) reviving a broad middle class, and (iv) realizing a virtuous cycle among them. By working on these issues, the government will aim at achieving sustainable growth accompanying a rise in income and an increase in value-added productivity.

More specifically, in order to make maximum use of the benefits of globalization, the government will seek an improvement in the terms of trade by such means as promoting business conversions from those facing severe price competition with emerging economies, in addition to the fostering of the areas with strong non-price competitiveness. The government will also promote various measures including high-level economic partnerships in order to develop an environment which enables a broad range of industries that can make higher profits in overseas markets to easily expand their overseas activities. At the same time, in order to strengthen the dynamism of domestic economic activities, the government will expand the supply of funds for growth and promote regulatory reforms, which will develop an environment encouraging new entries into market and business conversions, thereby fostering an environment in which innovation takes place on a broad scale across society. Furthermore, with a view to revitalizing a broad middle class, the government will work on promoting the development of human resources that will underpin the Japanese

economy and society, ensuring fair treatment between regular and non-regular employment, promoting the social participation of diverse human capitals, including women and senior citizens, in diversified manners of working, and realizing decent work.

Securing stable fiscal resources for social security and establishing a sustainable social security system through the comprehensive reform of social security and taxation systems will create a basis for new growth by enhancing consumption and expanding economic activities through reducing people's anxiety. Moreover, it is anticipated that the creation of employment via the enhancement of medical and long-term care services will also contribute to economic growth. The government will deal appropriately with the effect of a surge in demand prior to the consumption tax rate hikes planned to take place in April 2014 and October 2015 and the subsequent repercussions in terms of reduced demand, and will work together with the Bank of Japan to assure the overcoming of deflation, as well as continue taking actions towards achieving sustained stable price rises.

Amid growing concerns among market participants about fiscal risk around the world, precipitated by the European sovereign-debt crisis, a move toward achieving the fiscal consolidation targets for fiscal 2015 stipulated in the "Fiscal Management Strategy" (decided by the Cabinet on June 22, 2010) by steadily implementing the comprehensive reform of social security and taxation systems and other measures would pave the way for "securing stable fiscal resources for social security and achieving fiscal consolidation at the same time."

The government will simultaneously push ahead economic growth and fiscal consolidation as the two wheels of a cart.

Through the above initiatives, the government will swiftly bring the economy closer to the desirable economic growth path that aims at an average nominal growth rate of about 3% and an average real growth rate of about 2% by fiscal 2020. Furthermore, the government will promote improvement in the terms of trade and increase in income received from overseas which will contribute to increase in real GNI, thereby aiming at growth with increased national purchasing power and improvement of real affluence.

The risks posed to medium- to long-term growth include electricity and energy constraints restricting economic activity, further rise in resource prices putting downward pressure on the economy in the form of income outflows, and earthquakes and other large-scale disasters. Reinforcing the measures for strengthening growth potential and disaster risk reduction and others, the government will take precautionary actions against such risks.

IV. Specific measures for rebirth of Japan

As mentioned above, to vigorously promote rebirth of Japan, the government needs to push ahead with three policy linchpins so as to realize economic growth through structural changes. Specifically, Japan needs to “overcome deflation” in the first place. Then it will create a decentralized flow of human and other resources in order to realize “localization” in which individuals, businesses, local governments and other various actors jointly produce wealth through new growth in their respective communities. The third linchpin is “globalization” in which Japan will lead the world by exercising its strength in the international society to achieve wealth under new growth. Based on such standpoint, the government carried out thorough review of the progress of the “New Growth Strategy” and reinforced and redesigned the strategy to work out the “Comprehensive Strategy for the Rebirth of Japan.”

In considering specific measures, concrete actions taken to date under the New Growth Strategy were strictly examined. From the perspective of “policy management to achieve results as its pillar” in particular, the government not only examined whether actions had been carried out in accordance with the Program of Works but also rigidly followed up on the implementation of them by setting as evaluation criteria whether achievements could be clearly explained to the public, so as to avoid the tendency of achievements becoming overvalued in this kind of evaluation process. As a result, it was found that more than 98% of various measures planned for the “New Growth Strategy” had been either fully or partially implemented. However, it was also noted that some of those measures needed a certain period of time for realizing expected achievements, and other measures had failed to produce or confirm intended results and achievements due to the impacts of the Great East Japan Earthquake that occurred after the compilation of the strategy. Therefore, the government decided not only to accelerate the implementation of measures which had been behind schedule in light of the Program of Works, but to review measures for which achievements had not been fully confirmed for various reasons, so as to remove bottlenecks.

In addition, to clearly carry out the “policy management to achieve results as its pillar,” the government enriched grand targets to achieve in each policy area by fiscal 2020 and also clarified policy targets further by setting medium-term numerical targets (to be realized by fiscal 2015 in principle) for each group of policy measures to reach the grand targets. The government also identified specific actions for each year.

Furthermore, taking fully into account changes over the past two years such as the

Great East Japan Earthquake, the government newly introduced bold measures and upgraded existing ones in each policy area based on the “Strategy for the Rebirth of Japan” decided by the Cabinet on December 24, 2011.

The government will take actions in accordance with the below-mentioned contents, accelerating the implementation of measures as appropriate and moving them forward, to realize the rebirth of Japan.

1. Framework of policy implementation

(1) Effective implementation of policies by clarifying policy targets

~ Prioritized implementation of four major projects for rebirth of Japan ~

To strategically implement measures effective for the vigorous rebirth of Japan, it is important to clarify policy targets to be achieved and effectively utilize policy tools such as regulatory reforms, budgets and the taxation system, and thus to promote focused and concentrated implementation of policy actions.

The “Comprehensive Strategy for the Rebirth of Japan” will tackle, first of all, the issue of “overcoming deflation.” It will also promote “globalization” and “localization” at the same time. To this end, it presents the Program of Works listing specific actions towards the rebirth of Japan as well as 38 sets of priority policy actions of strategic importance. It is important to steadily implement these actions, especially the priority policy actions, to clear the posted numerical targets. Given, in particular, limited resources that can be used to implement policy measures under severe fiscal conditions, tough socioeconomic conditions both at home and abroad, and the need to push up economic growth and improve the daily lives of Japanese people, the government needs to implement policy actions with an eye toward:

- creating a new socioeconomic structure as a “country facing frontiers of emerging challenges” that shows model solutions to the world by leveraging the challenges Japan faces such as severe energy constraints and super-aging of its population; and
- creating proud and respectable local communities where individuals and SMEs ingrained there can enjoy the wealth of new growth and send messages to the world by maximizing their capacity and possibilities while supported by safe and secure foods.

To this end, the government will seek to smoothly address challenges by prioritizing four cross-cutting policy packages (Japan Rebirth Projects) — three key policy areas of Green (energy & the environment), Life (health) and Agriculture, Forestry and Fisheries (“Sixth Industrialization”) as well as SMEs (small scale enterprises) — which are policy areas that will help improve the lives of people and reinvigorate economic activities and

local communities and are strongly needed for prompt implementation. As the basis of those policy packages, the government will enhance the development of human resources and the use of information and communications technology.

In light of rapid changes in the socioeconomic situation, the coming three years are particularly important for the implementation of policy measures leading to the robust rebirth of Japan, and therefore designated as an intensive implementation period for focused and steady execution of policy actions. Specific contents of the Japan Rebirth Projects will be further examined in the process of compiling necessary budgets.

(i) Green: Policy package to realize innovative energy and environment society

2020 target: Create demand of 50 trillion yen or more and employment of 1.4 million or more

The Great East Japan Earthquake and the nuclear power plant accident have exposed the vulnerability of Japan's energy supply system. Faced with the reality of a tight balance between electricity supply and demand, the government will realize an innovative energy and environment society aiming at reducing its dependence on nuclear energy and achieving the Energy New Deal. It is Japan's national mission to show to international society a path of solutions to energy problems facing the world. The government thus will facilitate intensive investment of resources in both the supply and demand sides of electric power in order to promote the birth of new industries and changes in the industrial structure by creating a chain of technological innovations for energy in a range of sectors such as automobile, transportation, housing, urban development, medical care and so on.

The government will seek acquiring global standards abroad. Domestically, too, the government will strive to achieve a smart society throughout Japan, shift from a conventional centralized power supply system to an environment where households and businesses can choose electricity supply sources of their own, and aim to create a society which utilizes various domestic sources of energy at maximum efficiency. In addition, the government will realize a society where electricity users will positively make efforts for saving energy and electricity as well as lifestyle reforms will be achieved, through building spacious and earthquake-resistant homes and communities with energy-saving functions. Moreover, the government will encourage active utilization of unused energy in a manner that takes local features into account, and thus contribute to revitalization of local communities.

As a key element to support a distributed energy system, renewable energy is growing more important than ever. The government will create a society where

renewable energy is brought closer to people than before through the promotion of deregulation, measures incorporating local features, and technological development, all of which help facilitate introduction of renewable energy. In addition, as storage batteries play a key technological role to promote a distributed energy system, the government will strive to implement a strategy for them. At the same time, the government will promote the efficient use of heat which is often a final form of energy consumption.

The experience of the Great East Japan Earthquake has reconfirmed the importance of stockpiling fuels such as oil and liquefied natural gas in a time of disaster. The government thus will pursue realizing a society where the stockpiling of fuels will be promoted based on the supply and demand balance of respective regions, private companies will build domestic pipelines for natural gas, and the stable supply of fossil energy will be secured.

In order to put a totally new vision of society into practice, discontinuous development of work that will open up the future, such as new regulations, systems and taxation as well as unrestricted and new ideas and innovations not on extension lines from the past or unbound by conventional frameworks, are important along with reinforcement of the world's most advanced energy technology that can achieve efficient and stable use of energy. The government will not limit the work to Japan but will simultaneously export infrastructures and systems that utilize the nation's technological strength, such as smart community and other energy systems, in order to realize the revitalization of the Japan brand through overseas operations, and thus lead to the nation's growth.

(ii) Life: Policy package to realize the world's most advanced medical care and welfare society

2020 Target: Create demand of 50 trillion yen and employment of 2.84 million

While Japan already has a strong medical care system, such as featuring a high average level of medical care services by global standards, the government will realize a society where people can receive medical and long-term care services matching their needs wherever they reside, taking into account the aging population. At the same time, the government will create a society where people can live in their homes in familiar areas as much as possible and receive comprehensive medical care, long-term care, and preventive, housing and lifestyle-support services in the community.

In addition, the government will realize a society where the utilization of

private-sector vitality and innovations will create and provide refined services that meet diverse needs in those fields uncovered by the public insurance system, so that people can live rich lives in the community while using medical and long-term care services.

For Japan to win in competition in the globalized economy by enhancing the value added to products and services, the pharmaceutical and medical devices industries are expected to play an important role as the nation's growth industries in the future. To continue providing the world's highest level of medical care services to the public, the government will take actions for Japan to create innovative drugs and medical devices ahead of other countries and to lead the world in the field of globally-advanced medical care such as regenerative medicine and personalized medicine. Moreover, the government will implement measures to develop a variety of medical devices and welfare equipment by utilizing its robot technology to improve the quality of life for elderly people, reduce burdens on care and welfare workers, improve the efficiency of their work, and promote long-term care services, and thus facilitate creating new manufacturing industries.

As Japan stands on the frontline ahead of any other country in terms of its aging population, there is a great possibility for Japan to be highly evaluated as an advanced case to address the issue of aging by promoting the implementation of the abovementioned measures, creating a new medical care system which takes advantage of Japan's strength and overcomes its weakness, and actively providing Japan's medical care to the rest of the world. Based on this, the government will pursue high growth by offering to overseas markets a package of medical care services and devices and medical and long-term care systems.

(iii) Agriculture, forestry and fisheries: Policy package to double the vitality of rural areas driven by agriculture, forestry and fisheries industries turning into value-added industries ("Sixth Industrialization")

2020 Target: Expand related market to 10 trillion yen

The government will revitalize agriculture, forestry and fisheries which are rooted in rural areas, review local resources and transform the industries into a new "Sixth Industry" with high added value to increase the income of households engaged in those sectors and improve the vigor of all parts of Japan. The government will reinvigorate agriculture, forestry and fisheries as new sources of employment through improving the environment where motivated young people and women are enabled to enter agriculture without anxiety and continue engaging in work. Amid increasing global interest in safe and secure foods, the government will actively promote export of "safe, tasty and

healthy” agricultural, forestry and fisheries products and foods while communicating information on the globally praised Traditional Dietary Cultures of the Japanese to the world in cooperation with various sectors including health, education and tourism. The government will create a new “Sixth Industry” by combining agriculture, forestry and fisheries with commerce, industrial and tourism sectors so that local communities can regain confidence and pride. The government will also realize the improvement of local vitality under the competitive and/or cooperative relations among local communities by promoting the accumulation of industries which can serve as the nation’s growth engine, and forming local communities and vitalizing local industries through making the most of local wisdom and innovations, while taking account of the features of respective regions.

(iv) SMEs: Policy package to double the vitality of SMEs as regional core, focusing on small scale enterprises

2020 Target: Achieve SMEs overseas sales ratio of 4.5%, business opening rate constantly topping closing rate

It is SMEs that underpin the Japanese economy. They are the foundation that strongly support the “Green,” “Life” and “Agriculture, Forestry and Fisheries” sectors and play great roles in other areas as well. To enhance the vitality of regional economies and societies, it is important to shed light on small scale enterprises and enable SMEs to grow and flourish as a regional core. The government will realize a society where SMEs can fully exercise their mobility and flexibility and offer new, refined services and products that can meet local needs while incorporating the experiences, sensibility and viewpoints of young people and women. As Japan’s conventional corporate structure, centered on big businesses, is being shaken in the face of global competition, the Japanese economy is at a crucial turning point requiring the development of new markets and products. The government will create a society where SMEs can expand their operations by cooperating, tying up and competing with each other and lively exercising their wisdom, innovations and technologies through not only vertical collaboration involving financial institutions, experts on management support and public support institutions but also SMEs’ horizontal cooperation with each other. In the process, the government will take actions so that companies of various sizes and in various fields will take hold in their regions and support local economies from a long-term point of view by passing on manufacturing technologies, creating new services, and developing human resources.

The government will promote a “Cool Japan” that incorporates Japan’s strength and

attractiveness, and undertake nationwide efforts to revive Japanese brand products including Japanese agricultural, forestry and fisheries products and foods, by enabling as many SMEs as possible to actively operate and play key roles in these efforts. The government will also strive for economic revitalization through inter-regional and international exchange programs. Through those measures, the government will achieve the building of an attractive nation.

(2) Securing tools for policy implementation

In implementing policy actions intensively, the government will properly select effective and efficient tools and means to attain policy targets.

(i) Collaboration with the efforts by Government Revitalization and prioritization of budget appropriations

From the perspective of effectively implementing policy actions to achieve the rebirth of Japan, the government will combine those actions with efforts by Government Revitalization while streamlined and efficient implementation, coordination among relevant measures by government ministries and agencies concerned and elimination of similar and/or overlapped policy actions will be promoted. In addition, the government will also promote regulatory and systems reforms at the fastest possible speed in line with changes in the socioeconomic situation and international relations while trying to clarify the interpretation of laws and regulations for review and utilize fully related data. To steadily achieve high priority policy targets, the government will create a cross-cutting, systematic mechanism of budget compilation process among government ministries and agencies so as to realize appropriate and prioritized allocation of budgets to key policy areas such as the four Japan Rebirth Projects. In so doing, collaboration with Government Revitalization will also be enhanced for the PDCA (plan-do-check-action) cycle of the “Comprehensive Strategy for the Rebirth of Japan.”

Given a tight fiscal condition, the government will make active use of fiscal investments and loans in light of the importance of taking fiscal measures without depending on taxes as a revenue source.

(ii) Utilization of comprehensive special zones

Comprehensive special zones are designed to provide a package of support, centering on special treatment on regulation and also including tax breaks as well as fiscal and financial support, so that they can utilize the regions’ initiative and local resources. In this regard, comprehensive special zones cover all 11 growth strategies in

the “Comprehensive Strategy for the Rebirth of Japan” and will serve as a breakthrough for revitalization toward growth.

In implementing policy actions in each area, the government will strive to clear policy targets by taking actions to help comprehensive special zones generate sufficient fruits, such as placing priority on research institutes and other entities that are expected to contribute to the targets.

(iii) Support through reinforcement of financial functions

To financially support a variety of business activities by companies and people, such as support for overseas operations to strengthen growth potentials and for local SMEs, the government will promote support through the strengthening of financial functions by deepening cooperation between government-affiliated financial institutions and between government-affiliated and private financial institutions.

2. Specific approaches toward a “Country of Co-creation” ~ 11 growth strategies and 38 priority policy actions ~

To realize Japan’s robust rebirth toward a “Country of Co-creation,” the “Comprehensive Strategy for the Rebirth of Japan” specifies 11 growth strategies and 38 sets of priority policy actions for further strengthening growth potentials, achieving revival of a broad middle class, and strengthening Japan’s worldwide presence.

(1) Initiatives to further strengthen growth potentials

The Great East Japan Earthquake and the yen’s appreciation are posing more imminent risks such as economic hollowing-out. Rather than stoically allowing the economy to balance at a smaller size, the government will turn the current crisis into an opportunity by creating new industries and adding new value to push ahead with economic expansion. What Japan needs today is creative innovation that looks to the world and to the future to renew Japan’s economic and industrial structure rather than being caught up in systems and policies that were successful in the past. It is necessary to recognize that there is greater risk in doing nothing than there is in embarking on something new. Japan must get ready to take actions.

For this reason, to enhance Japan’s further growth potentials by paying attention to post-earthquake conditions, the government will expand new initiatives that will effectively promote innovation, such as regulatory reform, public services reform through market tests, and administrative reform, including budget, tax and legislative

measures.

Facing squarely the reality that nations are continually engaged in severe competition to capture demand around the world, and in order to win this competition, the government will foster internationally active and entrepreneurial human resources and strengthen elements of a non-price competitive edge of Japan, such as Cool Japan and unique technologies, aiming at realizing dynamic growth through revitalizing the private sector. For the rebirth of Japan and strengthening of its growth potential, it is necessary to take measures to revitalize agriculture, forestry and fisheries industry as well as to promote high-level economic partnerships. There is also a need to actively facilitate robust utilization of information and communication technology as well as to foster and strengthen SMEs that underpin the Japanese economy. It is essential to ensure steady implementation of the Program of Works of this Strategy comprising measures that specially contribute to growth, including measures under the “New Strategy in Information and Communications Technology” that comprehensively indicates the government’s information and communications policy. At the same time, the government should maximize potentials and latent strengths of SMEs, including the technical capabilities of SMEs that represents Japan’s competitiveness, and provide comprehensive support for enhancing their corporate managerial capabilities, such as providing support for enhancement and continuation of their technical abilities and for expansion of their overseas business operations taking advantage of Japanese expertise, skills, and sensibility. In addition, aiming to address worldwide challenges such as food, water, and energy constraints resulting from rapid population growth as well as declining birthrates and aging populations in developed countries, the government will make full use of Japan’s competitive state-of-the-art technologies, know-how and systems to bring about economic growth.

(i) Creation of new industries and new markets in response to environmental changes

(Overall concept)

In Japan, the service sector accounts for 70 percent of GDP. The amount of labor and capital being invested in the service sector is increasing, but the growth of labor productivity is stagnating. To enhance corporate value-added creation capabilities, it is important to cultivate potential demand for new services, such as health care and childrearing support, which also contributes to addressing the issue of the declining birthrate. Also, it is essential to create new industries and new markets by producing innovative materials and products through integration of Japan's competitive manufacturing capabilities and services, culture, ICT and so on, and by linking innovation-based solutions to growth.

For this reason, the government will work on regulatory and systems reforms that will strengthen the innovation capabilities and create new industries and new markets, as well as strive for creation of new growth industries by solving the challenges facing Japan through green innovations and life innovations, etc. In addition, the government will actively promote improvement of the productivity of service sector which responds to the declining birthrate and aging population, strengthening of SMEs' potential and management capabilities, development of science, technology and innovations through industry-academia-government cooperation, and use of ICT, which is a foundation supporting innovation, with due concern for enhanced security. The government will also work on support for new start-up firms.

In addition, the government will strategically promote the development, use and conservation of marine resource-rich oceans surrounding Japan, and the development and use of outer space. Through cross-sectoral collaborations among Japan's cultural resources, knowledge and information accumulated in the past, as well as new cultures and lifestyles in a mature society, the government aims at creating an economic structure that will actively generate new value.

[Green Growth Strategy]

[2020 targets]

Creation of new environment-related markets worth 50 trillion yen or more and new employment of 1.4 million or more in environment field

Up to 50% of next-generation automobiles to total new car sales

Installation of 2 million ordinary chargers and 5,000 quick chargers

Japanese companies capturing 50% or 10 trillion yen of global storage battery market (of 20 trillion yen)

Contribution to establishment of position as major infrastructure nation and to acquisition of relevant market worth 19.7 trillion yen

Installation of LED (light-emitting diodes) and other highly efficient lighting equipment in all public facilities through promotion of measures utilizing ESCOs (Energy Service Companies) and lease contracts

Standardization of net-zero energy homes and realization of net-zero energy commercial buildings

Renovation of existing homes as energy-saving homes (about twofold increase from current number)

All new homes clearing energy-saving standards

Floor space of 10 million square meters of environment-friendly real estate

[Medium-term targets for fiscal 2015]

Release of fuel cell battery vehicles to market

Autonomous dissemination of residential fuel cell cogeneration systems (from 2016)

Reduction of applied tariff rates to 5% or less on goods on the list of environmental goods to be developed by APEC in 2012

Through the creation of sustainable new industries and advances in industrial structure combined with newly generated green innovations, the government will seek to realize a low-carbon, recycling society by grasping the needs in developing countries and producing profits both at home and abroad. While promoting technologies for the creation, storage and saving of energy, the government will also approach in a cross-sectoral manner such areas as energy, automobile, transportation, housing, urban development, and medical care, which have been treated as separate categories to date, and lead green growth to major social reform through bringing about a chain of innovations and enhancing industry-academia-government cooperation. To this end, the

government will (1) make visible and share the targets, (2) create competitive markets, (3) review regulations and systems, (4) develop new public goods and platforms, (5) manage and take over risks, and (6) implement market strategies through public-private partnerships from a global point of view. Specific targets aimed at by each policy action under the Green Growth Strategy and its overall concept will be presented in a “Framework for Green Development Policy” to be formulated by year-end based on the “Innovative Strategy for Energy and the Environment.”

(Priority policy action: Realization of green growth underpinned by green parts and materials)

Japan is highly competitive in the fields of parts and materials needed for power generation systems using renewable energy, high-performance storage batteries, weight reduction and energy saving of automobiles and aircraft, highly heat-insulating homes and other applications. However, as parts and materials suppliers cannot develop products on their own, final products do not necessarily reflect the competitiveness of parts and materials.

To utilize the superiority of green parts and materials and enhance the competitiveness of final products, the government will support the efforts of parts and materials suppliers, equipment manufacturers and assembly makers to carry out joint technological development in both the upstream and downstream processes with an eye toward commercialization of products, such as cooperating in application of innovative materials to blades for wind power generation so as to reinforce the competitiveness of wind power generation equipment.

The government will also upgrade Japan’s foundation of developing green parts and materials by building bases to test their safety and performance.

Furthermore, in order to realize growth based on “green parts and materials,” the government will promote integrated, future-oriented research and development programs covering from development to commercialization that can generate revolutionary innovations of green parts and materials themselves, such as development by 2020 of a rare earth-free high-performance magnet having twice as much magnetic force as the current level.

(Priority policy action: Capturing of global market for next-generation automobiles)

While Japanese automakers lead the world in production of next-generation motor vehicles (hybrid, electric, plug-in hybrid, fuel battery, clean diesel and compressed natural gas vehicles), they are exposed to increasing competition with overseas

automakers. To capture the global market for next-generation vehicles which hold the key to green growth, Japanese automakers will be prompted to realize vehicles that will overwhelm overseas vehicles in performance and quality as well as to exploit potential markets in the world by publicizing the potential value of next-generation vehicles.

Specifically, the driving distance of next-generation vehicles will be doubled by research and development efforts for lithium-ion batteries by 2020; The performance of next-generation vehicles will be improved through the development of cutting-edge materials and devices, such as next-generation semiconductors that will enhance their capacity to detect persons and objects as well as automatic control; Cost reductions will be achieved by means of creating initial-stage demand for and expanding the dissemination of vehicles with different features in a phased and parallel manner. Furthermore, the government will create new added-values to next-generation vehicles, by utilizing them as “power supplies that can move,” to lower power usage during peak demand or to work as emergency power sources, and increasing safety and user-friendliness in combination with information technology. In addition, to clarify electric vehicles’ intrinsic features such as zero emission of exhaust fumes and quietness, the government will promote relevant projects both at home and abroad to show successful cases. The government will also build infrastructures including accelerated and planned installation of battery chargers and advanced construction of facilities to supply hydrogen to fuel-battery vehicles. On the premise of ensuring safety, the government will, among others, develop technological standards under the High Pressure Gas Safety Act to govern hydrogen-filling stations, expand the availability of steel products applicable to the stations, and make design coefficients comparable with those in the U.S. and Europe.

Japan will win next-generation standards as an advanced problem-solving country by creating innovations through such means as establishing a certification system for extra-small mobility devices matching its aging society.

Along with the abovementioned policy actions, the government will promote work through public-private partnerships to secure adequate international standardizations and compatibility of batteries and chargers with an eye set toward global markets. To make use of Japan’s superiority in cutting-edge technologies, the public and private sectors will jointly strive to export infrastructures, systems and policies related to next-generation vehicles to emerging economies.

(Priority policy action: Creation of markets by promoting introduction of storage batteries and of safe society even in times of emergency)

Storage batteries are a core technology for promoting electric-load leveling for both the supply and demand sides as well as a distributed power sources system like smart-grid society, under the current tight electricity supply and demand situation. Seen from their applications, they form a growing industrial sector with a large expansion of the market expected as they are applicable, among others, to electric power systems, automobiles, disaster prevention programs and home use.

To develop this potential growth sector into a strategic industry, the government will accelerate sophistication, cost reduction and widespread use of storage batteries in order to reinforce the foundation of creating new markets and increasing competitiveness. For the sake of building a safe society, the government will push ahead with the installation of storage batteries in homes and buildings from the construction stage, and seek to shift from a centralized energy system to a distributed system by setting as a principle of the envisioned society Japan should pursue to install storage batteries as much as possible in building facilities such as hospitals.

The government will also create a certification system on electric power companies' transmission lines to facilitate linkage between them and storage batteries while formulating specifications and promoting international standardization for large lithium-ion batteries and other devices to ensure their safety.

(Priority policy action: Strategic development and use of marine resources through green innovations)

Oceans offer a rich storehouse of resources and are a frontier that humans as a whole should develop under governmental leadership. They also function as a cradle for a new growth industry through green innovations. In particular, Japan is rich in usable renewable energy sources in the surrounding sea such as oceanic wind power. It is a task for the government to grasp the distribution and storage of ocean mineral resources and make sustainable use of living marine resources, and to create new industries based on them.

To promote the utilization of power generation technology using oceanic energy, the government will accelerate the development of technologies centering on oceanic wind power, create systems and an environment for their practical use and commercialization such as formulating safety guidelines, and conduct demonstration experiment projects. While promoting the exploitation and use of natural gas and other marine resources, the government will develop new production techniques for the development of production technology for bio-ethanol using algae. By steadily undertaking these efforts along with improvement of the necessary environment therefor, the government will aim to

supplement Japan's overall energy supply and support the expansion of overseas business operations on such technologies.

In addition, the government will push ahead with research and development as well as dissemination of natural gas-fuelled vessels and innovative energy-saving technologies for vessels, and create a new market for achieving reduction of carbon dioxide emissions and high energy efficiency.

(Priority policy action: Creation of smart communities to realize local production of energy for local consumption and their overseas deployments)

In responding to energy shortages resulting from economic development and population growth in emerging economies as well as to reconstruction of infrastructure in the areas affected by the Great East Japan Earthquake, it is necessary, both at home and abroad, to introduce renewable energy in a manner that meets local needs and to create smart communities which are energy systems realizing the absolute saving of energy, while utilizing technologies developed under other priority policy actions.

In Japan, the government will accelerate demonstration experiment projects for smart communities, and promote introduction of smart meters to an extent of 80% of total power demand in the coming five years as well as the expansion of the aggregator business that engages in central management of energy for buildings and other facilities. In addition, the government will reflect the outcomes gained through the introduction of dynamic pricing systems, which is time-based pricing in response to changes in supply and demand, into further deregulation, and establish energy control mechanisms to respond to changes in demand (demand response) in order to promote reform of the electric power system.

On the overseas front, the government will promote expanding globally technologies relating to energy supply-demand control utilizing Japan's storage battery technology. To this end, Japan will undertake demonstration experiment projects jointly with companies of the recipient countries, utilizing the features of Japan's technologies and systems. The government will also conduct negotiations with other governments so as to win their cooperation. While holding governmental talks, public-private missions will be dispatched to participate from the stage of master planning in order to win orders for energy systems.

In addition, the government will establish competitive technologies such as those related to energy control (HEMS, BEMS and CEMS) and storage batteries, and will seek international standardization of those technologies.

[Health and Life Science Growth Strategy]

[2020 targets]

Development of industries and creation of employment matching demand for medical, long-term and health care services: Creation of new market worth about 50 trillion yen and new employment of 2.84 million

(Of the total, economic effects of 1.7 trillion yen and 30,000 new jobs coming from the creation of innovative drugs and medical devices, development and practical application of regenerative medicine, personalized medicine, and lifestyle-support robots, and promotion of advanced medicine; health care service industries creating a market worth 25 trillion yen and 800,000 new jobs)

Japanese companies acquiring some 20 trillion yen of overseas markets for health care-related industries including medical devices and services

[Medium-term targets for fiscal 2015]

Cumulative total of 100 seeds for new drugs studied for eligibility for support from Academia-Industry-Government Network for Drug Discovery Research

800 applications for clinical trials (including 150 from joint international trials and 20 trials led by doctors)

Approval of 30 units of new medical devices

Shift of some 10 studies involving human stem cells to clinical researches or trials

Peripheral services for medical and long-term care in cooperation with medical and long-term care institutions forming a market of 1 trillion yen

In order to transform industries related to medical, long-term and health care services into Japan's growth sectors, to reinforce bases for medical and long-term care services, and to provide the world's highest level drugs and medical devices promptly to the public, the government will steadily implement measures mentioned in the "Five-Year Strategy for Health Care Innovation" (decided on by the Health Care Innovation Council on June 6, 2012). Through the implementation of such measures, the government will promote regulatory and systems reforms while striving to narrow "drug lags" and "device lags." Taking advantage of Japan's advanced production capacity, the government will carry out measures for relevant parties to develop ahead of other countries innovative drugs, medical devices, regenerative medicine products, rehabilitation- and long-term care-related equipment and other products, and to actively promote them in overseas markets.

(Priority policy action: Development of All-Japan support system and environment for clinical researches and trials for creation of innovative drugs and medical devices)

The government will provide integrated support to commercialize excellent results obtained through basic researches at universities and other institutes undertaking research and development programs in priority areas concerning cancer, intractable diseases, hepatitis, infectious diseases and other illnesses. Specifically, the government will establish the “Academia-Industry-Government Network for Drug Discovery Research” within which the National Institute of Biochemical Innovation (NIBIO) will take a pivotal role, linking various drug discovery research institutes. The government will reinforce NIBIO’s institutional capacity and work out its management rules so that NIBIO can fully assume the role of headquarters for the network. The creation of the network will begin in the current fiscal year and will be completed in fiscal 2014. Regarding medical devices, centers for medical-engineering collaboration will be developed or newly established, and overseas expansion along with the provision of medical care services as a package will be promoted.

To develop an implementation framework for international-level clinical researches and doctor-led clinical trials on intractable diseases, the government will establish 15 or so core hospitals for clinical researches by fiscal 2013, which will also have ARO (Academic Research Organization) functions including support for multi-facility joint studies as the central institute of a large-scale network consisting of multiple hospitals.

To promote long-term research and development for innovative drugs, government ministries and agencies will begin studies in fiscal 2012 and take necessary measures by fiscal 2014 at the latest to secure and implement effective and integrated research and development budgets relating to drug discovery by the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare and the Ministry of Economy, Trade and Industry. The study will use measures taken by the NIH (National Institute of Health) of the U.S. as reference.

Furthermore, to expedite the reviews of drugs and medical devices and to accelerate their commercialization, the government will increase the number of staff of the Pharmaceuticals and Medical Devices Agency (PMDA) in charge of review and post-marketing safety and improve their quality, upgrade its advisory functions and conduct studies on the financial base and review fees that would suit the PMDA’s roles.

(Priority policy action: Establishment of regulations and systems based on features of medical devices and regenerative medicine, and promotion of advanced medicine)

To expedite and streamline the reviews of medical devices, the government will aim to submit a bill for revising the Pharmaceutical Affairs Act by the next ordinary Diet session (in fiscal 2013). In this bill, the government will reform the system based on the characteristics of medical devices, establishing provisions therefor under a chapter separate from drugs and improving the approval/certification system for generic medical devices, etc., utilizing registered certification organizations. Prior to the system reform, the government will sufficiently hear the opinions of parties concerned and work on measures to put into practice the operation improvements such as formulating approval criteria and review guidelines, so as to expedite and improve the quality of the reviews.

For regenerative medicine, the government will put it into full-fledged application ahead of other countries to foster it as a world leading industry. To this end, the government will provide intensive support for studies designed to achieve the safety and standardization of iPS (induced pluripotent stem) cells and other globally advanced technologies within the next 10 years or so, by taking study results and progress into account, and promptly generate as many successful cases for practical applications as possible. The government will also carry out policy actions that contribute to the development of industry, such as programs to increase the international competitiveness of peripheral and other relevant industries related to equipment needed for the development and practical application of regenerative medicine. In addition, to accelerate the practical use of regenerative medicine, the government will formulate regulations taking account of features of regenerative medicine products by submitting a bill for revising the Pharmaceutical Affairs Act by the next ordinary Diet sessions (in fiscal 2013) after studying problems and mechanisms regarding promotion of regenerative medicine based on the understanding on the present situation surrounding regenerative medicine research. Besides, the government will promptly launch studies in fiscal 2012 to create a mechanism to promote the practical use of regenerative medicine provided as medical treatment, while sufficiently ensuring the same level of safety as that under pharmaceutical regulations.

As a breakthrough for promotion of state-of-the-art medical care services, the government will carry out studies, with an eye toward taking new legislative measures, with regard to the creation of institution-based special zones different from administrative district-based special zones, special measures concerning regulations, and use of tax, fiscal, and financial support measures, while taking into consideration the achievements realized in special zones for advanced medical care development (Super Special Zone). The study aims to enable university hospitals, companies, research and development institutes and others concerned which undertake advanced

programs to conduct activities on a nationwide basis. In the immediate future, the government will deal with this issue by making use of comprehensive special zones.

(Priority policy action: Realization of Tohoku-originated next-generation medicine by creating a biobank of some 150,000 people)

The government will undertake a health survey of residents in the areas affected by the Great East Japan Earthquake and establish a large-scale biobank of some 150,000 people in collaboration with a medical care information network linking local medical care institutions. While contributing to the health care of local residents through the health checks, the government will lay the foundation for realizing personalized medicine through analytical studies using the biobank under an all-Japan cooperation system, and make it a starting-basis for the realization of Tohoku-originated next-generation medicine (Tohoku Medical-Megabank Initiative).

Toward practical application of personalized medicine, the government will promote cohort studies on healthy individuals and individuals with a disease, the biobank program, and their collaboration, centered on the Tohoku Medical-Megabank Initiative, while developing a medical care information base to safely and smoothly collect, accumulate and share medical and health care information on patients and residents.

(Priority policy action: Use of robot technology to contribute to long-term care service and to create new industries, and expansion of peripheral services for medical and long-term care)

The government will promote cooperation between universities, private research institutes, companies and other entities, which have advanced manufacturing technologies, and long-term care and welfare service providers to develop an environment for the research and development as well as practical use of robot technology to meet the specific needs of service providers and recipients, such as elderly people and long-term care workers. After specifying priority areas, furthermore, the government will establish means of assessing the safety and performance of robots and develop appropriate settings for their demonstration. In addition, the government will provide public support and institutional measures for the creation of a system to certify the safety of lifestyle-support robots in order to realize their widespread use in the country at an early date. The government will also consider providing support for international standardization aimed at overseas operations, such as carrying out overseas demonstrations of long-term care robots, etc., and applying a public benefit scheme to such robots if necessary. Along with the above, the government will expand peripheral

services for medical and long-term care outside public insurance.

These policy actions will help elderly people stay or become independent and improve the quality of their lives, reduce burdens on long-term care and welfare workers, and create new health care and manufacturing industries in Japan. They will also help Japan to harness demand in Asian and other countries moving toward an aging society. In addition, the government will also cultivate potential domestic demand through support for manufacturers and service providers in health care and other areas by utilizing the Bill to Promote Projects to Address Economic and Social Issues, etc.

The government will also address further disease prevention, long-term care prevention and rehabilitation. Also, to create a system for providing more efficient and higher-quality medical care, the government will promote ensuring the availability of doctors in rural areas and revive regional medical care by eliminating regional imbalances in terms of the presence of doctors and utilizing community medical care support centers tasked with securing doctors in regions short of doctors.

[Strategy for Science, Technology and Innovation and ICT]

[2020 targets]

Establish 100 or more research and education centers that are among the top 50 in the world in specific fields

Achieve full employment of people who have completed doctorate courses in the sciences

Generate achievements of green and life innovations that lead the world

Raise combined public and private investments for research and development to 4% or more of GDP

Improve convenience of citizens' daily life and reduce production costs by utilizing ICT

[Medium-term targets for fiscal 2015]

Accept 180 world-leading researchers at international research centers

Achieve 80% or more employment of people who have completed doctorate courses in the sciences

Raise the country ranking in terms of the number of research papers in the top 10% of most-cited papers worldwide

Raise combined public and private investments for research and development to 4% or more of GDP

Join top 5 in rankings for the range and quality of online services in the U.N. e-government development index

To promote the world's top-level research and development and the utilization of their achievements by integrating knowledge of industries, government agencies and academia, the government will reinforce its system for implementing science, technology and innovation policy and promote international programs, development of human resources, reinforcement of basic researches and industry-government-academia collaboration. The government will also promote the development of platforms for growth such as facilitating the utilization of ICT, while accelerating the strategic utilization of space and the ocean, which are a frontier for all humans.

(Priority policy action: Reinforcement of international competitiveness through development of human resources involved in science and technology)

To reinforce Japan's international competitiveness in research and development, the government will establish leading graduate schools which gather studies in the nation's

specialties and will nurture, through an international network, doctorate degree holders who will lead the world in growth sectors. The government will also found research centers which attract excellent Japanese and overseas researchers by creating a favorable environment including cutting-edge joint research facilities and support systems, and which serve as a core of the international brain cycle, as well as establish global, intensive industry-government-academia alliance centers like the Tsukuba Innovation Arena. In addition, based on the “Basic Policy for Reviewing the System and Organization of Independent Administrative Agencies,” decided by the Cabinet on January 20, 2012, the government will study the system, management and consolidation of national research and development institutes and take necessary measures.

By improving science course curriculums at universities and graduate schools and promoting internship programs through industry-academia-government collaboration, the government will support independent studies by excellent young researchers through the promotion of a tenure track system at universities and other research institutes. The government will also appropriately promote the development of human resources, as set forth in the Science and Technology Basic Plan, while managing its progress.

(Priority policy action: Reinforcement of innovations from basic researches to practical application)

In order to facilitate creation of innovations, the very source of Japan’s competitiveness, the government will reinforce a control-tower function for science, technology and innovation policy, led by the Science, Technology and Innovation Strategy Headquarters (tentative name) and under collaboration with the IT Strategic Headquarters, the Intellectual Property Strategy Headquarters and other related administrative agencies. The government will also focus on responses to important policy issues by gathering knowledge from industry, academia and government agencies. In addition, the government’s investments in research and development will be expanded in line with the 4th Science and Technology Basic Plan (decided by the Cabinet on August 19, 2011) which positions science and technology policy as the linchpin of Japan’s national strategy. The government will accordingly review regulations and systems to promote effective and efficient technological development as well as study and implement various measures, such as tax incentives for private research and development investments, to encourage research and development investments.

To implement these policy measures, the government will intensively promote

actions through a system in which industry, academia and government agencies jointly create innovations comprehensively from basic researches to practical use under the collaboration among government ministries, such as future-exploring research and development programs and formation of research bases towards creation of innovations. In addition, the government will thoroughly implement stricter selection and concentration of budgets, elimination of budget overlaps and an increase in budget transparency in accordance with the Action Plan for the Implementation of Important Science and Technology Policy Measures.

(Priority policy action: Thorough utilization of ICT and establishment of solid information and communications infrastructure)

Given the strategic importance of ICT as a foundation that supports the growth of all sectors in Japan, the government will promote introducing the national ID system and an open government, and aim to create a “smart” society by utilizing ICT in administration, medical care, education and many other areas. The government will facilitate use of data held by the public and private sectors, such as the implementation of the “Open Government Data Strategy” (decided by the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society on July 4, 2012), utilization of a wide variety of information in large quantities (“big data”) that became collectible due to advances of ICT, and integration of various fields through use of ICT. The government will also consider and implement measures to encourage new entries, such as the introduction of a frequency auction system, to make more effective use of radio waves towards vitalizing the radio wave business.

Based on lessons learned from the Great East Japan Earthquake, furthermore, the government will build a highly disaster-resilient information and communications network and seek to establish the “New Broadband Super Highway” initiative (realizing broadband service availability at all households by around 2015) through steady implementation of regulatory and systems reforms for the utilization of ICT.

In implementing these measures, especially those related to ICT, it is important to promote them in close coordination among one another. From this perspective, the Council on National Strategy and Policy, in cooperation with the IT Strategic Headquarters, will play a supervisory role in the steady implementation of concrete measures in the Program of Works of this Strategy which incorporates measures that particularly contribute to growth, including those under the “New Strategy in Information and Communications Technology” that comprehensively presents the government’s ICT policy.

[Strategy for Supporting SMEs]

[2020 targets]

Business opening rate constantly topping closing rate

Overseas sales ratio of 4.5% at SMEs (in fiscal 2020)

Dissemination and development of new financial facilities (loans with capital characteristics, debt/equity swap, debt/debt swap, asset-back lending and so forth): 50% increase in implementation thereof (from fiscal 2010), 50% increase in the number of firms listed on markets for start-ups (from 2010)

[Medium-term targets for fiscal 2015]

Equal business opening/closing rate

Overseas sales ratio of 3.5% at SMEs (in fiscal 2016)

Dissemination and development of new financial tools (loans with capital characteristics, debt/equity swap, debt/debt swap, asset-backed lending and so forth): 20% increase in implementation thereof (from fiscal 2010), 30% increase in the number of firms listed on markets for start-ups (from 2010)

The government will restructure the policy for SMEs and smaller-sized enterprises, and intensively work on drastic reinforcement of support for entrepreneurship activities, business start-ups, and fostering of such enterprises, as well as for SMEs' overseas operations, and also work on financial support for SMEs taking the expiry of the SME Financing Facilitation Act into account.

(Priority policy action: Restructuring of policy framework that sheds light on small scale enterprises)

The government will reconstruct policy measures for providing solid support for small scale enterprises and drastically reinforce management support finely tuned to match individual needs, such as creating a new “knowledge support” program, as a comprehensive support package. The government will also upgrade administrative services in a manner friendly to users (simplification of application procedures and smaller-lot subsidies).

To reinforce support for entrepreneurship activities, business start-ups, and fostering of SMEs and venture businesses, the government will implement measures to promote entrepreneurship activities in various stages of business, such as business start-up and entrepreneurship activities aiming to operate globally, those activities by young

entrepreneurs and women, and second start-ups. The government will also provide drastically enhanced management knowledge support at the time of and after the start-up and develop settings for training people wishing to launch venture businesses and for creating market-oriented new businesses.

To support the strengthening and passing on of manufacturing technologies, the government will promote the succession of technologies and skills to the younger generation by creating a meister system as well as fostering and utilizing manufacturing instructors. To help SMEs hire, train and retain human resources, the government will also provide integrated support for local SMEs to help them hire, train and retain necessary human resources, and support SMEs that offer long-term internship programs for young people and homemakers. In addition, the government will promote robust measures to help SMEs revive their operations.

For now, SMEs are hesitant to set out on overseas operations for various reasons such as lack of information, funds and human resources. Against this backdrop, the government will explore SMEs having technologies and products that represent Japanese wisdom, skills and sensibility, and provide seamless support, including the application of official development assistance (ODA), to realize their overseas operations.

These measures will help SMEs lead the growth of the Japanese economy and become global companies in the future while revitalizing them to firmly underpin local employment and society.

(Priority policy action: Support for SMEs in light of the expiry of the SME Financing Facilitation Act)

With the expiry of the SME Financing Facilitation Act and the Enterprise Turnaround Initiative Corporation of Japan (ETIC) being slated for March 2013, the ETIC, SME revitalization support councils and financial institutions will cooperate to strongly promote the improvement of management and revitalization of operations of SMEs. As a considerable number of SMEs are expected to need support, the government will consider creating a new system that will utilize private-sector funds and expertise to support SMEs and prompt their growth.

Regarding financial institutions' programs to improve SMEs' management and revitalize their operations, the government will provide additional support measures for SMEs, such as further provision of information including disclosure, review of the personal guarantee system to limit business owners' guarantees, like personal guarantee contracts with a suspension clause limiting warranties to be borne only when accords

with financial institutions are violated, and the increase in the supply of capital from financial institutions through more active use of non-voting shares, from the perspective of fostering venture businesses and supporting the rehabilitation of their operations.

(ii) Revitalization of food, agriculture, forestry and fisheries

(Overall concept)

Japan's food, agriculture, forestry and fisheries are under serious circumstances, such as declining incomes, serious shortages of workers, and the aging population. Enhancing the competitiveness and soundness of food, agriculture, forestry and fisheries is a critical issue to be tackled without delay.

For this reason, based on the "Basic Policy and Action Plan for the Revitalization of Japan's Food, Agriculture, Forestry, and Fisheries" (decided by the Headquarters for the Revitalization of Food, Agriculture, Forestry, and Fisheries on October 25, 2011), the government will steadily work on reconstruction of East Japan's agriculture, forestry and fisheries, and restoration of consumer confidence in Japanese agriculture, forestry and fisheries products, as well as intensively strive to enhance the competitiveness and soundness of Japan's agriculture, forestry and fisheries and to promote the economies of local communities in the coming five years. In order for Japan's agriculture to play such roles as to achieve a stable supply of food and exercise multifaceted functions in a sustainable manner, the government will foster an enabling environment where motivated farmers can develop their business. The government will also encourage the local communities to formulate a future design for addressing the issues relating to local farmers and farmlands in an integrated manner ("Farmers and Farmland Plan") so as to promote concentrating farmland in the agricultural management entities that will play a central role in the community and securing human resources who will take major roles in Japan's future agriculture. At the same time, based on the "Future Vision of Food," the relevant ministries will jointly accelerate programs to make use of food in health, education, tourism and many other fields.

Through the abovementioned measures, the government will seek to improve the productivity of agriculture, forestry and fisheries and expand their market size, and, toward actualizing robust agriculture, forestry and fisheries where young people will play major roles, revive these industries as promising ones that can attract the younger generation under the progress of globalization, as well as to achieve the food self-sufficiency ratio of 50% described in the "Basic Plan for Food, Agriculture and Rural Areas (decided by the Cabinet on March 30, 2010).

In order to realize a situation where high-level economic partnerships are compatible with the revitalization of agriculture, forestry and fisheries as well as the improvement of self-sufficiency, it is indispensable to resolve issues identified in the "Basic Policy and Action Plan for the Revitalization of Japan's Food, Agriculture,

Forestry, and Fisheries,” and to secure public understanding of the people as well as stable financial resources in addition. Consideration will thus be made in a concrete manner on issues such as the shift of burdens from consumers to taxpayers, reforming direct payment schemes, and formation of a benefit distribution mechanism accrued from opening up the country.

[Agriculture, Forestry and Fisheries Revitalization Strategy]

[2020 targets]

Food self-sufficiency ratio of 50% on calorie basis and 70% on production value basis

Self-sufficiency ratios of 50% or more in timber and of 70% in seafood (for human consumption) (2022)

Food-related market of 120 trillion yen

[Medium-term targets in fiscal 2015]

20,000 young people settling in agriculture every year (by around 2016)

Realization of the field crop agriculture using 20- to 30-hectare per management entities in the case of flat farmland (by around 2016)

"Sixth Industry" market of 3 trillion yen

The government will revitalize Japan's food, agriculture, forestry, and fisheries by undertaking various measures such as an increase of newcomers to agriculture, concentration of farmland, promotion of the industries' conversion into more growing ones or "Sixth Industrialization," utilization of food in health, education, tourism and many other fields, exploitation of resources in rural areas for energy production, promotion of forestry improvement and preservation and use of timber, proper management of fishery resources, and stabilization of fishery entities.

(Priority policy action: Further promotion of the Program for the Direct Payment of Income Support and encouragement of new entries into agriculture)

The government will properly promote the Program for the Direct Payment of Income Support in order for motivated farmers to continue agriculture without anxiety. In the two years through fiscal 2013, the government will intensively encourage local communities to formulate the "Farmers and Farmland Plan," which shows the future direction of local agriculture. In line with the plan, the government will concentrate farmlands in management entities that will play a central role in the community, and pay newcomers benefits to young people entering agriculture. Furthermore, the government will encourage agricultural corporations to offer jobs in farms and various motivated management entities to make effective use of farmland.

In addition, the government will expand demand for rice for use as flour, rice for feed, home-grown wheat, home-grown soy beans and other farm produce, repair and renew core water facilities for agriculture, and work on both supply and demand to

achieve the goal on food self-sufficiency.

(Priority policy action: Realization of promising agriculture, forestry and fisheries through “Sixth Industrialization”

To generate employment and income in rural areas, encourage young people’s entry into the industries, and settle rural areas, the government will support the development of new products and sales channels for “Sixth Industrialization” as well as foster and utilize experts (e.g. Sixth Industrialization Planners) to give advice to farmers and others. After the enactment of the bill on the organization for supporting conversion of agriculture, forestry, and fisheries into a growth industry, the organization will be established to provide a package of investment and hands-on management support for business entities addressing “Sixth Industrialization” of their businesses.

To enhance the safety of home-grown agricultural, forestry and fishery products and food, the government will promote safety-improvement activities from farms to households based on scientific evidence. The government will also promote the food traceability program as well as labeling of raw material origin and of genetically modified food. Furthermore, the government will promote activities related to GAP (Good Agricultural Practice), HACCP (Hazard Analysis and Critical Control Points) and plant factories so as to rebuild home-grown products’ features such as “tasty,” “safe” and “environment-friendly.”

In addition, the government will promote creation of new industries utilizing intellectual property and cutting-edge technologies, such as early introduction of a system for protecting geographical indications, practical application of a production system with skilled farmers’ know-how converted into data (agri-informatics system), among others. The government will also promote efforts to utilize “food” in health, education, tourism and many other fields, based on the “Future Vision of Food,” inscribe Traditional Dietary Cultures of the Japanese as an intangible cultural heritage, utilize biomass, collaborate with measures against the damage caused by wildlife, vitalize the domestic market for food industries and cultivate overseas markets. Moreover, the government will also promote the introduction of solar power, small-scale hydraulic power, wind power, geothermal power, biomass and other renewable energy sources as well as independent and distributed energy supply systems in rural areas in harmony with the healthy development of agriculture, forestry and fisheries.

In order to revitalize forests and forestry by maximizing the utilization of forest resources in Japan and to establish sustainable forestry management and a stable system

to supply home-grown timber, the government will carry out a program of direct payment for forest management and environmental protection, improve road networks, integrate forestry operations, and nurture foresters and other human resources. The government will also promote the management and conservation of forests for maximizing their functions for absorption and storage of carbon dioxide, and the use of timber in public buildings and other places. In addition, the government will promote the proper management of fishery resources and stabilization of fishery entities through such measures as resource management and fishery income compensation measures, introduction of energy- and cost-saving high-performance fishery vessels, collaborative works, and high-level quality hygiene control measures at major distribution bases.

(iii) Revitalization of financial capital markets through new capital flows

(Overall concept)

To reinforce Japan's growth potential, important are bold and effective regulatory reforms to link seeds of growth to commercialization and other measures which stimulate innovations and demand that will lead to economic growth in a variety of fields. An increase in the supply of funds for growth to finance the start-up of new businesses under the proper division of roles between the public and private sectors is also indispensable. Economic revitalization is hampered partly because not enough risk-taking funds are available to business start-ups. Furthermore, since financial and real estate businesses, serving as intermediaries of capital flow, are growing at a sluggish pace, they are required to properly play such roles so that they can help enhance the nation's growth. To this end, the supply of funds to finance the growth of companies, rehabilitation and/or consolidation of operations, and foundation of new businesses needs to be expanded. Also necessary is to provide adequate funds needed to new growth industries and markets while sorting out businesses. Japan therefore will reinforce the functions of its financial and capital markets, and also seek to strengthen the growth potential and competitiveness of its financial industry and to vitalize the real estate investment market. In so doing, Japan will conduct more deep analysis on structural problems in its capital flow and the future direction of its macroeconomics and balance of payments structure, and, based on its results, will promote creating an appropriate environment and systems inductive to investments by households as well as an environment to facilitate new fund-raising, and reinforcing functions of financial institutions and markets by taking industrial revitalization into account. Japan will henceforth aim to establish a capital flow structure that will be incorporated with the Asian financial capital markets, creating a cycle in which funds for growth will be provided to companies and their fruits of growth will be in turn funneled to those companies for further growth.

[Financial Strategy]

[2020 targets]

Adoption of defined-contribution pension schemes by 20,000 companies; 20% of businesses adopting employee matching contributions; 80% of businesses adopting on-going investment education; investments totaling 25 trillion yen through the Japanese version of the ISA (Individual Saving Account); establishment of investment funds totaling 15 billion yen by the Hometown Investment (small-lot investment for local community revitalization) Platform; doubling of assets in J-REITs (from fiscal 2011)

Contribution to creation of "Sixth Industry" market of 10 trillion yen through a fund for conversion of agricultural and fisheries businesses into growth sectors (assuming necessary legislation passes the Diet) and other policy measures; PFI (private finance initiative) projects totaling at least around 10 trillion yen, including investments by public-private infrastructure funds, in 2010 to 2020; business opening rate constantly topping closing rate

Dissemination and development of new financial facilities (loans with capital characteristics, debt/equity swaps, debt/debt swaps, asset-backed lending and so forth): 50% increase in implementation thereof (from fiscal 2010); and 50% increase in the number of companies listed on markets for start-ups (from 2010)

Creation of Asia's top integrated exchange by luring funds from all over the world; single most advanced and stable market in Asia; core of capital circulation both in Japan and rest of the world including Asia (continuous increases in inward/outward direct and indirect investments); doubling in size of Asian bond market (from 2011) (Six ASEAN nations); contribution to overseas sales ratio of 4.5% at SMEs (in fiscal 2020); contribution to establishment of position as major infrastructure development country and market size of 19.7 trillion yen.

[Mid-term targets for fiscal 2015]

Adoption of defined-contribution pension schemes by 17,000 companies; 10% of companies adopting employee matching contributions; 65% of companies adopting on-going investment education; establishment of investment funds totaling 5 billion yen by the Hometown Investment (small-lot investment for local community revitalization) Platform; 40% increase in assets in J-REITs (from fiscal 2011)

Contribution to creation of "Sixth Industry" market of 3 trillion yen through a fund for conversion of agricultural and fisheries businesses into growth sectors (assuming

necessary legislation passes the Diet) and other policy measures; equal business opening/closing rate

Dissemination and development of new financial facilities (loans with capital characteristics, debt/equity swaps, debt/debt swaps, asset-backed lending and so forth): 20% increase in implementation thereof (from fiscal 2010); and 30% increase in the number of companies listed on markets for start-ups (from 2010)

Rise of 50% in size of Asian bond market (from 2011) (Six ASEAN nations)

To facilitate the supply of funds for growth to actors in need, Japan will promote the supply of funds from household financial assets and the creation of public-private partnerships to utilize private-sector funds and expertise by using the public-sector funds as an inducement. Keeping in mind the expiry of the Act on Temporary Measures to Facilitate Financing for SMEs, etc. (SME Financing Facilitation Act), Japan will reinforce support for SMEs in their management. In addition, Japan will seek to establish itself as a main international financial and capital market and expand the overseas presence of Japanese companies and financial institutions.

(Priority policy action: Expanding the supply of funds for growth by supporting the accumulation of household financial assets)

Japan will consider ways of encouraging the transfer of assets from senior generations to younger generations from the perspective of utilizing financial assets held by Japanese households for education and making effective use of real estate. At the same time, Japan will disseminate and enhance the defined-contribution pension scheme by expanding the amount of contribution and by promoting diversified investments, and conduct necessary studies regarding the Japanese version of the ISA (Individual Savings Account) from the perspective of providing a broad range of households with opportunities to accumulate assets through long-term, diversified investments in assets in and outside Japan. Japan will thereby support and promote the accumulation of assets based on self-support efforts by households and seek to expand the supply of funds for growth from them. In addition, in order to create new flow of funds that reflect the intentions of households, Japan will launch the Hometown Investment (small-lot investment for local community revitalization) Platform through public-private partnerships and promote the establishment of investment funds targeting local traditional industries and social businesses as well as business start-up activities by young people and women. Japan will also establish a system for effective utilization of dormant deposits as a source of funds for growth. Moreover, Japan will seek to

overcome asset deflation by invigorating the real estate investment market through the revitalization of the J-REIT market and the development of systems for enhancing real estate securitization schemes.

(Priority policy action: Expanding the supply of funds through policy finance and public-private partnerships)

In order to ensure sustainable growth of the Japanese economy, it continues to be important to supply funds seamlessly through public-private partnerships by taking advantage of private-sector funds and expertise and also by using public funds as an inducement to attract more funds. To that end, regarding public and quasi-public funds including funds held by the Government Pension Investment Fund, which total around 100 trillion yen, Japan will consider the possibility of using them in fields with growth potential from the perspective of establishing itself as an investment-management-oriented country while taking into consideration the nature of the funds. In addition, with regard to the Emergency Facility for Responding to the Yen Appreciation, Japan will promote more effective use thereof in light of its purpose. Moreover, to further strengthen support for early-stage cases, the human and institutional capacity of Innovation Network Corporation of Japan will be enhanced. Japan will also provide financial support for business start-up and entrepreneurship activities aiming to advance into the global market as well as activities by young people and women and “secondary start-ups” (existing businesses moving into new fields). Further, Japan will make active use of fiscal investments and loans in light of the importance of taking fiscal measures without depending on taxes as a revenue source.

(Priority policy action: Support for SMEs taking the expiry of the SME Financing Facilitation Act into account) -- Reposted

(Priority policy action: Establishing the position of Japanese companies, financial institutions and markets in Asia)

For Japan to ensure future economic growth, it is important to promote direct and indirect investments in Asia and harness the benefits of the growth of Asia by attracting Asian investments in Japan at the same time. Therefore, Japan will strengthen the competitiveness of Japanese financial institutions through deregulation and other measures. Japan will also create an integrated exchange and implement measures to increase convenience for investors so as to induce inward investment and establish Japan as Asia’s financial center by making the Japanese financial and capital markets

more attractive. In addition, by utilizing relevant government organizations, Japan will support Japanese companies' advance into Asian markets and seek to establish public finance programs to enable local-currency denominated finance and overseas-based transactions, for which Japanese companies operating abroad have growing needs.

(iv) Tourism promotion

(Overall concept)

With the regional economies stagnating amid the lower birthrate, aging society and declining population, revitalizing regional economies and creating job opportunities locally are of importance, particularly by stimulating domestic tourism demand through activating the movement of visitors within Japan. It is also important to promote inbound tourism to reinforce Japan's growth by attracting more inbound international visitors from rapidly-growing regions such as Asia. On the unprecedented events of the Great East Japan Earthquake, the nuclear power plant accident, and the appreciation of the yen, international visitor arrivals inevitably dropped. The number is currently recovering, but the prospects require continuous attention.

Tourism promotion, which shows the glory of a nation, is essential to Japan's revitalization. Overcoming reputational damage from the nuclear power plant accident is an imminent task. With 30 million inbound visitors as a long-term goal, the government will implement a number of policy measures: improvement of the environment for receiving tourists, more efficient travel methods for tourism, all-Japan inbound travel promotion under enhanced public-private partnerships and consideration of immigration control methods that are expedited, smooth and strict. The government will also launch vacation/holiday reforms and implement measures to become a tourism nation by developing value-added tourism sites and branding Japan's tourism.

[Tourism Nation Strategy]

[2020 targets]

25 million inbound international visitors by the beginning of 2020, toward 30 million in the future

Economic effects of 10 trillion yen and 560,000 new jobs, associated with 25 million visitors

Market share of LCCs in the total domestic and international air passenger transport comparable to the U.S. and Europe, about 20% to 30%, by creating additional air transport demand

Creation of 1 trillion yen domestic tourism demand through vacation/holiday reforms

[Medium-term targets for fiscal 2015]

18 million inbound international visitors(2016)

Maximum waiting time of 20 minutes for international visitor passport control at airports (fiscal 2016)

Domestic travel consumption amounting to 30 trillion yen (2016)

The number of international conference sessions held in Japan to increase by 50% or more from year 2010 level of 741(2016)

The government will work towards recovering the tourism demand, which dropped following the earthquake disaster and the nuclear power plant accident, and implement a number of policy actions to increase inbound international visitors and improve the receiving environment. At the same time, the government will promote such measures as development of attractive tourist areas that domestic and international visitors pick up as a destination, improvement of tourism methods in terms of safety, convenience and cost, and vacation/holiday reforms, which can substantially stimulate tourism demand.

(Priority policy action: Measures to attract more inbound international visitors and improve the receiving environment)

The government will implement all-Japan inbound travel promotion through enhanced partnerships between the government (related ministries and agencies, and diplomatic missions), local governments, and business. The first priority is to achieve a recovery from the weak inbound travel demand brought by the Great East Japan Earthquake, by tackling reputational damage. Along with the market-specific targets,

the government will efficiently and effectively draw more visitors, especially from middle class people of Southeast Asia and other emerging countries where remarkable growth and expansion of prospective visitors can be expected in the future, as well as from high-income class people of such countries whose travel expenditure can be an economic boost. In addition, the government will develop an environment for receiving international visitors, such as enhancing the functions of tourist information centers.

Moreover, from the viewpoint of facilitating immigration procedures for inbound international visitors, the government will consider and promote measures which contribute to expediting the passport control process for non-residents, including automating the process for Japanese people. The requirements for issuing short-term visas to inbound visitors from Southeast Asia and other emerging countries will be reviewed. Furthermore, the government will negotiate open sky agreements/arrangements to regions and countries beyond Asia, while improving the receiving facilities in response to an increase in international airline arrivals/departures by strengthening the functions of the Tokyo metropolitan area airports, as well as reviving and enhancing the international competitiveness of Kansai International Airport.

(Priority policy action: Measures to stimulate tourism demand)

The government will develop the environment for facilitating market entry of LCCs (Low-Cost Carriers) and business jets, and review the technology-related regulations serving for reducing costs of air carriers on the premise of safety. In order to promote market entry of LCCs, the government will work to realize management reforms of government-owned airports, establish a flexible landing fee system and thus realize truly attractive airports that can play the core role in regional revitalization. Meanwhile, the government will promote "new tourism" which aims to meet diverse tourist needs by making use of local features, including eco-tourism, sports tourism, tourism linked with medical care, etc. The government will also strive for the hosting and attraction of MICE (Meetings, Incentives, Conventions, Exhibitions and Events), such as international trade fairs and conferences. Other policy measures to be taken by the government include developing the environment for creating attractive tourist areas by incorporating local nature and culture. More concretely, the government will; strategically provide support to those areas based on performance evaluation, establish routes on specific travel themes, achieve better safety and convenience of transportation infrastructure, and study the methods to realize lower travel costs.

In addition, in order to generate additional demand and revitalize regional

economies, the government will promote vacation/holiday reforms, such as flexible school days-off and consecutive holidays, thereby diversifying vacation/holiday schedules.

(v) Promotion of economic partnerships and harnessing of the world's growth potentials

(Overall concept)

Harnessing global demand, including demand in the Asia-Pacific region, is vital for Japan to continue and increase economic growth. In order to leverage the world's growth potentials and to contribute to the world economy, Japan needs to proactively promote high-level economic partnerships and play leading roles in creating new trade and investment rules. From these perspectives, the government will pursue strategic, multifaceted economic partnerships with key trade partners and a wide variety of other countries. In concrete terms, to realize the Free Trade Area of the Asia-Pacific (FTAAP), the government will push ahead with negotiations with Australia and Canada, resume negotiations with the Republic of Korea, and aim to promptly start negotiations on regional economic partnerships such as the Japan-China-ROK Free Trade Agreement (FTA) for which agreements have been reached to start negotiations by the end of this year and the Regional Comprehensive Economic Partnership (RCEP) in East Asia. Regarding the Trans-Pacific Partnership (TPP) Agreement, the government will proceed with consultations with countries concerned toward participating in the negotiations. The government will also aim at promotion of negotiations with Mongolia and early launching of negotiations with the EU, etc. In particular, the government will comprehensively strengthen all aspects of its relationship with the EU. With regard to the World Trade Organization (WTO), the government will first aim at early conclusion of negotiations to expand the Information Technology Agreement (ITA), which is strongly called for by industry, while continuing to take positive actions toward conclusion of the Doha Development Agenda negotiations.

Meanwhile, the rapid yen appreciation involves a risk of accelerating overseas transfer of total supply chains, even in the materials manufacturing sector that has seen a relatively low overseas production ratio so far. This would pose serious concerns on rapid industrial hollowing-out. The government needs to implement effective measures that will underpin the growth of SMEs and other businesses, including improvement of the domestic business environment.

Capturing growing overseas markets is vital to Japan's development, but many companies even with high technical capabilities or expertise are missing out on business opportunities because of their poor access to overseas markets. The government will seek maximum use of Japan's advantages fostered in the environment and infrastructure sectors as well as sectors involving content and other intangibles, and utilize

public-private partnerships (PPP) and international standards, while strengthening intellectual property protection, so as to create a system to facilitate the expansion of business activities on a global scale mainly in Asia and to bring back overseas business outcomes to Japan. Through this, the government will foster Japan as an Asian business center. Additionally, by utilizing the benefits of yen appreciation, the government will encourage overseas M&A projects and enhance resources procurement efforts through public-private sector partnerships. Furthermore, in order to help Japanese companies conduct overseas operations, the government will continue to take measures that will lead to improving the activity environment for Japanese companies operating abroad and overseas Japanese people.

[Asia-Pacific Economic Strategy]

[2020 targets]

Building of the Free Trade Area of the Asia-Pacific (FTAAP) and doubling of the flow of people, goods and capital

About 80% of Japan's trade with EPA partners

Market worth 19.7 trillion yen created through overseas deployment of integrated infrastructure systems

Development of 36,000 human resources for industry in emerging countries

Construction industry receiving new orders of 2 trillion yen or more in overseas market per year

Cool Japan-related market worth 17 trillion yen

Doubling of inward direct investment position to 35 trillion yen

Doubling of the number of highly-skilled international personnel in Japan

Increase in the overseas market sale ratio of major logistics companies to 50%

The export value of agricultural, forestry and fisheries products and food to a 1 trillion yen level

[Medium-term targets for fiscal 2015]

About 30% of Japan's trade with EPA partners

Market worth about 10 trillion yen created through overseas deployment of integrated infrastructure systems

Development of 16,000 human resources for industry in emerging countries

Construction industry receiving new orders of 1.5 trillion yen or more in overseas markets per year

Cool Japan-related market worth 9.3 trillion yen (fiscal 2016)

Increase of the high-value added sites (Asian regional headquarters and R&D facilities) by 120

Increase in the overseas market sale ratio of major logistics companies to 40%

The export value of agricultural, forestry and fisheries products and food to about 700 billion yen (2016)

While pursuing strategic, multifaceted economic partnerships with a wide variety of countries, the government will build a system for expanding Japanese companies' overseas business operations and bringing back the outcomes of such overseas business to Japan. In addition, the government will promote Japan as an Asian business center

and work to encourage overseas M&A projects and enhance resources procurement efforts through public-private sector partnerships, thereby expanding the flow of people, goods and money.

(Priority policy action: Promotion of economic partnerships including establishment of the Free Trade Area of the Asia-Pacific (FTAAP))

Toward the realization of the FTAAP, the government will aim at the followings: (a) promotion of negotiations with Australia and Canada; (b) resumption of negotiations with the Republic of Korea; and (c) prompt start of negotiations on regional economic partnerships such as the Japan-China-ROK Free Trade Agreement (FTA) for which agreements have been reached to start negotiations by the end of this year and the Regional Comprehensive Economic Partnership (RCEP) in East Asia. Regarding the Trans-Pacific Partnership (TPP) Agreement, the government will proceed with consultations with countries concerned toward participating in the negotiations, and after collecting further information on what each country expects Japan to do and undergoing sufficient national debate, reach a conclusion on the TPP from the viewpoint of national interests. The government will also aim at promotion of negotiations with Mongolia and early launching of negotiations with the EU, etc. Toward reinforcing high level economic partnerships, the government will continue to actively engage in reform of non-tariff measures, including the study and implementation of necessary regulatory reforms.

(Priority policy action: Support for overseas deployment of integrated infrastructure systems)

By combining Japan's world-leading environmental and energy-saving technologies, security- and safety-related technologies as well as Japan's wealth of experience and know-how, and promoting overseas operations in the infrastructure sector, such as water, power generation, and railways, through public-private sector partnerships, the government will harness the world's growth potentials for Japan's growth, while at the same time supporting development of infrastructure, which serves as the foundation for economic growth and safe society in Asia and other countries. Based on the "Program for Promoting Overseas Deployment of Integrated Infrastructure Systems" (decided by the Ministerial Meeting on the Overseas Deployment of Integrated Infrastructure Systems on June 27, 2012), the government will provide support for formulating infrastructure projects that utilize Japan's technology and know-how by engaging in the planning stage of a wide-area development project, reinforcing the capability to explore

and formulate infrastructure projects, and so on. At the same time, the government will vigorously support Japanese companies to receive orders for infrastructure projects and achieve successful results through measures including strengthening of the capability of alliances and each player for receiving orders covering "from upstream to downstream," enhancement of cost competitiveness and differentiation, promotion of use of infrastructure project expert officials, and intensification of public finance support. Furthermore, the government will expand the scope of support by adding disaster resilient infrastructure, and environment-friendly cities to the target fields, and including emerging countries not only in Asia, but also those in the Middle East and Latin America etc. in the target regions.

(Priority policy action: Cultivation of the world's growth markets, such as middle-class people in emerging countries, and promotion of Cool Japan)

The government will provide support so that Japanese products that offer high quality in various respects including environmental performance and safety, as well as efficient and high-quality Japan-originated services, will become widely spread out among middle-class people (the volume zone) in emerging countries, thereby creating a positive cycle of bringing better lives to the people in emerging countries and growth for Japanese companies. Specifically, the government will support the business operations of SMEs and other Japanese companies in emerging countries by reinforcing support for the development of necessary infrastructure and systems as windows for companies to advance into overseas markets, encouragement to the governments of those countries to improve their business environments, and provision of information on businesses, and by actively promoting support for fostering and securing Japanese and non-Japanese human resources necessary for business in emerging countries, as well as building a framework for supporting overseas operations of the service industry, construction industry and other relevant industries.

In addition, in order to demonstrate Japan's world-class technical capabilities, designing abilities and brand strengths to the maximum, and to increase the international competitiveness of Japanese industry, the government will vigorously implement its international standardization strategy with special emphasis on the specific strategic fields in which Japan has an advantage. Moreover, the government will implement with strength overseas promotion of Cool Japan in such fields as motion pictures and other contents, design, fashion, traditional culture, tourism, food and media art, as well as the revitalization and international publicizing of regions through the development of so-called creative industries. In doing so, the government will reinforce

an all-Japan publicizing framework, and strengthen collaborations between consumer goods industries, which are already internationally competitive, and creative industries, so that they can create a synergetic effect. Furthermore, the government will actively promote the development of an environment for creating new media, such as promotion of smart TV, and their global deployment.

(Priority policy action: Expansion of the inflow of people, goods and capital, and promotion of Japan as an Asian business center)

The government will work towards attracting overseas companies through steady implementation of the "Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan" and follow-up on the program, enforcement of the Act for Promoting Japan as an Asian Business Center, promotion of utilizing relevant incentive programs such as special zones for reconstruction, and enhanced communication activities on investment-related information. With regard to corporate tax, when the period of special corporation tax for reconstruction expires at the end of fiscal 2014, the lowered effective tax rate will be realized. After this period, the government, with the objectives set in the New Growth Strategy in mind, will continue to study a desirable corporate tax rate from the viewpoint of expanding employment and domestic investments, while evaluating the effects of the tax rate reduction and assessing the competition conditions with other major countries.

In addition, in order to attract competitive overseas human resources to Japan, the government will smoothly implement the point-based system which provides preferential immigration treatment for highly-skilled international personnel. The government will also conduct studies as needed concerning non-Japanese people with expertise or special skills who are unable to meet the requirements under the present immigration rules and therefore cannot obtain the status of residence for engaging in work in Japan, while continuing to monitor the relevant needs for such people and taking into consideration the impacts on the labor market, industry and daily life in Japan. Moreover, continued efforts will be made to smoothly accept international candidates for nurses and certified careworkers under economic partnership agreements (EPAs).

Furthermore, in order to further expand and acquire logistics markets in Asia and other parts of the world, the government will promote overseas deployment of Japanese logistics systems by establishing the Northeast Asia Logistics Information Service Network (NEAL-NET) and other measures.

(Priority policy action: Promotion of export of agricultural, forestry, and fisheries products and expansion of overseas markets of Japanese food such as “*kokushu*” (national alcoholic beverage))

In order to raise the export value of agricultural, forestry, and fisheries products and food, which has fallen due to the impact of the nuclear power plant accident, to a 1 trillion yen level by 2020, the government will reinforce efforts to promote exports of agricultural, forestry, and fisheries products and food by encouraging other countries to ease their import restrictions, establishing a system for carrying out marketing as a national strategy, accelerating consultations on quarantine, and communicate information on Traditional Dietary Cultures of the Japanese to the world.

In addition, as one of the model efforts to exploit markets through global marketing with a view to harnessing overseas demand in addition to domestic demand, the government will work on improvement of a comprehensive environment for promoting exports of “*kokushu*” (national alcoholic beverage) and other Japanese alcohol under public-private sector partnerships, including such measures as abolishment or easing of other countries' import restrictions, lowering of tariffs, and strengthening of marketing efforts overseas through diplomatic missions and JETRO, etc.

Through the accumulation and utilization of successful outcomes through the above measures, the government will strive to expand the overseas markets for Japanese food.

(2) Revival of a broad middle class

Japan's revitalization requires not only achieving economic growth, but also creating an environment where social stability is ensured, and in which people can perceive growth clearly, and hold hopes for the future. Incentives for success and a safety net in case of failure are also necessary. Today, the income level for the so-called middle class belonging to the middle-income group is declining overall. There is a general trend of impoverishment, which imposes on the middle class various problems and anxieties.

For this reason, the government will strive to achieve inclusive growth, where all people participate in supporting the economy and society and where a broad range of people in society can enjoy the benefits of economic growth, and will aim to revitalize a broad middle class through creating job opportunities, improving job quality and providing education. Since human resources are the very "assets" of Japan, and "investment in the next generation" is the key to opening up Japan's future, the government will implement a "human assets strategy" for encouraging all people to participate in such activities and for fostering the next generation, while taking measures against the falling birthrate. To this end, for revitalizing the current middle class, the government will work to provide an attractive business environment in Japan, push ahead with fostering human resources capable of addressing industrial structural changes or new international role-sharing, and also provide job opportunities serving as the foundation for daily life, aiming to realize a society in which all citizens can participate. In addition, the government will strive to revitalize community-based, sustainable, and vigorous local societies. Through these policy actions, the government aims to create a society in which everyone can participate and mutually support one another.

(i) Building of social infrastructures and basis of living for everyone

(Overall concept)

Industrial structure has been changing due to stiffer competition with cheap overseas labor forces caused by globalization, as well as decreased demand for routine works through the diffusion of ICT. Against this backdrop, the low-income class with annual income of 2 million yen or less is expanding, and unstable employment is increasing with non-regular employment accounting for more than 30 percent of workers. Consequently, people feel it more difficult to hold a vision of leading a better life by working like before. Amid these circumstances, anxiety about the future is growing among the middle class and younger people, who have supported Japan to date, and there are concerns about widening gaps and overall impoverishment.

For this reason, aiming to realize a society in which all people can participate, the government will first work to revitalize the economy and create job opportunities of high-quality in new industries and local communities. The government will also provide support for education and employment for young people who will likely be serving as the new middle class in the future, encourage women to play active roles by realizing a society where both parents can work and feel at ease in raising their children, create an appropriate learning and working environment for women, senior citizens, etc., secure “a place to belong” and “a role to play” for senior citizens to demonstrate their eagerness and abilities, encourage disabled persons to get jobs, and develop an appropriate environment that allows people to achieve an adequate work-life balance and that ensures diversified working-style options. In addition, by eliminating mismatches between education and employment, and pushing ahead with the creation of a new “trampoline-style” safety net, the government will strive to create favorable condition for all people to become motivated and demonstrate their abilities, aiming to attain "decent work." Furthermore, the government will take measures against the falling birthrate, and work to enhance and improve school education and child care for preschool-age children, as well as reinforce systems related to children and child care.

The government will pursue forming a kind of “social compact” among the government, labor, and business sectors so that young people can work with hopes and dreams and women and senior citizens will also be able to play more active roles, and aim at appropriate employment practices where both regular and non-regular workers will be treated with fair working conditions based on the value of their labor. In addition, the government will strive to build new social models, reflecting ever-changing family lifestyles as well as an increased number of dual income households. The government

will present new model solutions for the challenges, aiming to create a society full of opportunities, without disregarding the outstanding capabilities and diligence of Japanese people.

[Strategy for Livelihood and Employment]

[2020 targets]

Employment rate of 80% for people aged 20–64, employment rate of 57% for people aged 15 or over

Employment rate of 77% for people aged 20–34, 1.24 million young freeters (Job-hopping part-timers), 100,000 NEETs (Not in Education, Employment or Training) finding a career path through the Regional Youth Support Station project

Employment rate of 73% for women aged 25–44, rate of women who continue employed after giving birth to their first child to 55%, rate of men taking child care leave to 13%

Employment rate of 63% for people aged 60–64

Acquisition rate of annual paid leave to 70%, a 50% reduction in the percentage of employees working 60 hours or more per week

A 30% reduction in the number of industrial accidents, mental health-related measures accessible at all workplaces

[Medium-term targets for fiscal 2015]

Employment rate of 77.4% for people aged 20–64, employment rate of 57% for people aged 15 or over

Employment rate of 75.4% for people aged 20–34, 1.65 million young freeters, 60,000 NEETs finding a career path through the Regional Youth Support Station project

Employment rate of 69.8% for women aged 25–44, rate of women continuing employed after giving birth to their first child to 50%, rate of men taking child care leave to 8%

Employment rate of 60.1% for people aged 60–64

Acquisition rate of annual paid leave to 59%, percentage of employees working 60 hours or more per week to 7.4%

A 15% reduction in the number of industrial accidents, percentage of workplaces making efforts to provide mental health care for workers to 67%

The above 2020 targets are those reached consensus among the government, labor, and business sectors at the Employment Strategy Dialogue hosted by the Prime Minister with the participation of labor and business leaders and experts. The numerical targets for 2020 and medium-term targets are based on the New Growth Strategy's overall goal of achieving average economic growth of approximately 3% in nominal terms and

2% in real terms in the period to fiscal 2020.

The government will promote strategic measures whereby the entire society will support the fostering of robust young people who can explore their working lives by themselves, and the "Action Plan for Economic Revival through Women's Active Participation" (decided by the Ministerial Council on the Promotion of Economic Revival through Women's Active Participation on June 22, 2012). In addition, the government will intensively work on measures to implement strategic livelihood support through creating a framework of support for needy persons and systematically providing support services for self-sustained livelihood, and measures to ensure safety and security for consumers such as enhancing and strengthening administrative capacity on local consumer protection. At the same time, to help people lead a secure life through working, the government will strive to improve job quality by realizing equal and balanced treatment so that equal payment be ensured for equal work and achieving a healthy work-life balance.

(Priority policy action: Promotion of strategic measures toward growth bringing in young people)

In order to achieve growth bringing in young people given the difficult employment situation they face, the government will implement the "Employment Strategy for Young People" (agreed by the Employment Strategy Dialogue on June 12, 2012) under a consensus of the government, labor and business sectors as well as academia, as medium- to long-term comprehensive measures. The government will work to achieve equal opportunities and enhance career education by supporting school enrolment, implementing organized and systematic career education from the first year of upper secondary schools, universities, etc., and building a career education support framework in which relevant institutions of the region mutually collaborate. In addition, the government will eliminate mismatches between education and employment by establishing a complete linkage between the consultation- and support-functions of schools and the matching function of Hello Work (the Public Employment Security Offices), and supporting the matching between job-seekers and SMEs. Moreover, the government will support career development by providing seamless support through the services of Regional Youth Support Stations to its out-reach (home-visit support) programs and collaboration with schools in all parts of Japan, implementing evaluation and certification systems for practical occupational skills in growth fields, and fostering core experts in those fields. The government will also establish a Council for Promoting

the Employment Strategy for Young People under the Employment Strategy Dialogue to promote, publicize, and verify these measures.

(Priority policy action: Economic revitalization by promoting women's active participation)

In order to achieve economic revitalization through women's active participation in the workforce, it is necessary to reform the awareness of men, including corporate leaders, and to take drastic positive actions. It is also important for government employees to take the initiative so as to show how serious the government is in taking such actions. From such viewpoint, based on the "Action Plan for Economic Revival through Women's Active Participation," the government will take various measures including those to make the progress of women's active participation in companies more visible, implement the "marketing strategy for promoting women's success at work and activating companies" whereby the government will directly encourage companies to take measures by setting specific targets, promote business management that makes use of the diversity of human resources such as introducing an awards program or providing information on successful case examples, encourage men to take child care leave, support women's entrepreneurship activities and re-employment, develop and support mentors and role models, and foster such social sentiment through promotion of career education including life-planning support from an early stage of school education.

With regard to these measures, the Ministerial Council on the Promotion of Economic Revival through Women's Active Participation will formulate a Program of Works by the end of 2012, and the entire government ministries and agencies will mutually collaborate in implementing the measures.

(Priority policy action: Implementation of strategic livelihood support)

In order to promote "social inclusion" policies for facilitating individual citizens to participate in society and demonstrate their potentials, and to enable them to live self-sustained lives without relying on public assistance, the government will formulate a "livelihood support strategy" (tentative name), aimed at comprehensively working on measures for needy persons and the review of the public assistance system, by around fall of 2012, and will implement the strategy thereafter.

Specifically, the government will develop a medium-term plan for improvement and enforcement of the support frameworks for needy persons, so as to systematically enhance such frameworks. In addition, the government will consolidate support systems for needy persons, including provision of comprehensive personal support, ensurance of

diverse job opportunities, and measures to break the cycle of poverty such as providing opportunities for relearning, in cooperation with private organizations such as NPOs and social welfare corporations. At the same time, the government will further enhance its support for employment and other measures so as to help people live a self-sustained life, and consider a revision of the public assistance system, including an amendment of the Public Assistance Act, from the viewpoint of thoroughly implementing measures against illicit receipts of public assistance such as strengthening the investigation authority of the national and local governments.

(ii) Development of human resources that will support Japan's economy and society

(Overall concept)

While more than 50 percent of upper secondary school graduates move on to universities, etc., and the employment environment for new graduates from school in March 2012 saw some signs of improvement with the employment rate of university graduates marking 93.6% (as of April 1, 2012), the situation still requires measures for improvement. With peoples' demand for goods and services changing, workers are expected to acquire such vocational abilities that can meet the ever-changing industrial structure, like those to promote innovation that reflects such changes.

Amid these circumstances, about 30 percent of newly hired university graduates leave their jobs within three years, as do about 40 percent of upper secondary school graduates. The number of university and graduate school graduates who are not in education, employment, or training is also increasing. There are some mismatches between what universities focus on in the education they provide and what the business sector expects from universities. In addition, with international competition growing harsher and non-regular employment increasing, it is becoming more difficult to acquire skills through internal corporate training alone as has been the practice to date.

It is necessary to develop human resources with affluent wisdom through measures such as provision of education that brings out young people's big ambitions to become pioneers of a new age and fosters their abilities to think and learn on their own. Based on the need for human resources who are indispensable to responding to industrial structure changes and new international role-sharing, the government will redesign the human resources development systems for strategically strengthening the mechanism to link knowledge and information with society and markets through industry-academia-government partnerships, and thereby improve the quality of human resources and train diverse personnel capable of meeting various needs. The government will also promote support for school enrollment, such as scholarships, to prevent young people from giving up education due to financial reasons.

In view of the above, aiming at achieving inclusive growth of the Japanese economy, the government will work together with industry and academia sectors to enhance technical and vocational education and training programs in growth areas and skilled manufacturing fields as well as those programs to help people self-sustained by fostering highly-skilled or highly-technical and specialized self-employed people and sole proprietors, and introduce new mechanisms for evaluation of practical occupational

skills. In addition, it is also necessary to promote measures to nurture an international perspective among young people and to foster human resources capable of creating new values or businesses, including language ability and communication ability. The government will therefore work on educational reform towards that end. Through these initiatives, the government will raise the level of human resources that support the society and the economy, as well as develop and retain high-level, internationally viable human resources, and promote such people's activities in business and educational sites.

[Human Resources Development Strategy]

[2020 targets]

Ranking as a world's top class in international academic achievement tests

Overseas exchange for 300,000 Japanese students, etc.

Receiving of 300,000 high-quality international students in Japan

Raising of the international experience of Japanese companies' management-level officers to the highest level in East Asia

[Medium-term targets for fiscal 2015]

Increase in the number of schools providing unified lower and upper secondary school education to 500

Securing of the same level of students' study hours as that in Europe and the United States (around eight hours per day)

Doubling of the classes provided in English, 50% increase in the number of teachers who can provide educational and research instructions in a foreign language

Increase in the percentage of universities adopting a credit transfer system based on an exchange agreement with overseas universities, etc. to 50%

Raising of the international ranking on international experience of management-level officers to the third-highest place in East Asia

In order to foster the subsequent generations as an investment for the future, the government will promote educational reform that meets expectations of the society, including promotion of the efforts of motivated regions by such measures as allowing flexibility in the school education system with six years of elementary school, three years of lower secondary school and three years of upper secondary school ("6-3-3 school education system"), and drastic reform of higher education based on a vision for universities, so as to develop students' ability to live through hardships in society. The government will also work on developing globally active human resources, smoothly connecting education with occupation, and improving the environment for working people to relearn. Through these measures, the government will raise the level of human resources that support the society and the economy, as well as develop and retain internationally viable human resources, and promote such people's activities in business and educational sites.

(Priority policy action: Promotion of the efforts of motivated regions by such measures as allowing flexibility in the "6-3-3 school education system")

The government will promote the efforts of motivated regions which respond to social structure changes and regional circumstances, so as to carefully support and promote individual people's learning in a new era. To this end, the government will formulate an upper secondary school education reform program (tentative name) by the end of fiscal 2012 and create a unified elementary and lower secondary school education system (tentative name), thereby enhancing unified elementary and lower secondary school education as well as unified lower and upper secondary school education to promote flexible education that enables pupils and students to envision flexible and diverse academic paths. In addition, the government will take measures for students to securely acquire important abilities and skills such as problem finding and solving abilities as well as communication ability in addition to basic knowledge, while also using ICT. At the same time, the government will promote the establishment of systems for improving the quality of education, including improvement of the quality of school teachers and staff as well as enhanced cooperation between schools and local communities.

(Priority policy action: Implementation of drastic reform of higher education based on a vision for universities)

The government will develop concrete measures and support requirements for implementation of distinctive higher education adaptable to a new era, such as formulating a vision for universities by the end of fiscal 2012 based on the diverse roles and needs sought for universities, and present the direction for reform of national universities as well as carry out ahead-of-schedule implementation of such reform. Based on the national university reform plan to be compiled by the middle of 2013, the government will accelerate the reform by, among others, promoting partnerships between and restructuring of universities and departments beyond such borders. At the same time, the government will establish an adequate financial base and implement more selective and focused distribution of fundamental expenses (management expenses grants for national university corporations and subsidies for private schools), as well as thoroughly promote measures to guarantee the quality of private universities. Furthermore, by pushing ahead with reinforcement of management of universities, improvement of the studying environment, reform of university entrance examinations, and enhancement of universities' function as a regional revitalization center, the government will advance drastic reform of higher education and aim at realizing

world-class higher education.

(Priority policy action: Development of globally active human resources and promotion of working people's relearning)

Amid the acceleration of globalization and industrial structure changes, in order to secure human resources who will play an active role internationally and to secure diverse learning opportunities for motivated people, the government will promote development of globally active human resources and working people's relearning, build a safety net for educational opportunities and enhance mental care services for pupils and students.

(i) Measures based on the Strategy for the Development of Global Human Resources and promotion of working people's relearning

Due to increasing demand for globally active human resources who possess rich linguistic and communication skills and who can play an active role internationally, based on the "Strategy for the Development of Global Human Resources" (formulated by the Council on Promotion of Human Resource for Globalization Development on June 4, 2012), the government will build an internationally attractive university education system and promote overseas exchanges for Japanese students, etc. in various forms including such efforts by the private sector, strategically acquire high-quality international students, and develop human resources in the business sector who can cope with internationalization. In addition, the government will develop an appropriate environment in line with the progress of introduction of autumn enrollment at universities. With regard to the hiring of national government employees, the government will take the initiative to start whatever is possible, such as adopting year-round recruitment or otherwise making the recruitment period more flexible to secure diverse human resources, by giving due consideration to the period for selecting and hiring those who have studied abroad. Furthermore, in fiscal 2014, the government will draft its basic policy for dealing with the introduction of autumn enrollment at universities.

The government will also work to provide studying opportunities in response to such needs as those of working people returning to universities and vocational colleges, and to build systems for relearning and matching by creating services for utilization of human resources.

(ii) Measures to improve scholarship programs

The government will expand scholarship programs, develop an educational environment where students willing to study further can widely access education, and promote detailed support for school enrollment. Through these measures, the government will build a society where students who wish to study further do not have to give up advancing to a university, junior college, or specialized training college due to financial reasons. The government will also make an institutional modification in terms of changing the borrowers of bridging loans before school entrance and educational loans from parents to students themselves. The government will drastically reduce the burden on parents in education through expanding scholarship programs and reviewing financial supports for school enrollment.

(iii) Enhancement of school counseling for mental care of pupils and students

As a measure to eradicate bullying and to prevent truancy, the government will take every possible action to provide mental care services for pupils and students by, among others, expanding school counselors. The presence of a school counselor with whom pupils and students can casually consult about their worries and concerns will contribute to discover bullying at an early stage and to take prompt measures in an emergency situation. These measures will also lead to increasing opportunities for giving advice and assistance to teachers and parents, and help the school, parents, and the counselor work in concert to thoroughly eradicate bullying.

(iii) Creation of sustainable and vigorous nation and local communities

(Overall concept)

The Great East Japan Earthquake reminded us of the necessity to prepare for large-scale disasters. Based on the lessons learned from the earthquake, the government needs to build a disaster-resilient nation and local communities. The government also faces such challenges as distribution of functions in a wider area, inter-regional partnerships, and the securing of network substitutability and redundancy, so as to prevent disasters from affecting the economy and society of the whole nation.

How to maintain and develop local communities and to ensure a rich national life amid declining population are also major issues for Japan. If the population decline continues as is currently projected, 60% of residential districts will see decreased residents to a half or less of their current size in 2050 (calculated on a per square kilometer basis; about 20% of areas will become depopulated). The estimate also shows that the populations will decrease to half or less of their current size in about 20% of urban areas.

Therefore, with population decline anticipated, the government will aim to maintain the vitality of urban areas and local communities that serve as the basis for people's daily life and social activities and to increase the attractiveness of living spaces by appropriately responding to those issues related to the environment and disaster prevention. To this end, the government will work on expanding investment in city centers and revitalize rural areas through maximum use of private sector funds and expertise, while enhancing the autonomy and self-sustainability of local communities by promoting regional sovereignty reforms. The government will also generate the "New Public Commons," the concept of which means that each person voluntarily supports society in various ways such as through donations, in-kind contributions, and volunteer activities, with a spirit of mutual support. By doing so, the government will solve various business and local problems and push ahead with affluent regional development supported by communities, such as revitalizing theaters and other local cultural centers to secure a "place to belong" for each and every citizen. In addition, development and securing of human resources capable of undertaking such regional renewal will be promoted.

To facilitate prompt development of sustainable communities in the face of population decline, the government will promote community planning for a new era. This will include advancing compact cities and improving public transportation as well as working on health-conscious community planning to cope with the aging population,

versatile community planning capable of addressing population structure changes, and new community planning that utilizes ICT (information and communications technology).

Moreover, as the demographic structure has been changing, the government will promote building a desirable "shaping" of Japan from medium- and long-term perspectives, such as developing "local communities" that are globally attractive, while taking into account how each region should be supported with human bonds and with local communities, what the relationship should be between urban and rural areas in national territory or between humans and nature, and what the appropriate distribution of functions should be.

[2020 targets]

Comprehensive special zones for international strategy: Creation of economic effects of 21.3 trillion yen and 949,000 new jobs

Comprehensive special zones for regional revitalization: Creation of economic effects of 8.6 trillion yen and 438,000 new jobs

(Nationwide implementation of the initiative of comprehensive special zones for regional revitalization: Creation of economic effects of 24.6 trillion yen and 1.257 million new jobs)

"FutureCity" Initiative: Creation of economic effects of 3.6 trillion yen and 170,000 new jobs

Promotion of urban renaissance: Private investment of up to 8–11 trillion yen

Scale of PFI projects for 2010–2020: At least about 10 trillion yen

Green decentralization reforms: Implemented by 1,400 organizations

Doubling the size of markets for distribution and renovation of existing homes (20 trillion yen)

Standardization of net-zero energy homes

Earthquake-resistant housing stock ratio of 95%

[Medium-term targets for fiscal 2015]

Comprehensive special zones for international strategy: Creation of economic effects of 7.1 trillion yen and 316,000 new jobs

Comprehensive special zones for regional revitalization: Creation of economic effects of 2.9 trillion yen and 146,000 new jobs

(Nationwide implementation of the initiative of comprehensive special zones for regional revitalization: Creation of economic effects of 9.8 trillion yen and 503,000 new jobs)

"FutureCity" Initiative: Creation of economic effects of 1.2 trillion yen and 57,000 new jobs

Promotion of urban renaissance: Private investment of 4–5 trillion yen

Formulation of guidelines on use of PFI, such as on the utilization of proposals from private sector, in 75% or more of the central government and local governments of prefectures, designated cities, core cities, and special cities

Green decentralization reforms: Implemented by 800 organizations (fiscal 2014)

Distribution share of existing homes to 20% and energy conservation standards

clearance ratio to 70%

[Strategy for Vigorous Nation and Local Communities]

Toward the creation of a sustainable and vigorous nation and local communities, the government will first promote the use of comprehensive special zones, the "FutureCity" Initiative and other measures which will provide a breakthrough for revitalizing Japan. Furthermore, the government will focus its efforts on doubling the size of markets for distribution and renovation of existing homes, supporting intensive community planning with a view to a declining population, promoting renaissance of large cities, etc., and building disaster-resilient nation and local communities.

(Priority policy action: Use of comprehensive special zones and the "FutureCity" Initiative which will provide a breakthrough for revitalization, and promotion of activities relating to the "New Public Commons")

Aiming at increasing the international competitiveness of industries in the case of comprehensive special zones for international strategy, and revitalizing the regions in the case of comprehensive special zones for regional revitalization, the government will implement exemption measures on regulations and provide taxation, fiscal, and financial support. In addition, the government will expand the initiatives taken in comprehensive special zones for regional revitalization nationwide by using the regional revitalization system, etc.

The government will also implement measures for promoting the "FutureCity" Initiative concept in a concentrated manner so as to create world leading success cases in terms of technology, socioeconomic systems, services and city building for the future, and will disseminate such case examples within and outside Japan.

In order to expand activities relating to the "New Public Commons" within local communities with the participation of and voluntary donations from a large number of citizens, the government will promote use of the new certification system and the improved tax system for donations under the revised Act on Promotion of Specified Non-profit Activities.

With the aim to expand investments in infrastructure while using private sector vitality, the government will promote the formulation of concrete projects using such means as utilizing private sector funds, etc. (PFI/PPP).

The government will also push ahead with regional sovereignty reforms so as to create vibrant local communities by reinforcing their autonomy and increasing their

authority.

In addition, the government will promote the development of self-reliant local communities through green decentralization reforms, the self-support settlement region framework, acquisition and sharing of knowledge such as partnerships between local communities and universities, and revitalization of local cultural centers such as theaters. Under such collaboration within the regions, the government will help create diverse successful case examples of eager local communities nationwide through maximum use of their resources and creative efforts, and use them as a breakthrough for revitalizing the local communities as well as the whole of Japan.

(Priority policy action: Supply of high-quality housing stock and reform of real estate distribution system)

Given the recent socio-economic changes including the declining birthrate and aging population as well as deterioration of income and the employment environment, it is necessary to ensure the availability of housing according to the lifestyles and life stages of people. In addition, there has been increasing demand for earthquake-resistant and energy-saving housing since the Great East Japan Earthquake. Therefore, the government will work to revitalize distribution and renovation of existing homes, as well as invigorate the real estate distribution market.

(i) Promotion of distribution and renovation of existing homes and reform of the real estate distribution system

Based on the "Comprehensive Action Plan for Distribution and Renovation of Existing Homes" (launched by the Ministry of Land, Infrastructure, Transport and Tourism in March 2012), the government will develop an environment for revitalizing the distribution and renovation markets of existing homes, such as disseminating building inspection and enhancing the performance indication of existing homes. The government will also review systems related to existing inadequate buildings, and promote measures to enable people to acquire appropriate housing according to their lifestyles and life stages, such as expanding supply of serviced housing for the elderly and supporting child-raising households for their move to new homes.

Furthermore, renewal of housing and buildings with poor earthquake-resistance and environmental performance is an urgent task. Thus, the government will implement measures to promote reconstruction or renovation of antiquated apartment buildings, facilitate renovation of housing to be zero-energy and more energy-saving housing, and disseminate highly energy-saving, earthquake-resistant, and barrier-free housing. In

addition, the government will strive to expand high-quality wooden housing using domestic timber.

At the same time, toward reforming the real estate distribution system, the government will achieve revitalization of the real estate distribution market through, among others, enhancing the transparency and efficiency of real estate transactions as well as the consulting function of business operators, reviewing the building appraisal method, developing the real estate price index, and enlarging the information stock on real estate.

In parallel, the government will push ahead with technical improvement of construction methods and the fostering of human resources in this field, and will achieve the doubling of the market size for distribution and renovation of existing homes by 2020.

(ii) Enhancement of measures for young, low-income earners to acquire homes of their own

In response to economic and social changes as well as changes in the employment situation, and in light of the declining trend of young people's income, the government will enhance measures for young, low-income earners to acquire housing.

To this end, the government will take necessary measures such as use of the Flat 35 housing loans of the Japan Housing Finance Agency which aim to promote acquisition of own homes by first-time buyers including low-income earners.

(Priority policy action: Intensive community planning and response to next-generation lifestyles)

The government will implement intensive community planning and build sustainable local communities so that child-raising households can live comfortably and senior citizens can lead self-sustained, healthy, safe and pleasant lives amid the aging of the entire society.

(i) Promotion of new community planning

In order to develop sustainable local communities where child-raising households and senior citizens can lead healthy, safe and pleasant lives in the face of population decline, the government will introduce new systems or take other measures to intensify urban functions in the city center, promote residences in areas designated for urbanization or in downtown areas, and promote community planning that allows people to live and work within walking distances. At the same time, while verifying

current measures for revitalizing city centers, the government will support the concentration of living and economic functions and the securing of mobile access, such as establishment of medical or long-term care facilities and child care facilities in line with renovation of housing complexes or the reconstruction of railway stations, and development of highway networks in the living sphere, thereby promoting compact community planning.

In addition, the government will facilitate intra-regional movement through increasing the convenience of public transportation and introducing extra-small mobility (a new super-compact vehicle convenient for moving around within the region) which can run on public roads, as well as work on establishing and disseminating new community planning models using ICT.

Furthermore, since appropriate maintenance, management and renewal of social capital are essential to community planning, the government will carry out strategic measures such as to promote formulation of long-life social capital plans.

(ii) Enhancement of platform doors for safety and security

As a measure against recently increasing accidents involving visually impaired persons and other passengers coming in contact with a train and falling off the platform of a railway station, the government will promote installation and technological development of platform doors. By installing platform doors and eliminating the concerns of visually impaired persons and others about the possibility of falling off of a platform, the government will further promote the participation in society of visually impaired persons and others, who are socially vulnerable. Since the platform door installation project has both a public aspect of supporting the socially vulnerable and an economic aspect, the national and local governments must actively engage in the projects in concert, not leaving them solely to railway business operators.

(Priority policy action: Renaissance of large cities and building of disaster-resilient nation and local communities)

In order to enhance the disaster-prevention functions and increase the international competitiveness of large cities, etc., the government will promote strategic renaissance of large cities, etc. through measures including deregulation such as easing the regulation on the floor area ratio for facilities that contribute to disaster prevention or mitigation, development of infrastructure as well as formulation and implementation of urban renaissance security plans by public-private councils in specified areas for urgent urban renaissance, and financial support for private-sector urban development which

cannot be covered by private financial institutions alone. Moreover, to further promote international business activities, the government will enhance the functions and promote the use of MICE facilities, including large-scale exhibition halls, under public-private sector partnerships. From the standpoint of "selection and concentration," the government will intensively secure truly necessary infrastructure by expanding and reinforcing the functions of airports in the Tokyo metropolitan area and international strategic ports and harbors, improving access to hub airports in large urban areas, developing ring roads and eliminating bottlenecks for congestion in large urban areas, improving access between expressways, etc. and hub airports, ports and harbors, and railway stations, and developing multilayered traffic networks between large cities.

Furthermore, toward building a disaster-resilient nation and local communities, the government will, in addition to the conventional disaster prevention measures, work on various measures including those to mitigate the impacts of large-scale disasters, development of tsunami disaster prevention areas, reinforcement of the crisis-management system for the whole nation, early elimination of the missing links within the country, promotion of comprehensive water management, improvement of regional disaster prevention abilities, improvement of the effectiveness of corporate business continuity plans (BCP), and strengthening of the earthquake-resistance of housing, buildings including schools and hospitals, and stations. As the first step, based on the final report compiled by the High-Level Panel for Policy Planning on Disaster Management under the Central Disaster Management Council, the government will commence revision of disaster-related laws and regulations, and promptly implement all sorts of measures.

At the same time, the government will expeditiously clarify its policy for securing its back-up functions in preparation for emergencies, such as an earthquake directly hitting the Tokyo metropolitan area.

(3) Strengthening Japan's worldwide presence

(Overall concept)

The extension of Japan's social infrastructure towards the world including Asia is a contribution to the development and stabilization of the world economy, which will also facilitate Japan's own rebirth effort. Japan's rebirth cannot come about without international development. For this reason, Japan will work to break away from its past inward-oriented mind and promote active international contribution and cooperation through providing to other countries Japan's outstanding technologies and systems, such as health and medical care, education, safe water, flood control, disaster risk reduction and environmental conservation, as well as emergency relief when large-scale disasters occur, thereby contribute to achieving human security through the inclusive growth of Africa and other parts of the world. Achieving human security requires both improvement of governments and administrative capabilities as well as empowerment of individual people living therein. The government will work on providing such support.

In this global era of historic change, the issues that Japan faces—coping with world economic structure changes, low-birthrate society, and decreasing and aging population and transitioning to a green economy and energy policies that address global warming—are issues that the rest of the world are going to face as well. Japan will lead the way in finding appropriate solutions.

To strengthen Japan's presence in the United Nations and other international organizations and forums and to enhance Japan's image and recognition among citizens around the world, while clarifying Japan's position in the international community, the government will examine possible policy actions to establish and send out Japan's national brand to the world, including diverse elements such as dissemination of the concept of human security, environmental technologies, world-class manufacturing skills, national characteristics, and Japanese language and culture. In addition, the government will further examine possible policy actions for fostering human resources who can demonstrate leadership in solving global issues and are capable of contributing to the future of human beings.

In implementing the above, the government will strategically utilize official development assistance (ODA) and present to the international community models for new growth and international contribution.

[2020 targets]

Contributing to achieving human security through the inclusive growth of the world

Enhancing confidence in and the presence of Japan

Doubling the amount of donations to major NGOs for international cooperation from the 2011 level, increasing the number of SMEs engaged in ODA to five times the 2012 level

Increasing the number of people studying Japanese language overseas to 5 million

[Medium-term targets for fiscal 2015]

Providing 7 million pupils and students with a high-quality educational environment, saving the lives of 2.96 million newborns and 11.3 million infants together with other development partners

Providing 3 billion dollars in support for disaster risk reduction measures

Providing 3 billion dollars in support in the field of climate change, such as the renewable energy field

Organizing Green Cooperation Volunteers consisting of 10,000 people

Reflecting Japan's ODA philosophy, such as human security, in post-MDGs

Increasing the amount of donations to major NGOs for international cooperation to 1.2 times the 2011 level, doubling the number of SMEs engaged in ODA from the 2012 level

Increasing the number of people studying Japanese language overseas to 4 million

(Priority policy action: Contributing to achieving human security through promotion of strategic and effective ODA)

Realization of human security, which is Japan's philosophy for assistance, is indispensable for achieving the U.N. Millennium Development Goals (MDGs). Also, in fulfilling the responsibilities expected from the international community, it is essential for Japan to make utmost efforts, including securing the necessary financial resources, towards the achievement of the international development goals such as the commitment regarding an ODA/GNI ratio of 0.7%. The government will actively address global issues and development challenges such as achievement of the MDGs by providing support in basic education, health and medical care, sanitation, agriculture, and food, in cooperation with local governments, NGOs, the private sector including companies, and international organizations, and thereby contribute to realizing human security in Africa and other parts of the world. In addition, by strengthening involvement in discussions and decision-making in major international organizations,

the government will actively engage in the consideration process of post-MDGs, and incorporate the concept of human security as the basic philosophy underlying the post-MDGs. At the same time, the government will lead the efforts toward achieving the post-MDGs, and contribute to the international community. In doing so, the government will constantly improve ODA schemes in respect to yen loans and private-public partnership, and by further promoting their strategic and effective use, achieve diversification and increase of actors who undertake international cooperation and ensure assistance of high quality.

Furthermore, in light of the Great East Japan Earthquake, while supporting reconstruction of the affected areas and making international cooperation at the same time by utilizing ODA, the government will, in particular, actively implement support for disaster risk reduction measures in developing countries and contribution to the world's transition to a green economy.

(i) Support for disaster risk reduction measures in developing countries

The government will effectively combine a range of support both in hardware infrastructure and in know-how and management, such as formulation and/or revision of flood control master plans, development of disaster-resilient infrastructure, and construction and operation of a disaster risk reduction system, and provide them to disaster-prone countries in Asia and other parts of the world under industry-academia-government partnerships. Particularly in Asia, the government will promote construction of disaster prevention networks utilizing Japan's technology and reinforce the ASEAN Coordinating Center for Humanitarian Assistance on Disaster Management. The government will also disseminate Japan's disaster risk reduction measures (policy, technology, education, etc.) and thus take the initiative in formulating and implementing the post-Hyogo Framework for Action. In addition, the government will contribute to the mainstreaming of disaster risk reduction at all levels from the international community to countries, regions, and communities.

(ii) Contribution to the world's transition to a green economy

Based on the "Green Future" Initiative launched at a meeting of the U.N. Conference on Sustainable Development (Rio + 20) held in June 2012, the government will contribute to the world's transition to a green economy by utilizing Japan's outstanding environmental and low-carbon technologies and know-how through concretization of the East Asia Low Carbon Growth Partnership Dialogue, support for formulation of low-carbon growth strategies in Africa, bilateral policy dialogues, organization of the Green Cooperation Volunteers, support in the renewable energy field,

and establishment of the Bilateral Offset Credit Mechanisms. The government will also contribute to promoting trade liberalization in environmental goods and services under APEC and to achieving the New Strategic Plan of the Convention on Biological Diversity (Aichi Target).

(Priority policy action: Communicating Japan's strength and attractiveness and promoting international understanding of Japanese "values")

In order to overcome the international reputational damage brought by the Great East Japan Earthquake and to increase Japan's international presence and send out Japan's national brand to the world, the government will identify priority areas that embody Japan's strength and attractiveness and Japanese "values," and actively communicate them to the world, while using various opportunities including international trade fairs and international conferences. For such purpose, the government will establish a framework in a united effort for actively implementing international publicity activities and exchange programs through promotion of public-private partnerships, effective use of domestic and overseas media, including international broadcasting, as well as public relations and various other resources, and enhancement of the government's international publicizing ability and means.

V. Ensuring continuous effectiveness of the Strategy: Implementation of the Strategy through a full-fledged PDCA cycle

In order to steadily implement the "Comprehensive Strategy for the Rebirth of Japan" toward building a "Country of Co-creation" amid the changing socioeconomic situations, it is important to continuously follow up on the measures and review them as necessary, with achievement of the policy results as the pillar.

The "Comprehensive Strategy for the Rebirth of Japan" clearly specifies a new mechanism to this end as an important element of the Strategy, and aims to establish a full-fledged PDCA cycle in the basic policy management.

1. Formulation of the Program of Works for Reform

The government has decided as attached the "Program of Works for Reform toward the Rebirth of Japan" in order to steadily implement the abovementioned measures for the vigorous rebirth of Japan and to systematically proceed towards the achievement of the targets.

The "Program of Works for Reform toward the Rebirth of Japan" shows the government's concrete policy actions for each fiscal year, and clearly describes their implementation process to the public. At the same time, it has expanded and reinforced the contents of the timetable for the Growth Strategy Implementation Plan of the "New Growth Strategy" by enhancing the major targets to be achieved by 2020 and setting medium-term targets for fiscal 2015 for each group of policy actions in principle. The Program of Works will thus serve as the basis for carrying out "policy management to achieve results as the pillar."

2. Establishment of a full-fledged PDCA cycle

The Program of Works for Reform toward the Rebirth of Japan specifies the targets to be achieved by 2020 through implementation of the concrete measures. In order to ensure steady achievement of the Strategy based on the Program of Works and accurate implementation of the "Comprehensive Strategy for the Rebirth of Japan" in the following fiscal year onward, the Council on National Strategy and Policy will take the following measures in coordination with measures by Government Revitalization.

- The Council will conduct a hearing from related ministries on the status of

implementation of the "Comprehensive Strategy for the Rebirth of Japan" in autumn (regulatory and systems reforms, budget requests, request for tax system revision, etc.).

- The Council will receive and discuss a report on the results of review on the economic conditions and economic management including measures to overcome deflation at the beginning and in the middle of the year.
- In around May, in principle, the Council will make a clear evaluation of the effects, etc. of the respective policy actions for achieving the targets, based on the degree of achievement of targets that have been specified in the Program of Works. Then, the Council will appropriately disclose the results to citizens.
- In the middle of each fiscal year, based on the above evaluation, the Council will decide on the basic orientation for the important policies for pushing forward the "Comprehensive Strategy for the Rebirth of Japan" as the driving force for policy promotion.

In doing so, the Council on National Strategy and Policy will evaluate the progress of the "Comprehensive Strategy for the Rebirth of Japan" while sufficiently applying the perspective of government revitalization, and ensure the effectiveness of the "Comprehensive Strategy for the Rebirth of Japan" through a PDCA cycle.

The evaluation results will be reflected in subsequent measures, such as the revision of policy actions for achieving the targets. In this process, those policy actions that fail to produce sufficient results for several years will be drastically reviewed (including reduction or abolishment of their budget).

Furthermore, when drawing up a budget or revising a tax system, the government will utilize the evaluation results of the "Comprehensive Strategy for the Rebirth of Japan" to forcefully eradicate any wasteful spending, and to decide on the priority of policy actions while also considering their contribution to economic growth and creation of jobs and maintaining consistency with the "Fiscal Management Strategy."

The government will evolve and reinforce all-out measures so as to vigorously realize the rebirth of Japan towards a "Country of Co-creation" through the establishment of the above mechanism for a full-fledged PDCA cycle centered on the Council on National Strategy and Policy and policy management carried out through ceaseless efforts based thereon.