



**ADJUSTED
GROWTH STRATEGY:
JAPAN**

JAPAN'S ADJUSTED GROWTH STRATEGY, 2015

The purpose of this document is to highlight changes and new additions to members' growth strategies since Brisbane :

Changes to section A (Economic Objective)

Please discuss changes to the economic objectives, if any.

The economic policy package adopted by the Japanese government, known as “Abenomics”, consists of three policy measures: namely (i) bold monetary policy, (ii) flexible fiscal policy, and (iii) growth strategy, or a menu of structural reforms, which promote private investment.

Structural reforms under Abenomics have been steadily implemented. Since the onset of Abenomics, the Japanese government has undertaken drastic reforms on areas where so-called “bed-rock regulations” remain, including agriculture, healthcare, energy, and labor market. The government has also encouraged growth-oriented corporate management, through such measures as corporate tax reform, enhancement of corporate governance, and full-fledged engagement in economic partnership negotiations. Furthermore, it has requested higher wages through the government-labor-management trilateral meeting, with a view to eliminating the deflationary mindset.

These measures resulted in record-high corporate earnings and higher wages, thus leading to a sign of recovery in consumption. The labor market condition has been significantly improved, with lower unemployment rate (3% range), the highest jobs-to-applicants ratio in past 23 years, and one million new jobs. Going forward, the economy is expected to overcome deflation, with its labor market further tightening and the output gap rapidly closing. A virtuous economic cycle has been steadily in motion.

However, consumption alone cannot be the sole driver for further growth, because increase in the working-age population cannot be expected in the future due to declining population (even if women and elderly people are assumed to participate more). Thus, Abenomics shifted its focus from addressing lack of demand under deflationary pressure (“first stage”) to overcoming supply constraints due to the declining population (“second stage”). More specifically, future sustainable growth path depends critically on, among others, our efforts to boost productivity through innovative use of capital stocks under highly competitive environment and achievement of full potential of individuals.

The key to improving productivity is investment, in particular in facilities, technologies, and human resources. The global business competition is fierce, regardless of the size of companies, while past business models cannot be a guarantee for future success anymore. Now is the time for private sectors to undertake investment to the future growth.

Also, as far as local areas are concerned, while employment and income conditions have been improved somewhat, labor productivity remains significantly low compared to Tokyo, meaning that some local areas are facing vicious cycles of shrinking economy and lower productivity. Given the fact that each local area has not fully exploited its fullest potential, it is time for local areas to take decisive actions to make best use of local abundant unexploited resources.

In this context, the revised growth strategy consists of two wheels of a cart:

- (i) **“Revolution in productivity”** (Unprecedented improvement of productivity), which will be achieved not only through innovation in equipment but also through development of technologies and human resources. Various measures are included under this category, such as advancing corporate governance reform; promoting ventures;

supporting endeavor to Asian growing markets; encouraging use of new-generation information technology and cybersecurity; more participation in labor market by women, elderly, and foreigners; and integrating employment and education.

(ii) “**Promoting Local Abenomics**”, which aims at recovering lively workplaces and attractive investment destinations in local areas, thus achieving an economy where human resources, funds, technologies, and information are moving actively without any constraint from one place to another. Policy measures include strengthening revenue base of SMEs; boosting service industry; supporting agriculture, medical and nursing care, and tourism industries; and promoting PPP/PFI.

To summarize, the objective of the growth strategy is to put the momentum towards overcoming deflation on a firm footing and reconstruct the basis for future development.

Lastly, economic revitalization should proceed in tandem with fiscal consolidation. Specifically, the Japanese government will tackle fiscal consolidation with strong stance and determination, while making best efforts to make economic growth sustainable. The Growth Strategy should be constantly evolving to maintain this balance.

Changes to section B (Economic Outlook and Challenges to Growth)

Please discuss changes to the economic outlook and challenges, and if desired, highlight any new and existing gaps remaining to be addressed. Add discussion of risk of persistent stagnation, if relevant.

Update table of key indicators as follows:

Japan’s GDP grew by 2.2% in nominal terms (0.8% in real terms) between Q4 2014 and Q2 2015. Japanese macroeconomic and business conditions are becoming increasingly favorable, given the fact that price level, stock market valuation, and labor market demand recovered to the level before the burst of the asset price bubble in 1990s. A virtuous economic cycle has been restored, where the economic recovery leads to more employment and higher wages, which in turn lead to increase in consumption and investment (and vice versa). The positive impact of the economy spread to local areas, as jobs-applicants ratios grew all over the country and wages were lifted in a number of local companies during the past several years.

The year-on-year rate of increase in the consumer price index (CPI, for all items less fresh food and excluding the direct effects of the consumption tax hike) is likely to move around 0 percent in the near term. Going forward, however, CPI inflation is expected to accelerate toward 2 % – the price stability target –, as the underlying inflation steadily firms and the effects of the decline in crude oil prices dissipate. While the exact timing of reaching around 2% depends on future development in crude oil prices, provided that crude oil prices will rise moderately from the recent level, The Bank of Japan projects that 2% will be achieved around the first half of FY2016. Thereafter, in the likely future growth path, such inflation is expected to be sustained in a stable manner.

On external front, Japan’s current account surplus shrank rapidly after 2010 due to structural changes in the country’s economy and decelerating demand from emerging markets, coupled with rising energy prices and import price increases due to depreciation of yen. In 2014, the current account went negative, as a result of increased import value associated with the consumption tax hike in April 2014; however, since the fall of that year, the current account recovered to positive, owing to the influence of falling energy prices, an increased number of visitors from overseas, and higher income from foreign assets.

At this juncture, the challenge to growth is to improve productivity through pro-active investment. As mentioned above, the recovery of consumption is underway with closing output gap envisaged, due to a set of policies under Abenomics. However, now that the

working age population is declining, consumption alone cannot be a sole driver for sustainable growth. Rather, investment with high productivity and vitalization of local economies are key drivers for achieving a strong, sustainable, and balanced growth. In this context, as illustrated in Section A, the Japanese government published the revised growth strategy (“Revised Revitalized Strategy”) in June 2015.* A positive (negative) gap indicates an economy above (below) its potential.

Key Indicators

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Real GDP (% yoy)	-0.9	1.5	1.7	0.6	2.6	2.1	2.2
Nominal GDP (% yoy)	1.6	2.9	2.9	2.7	3.9	3.5	3.6
Output Gap (% of GDP)*	-2.1	-1.3	-0.4	-1.1	0.0	0.2	0.1
Inflation (% yoy) (Consumer Price Index (all items))	2.9	0.6	1.6	3.1	2.0	2.0	2.0
Fiscal Balance (% of GDP)**	-6.0	-5.0	-4.2	-4.1	-3.7	-3.7	-3.8
Unemployment (%)	3.5	3.3	3.2	3.3	3.2	3.2	3.2
Savings (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment (% of GDP)	20.3	21.4	N/A	N/A	N/A	N/A	N/A
Current Account Balance (% of GDP)***	1.6	3.0	3.2	3.5	3.6	3.8	3.9

** A positive (negative) balance indicates a fiscal surplus (deficit).
 *** After FY2015, “Balance by Sector, overseas” in “Economic and Fiscal Projections for Medium to Long Term Analysis.”

Note: Figures of “Fiscal Balance” refer to those of the national and local government combined. They exclude the expenditures and revenues related to the recovery and reconstruction from the Great East Japan Earthquake.

Sources: “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2015), “Mid-Year Economic Projection for FY2015” (Cabinet Office, July 2015) and Investment (% of GDP) is estimated by figures of “Fiscal 2015 Economic Outlook and Basic Stance for Economic and Fiscal Management” (Cabinet Office, February 2015) and “Quarterly Estimates of GDP: April–June 2015(The Second Preliminary)” (Cabinet Office, September 2015).

Changes to section C (Policy Responses to Lift Growth)

Please indicate any adjustments to measures taken in Brisbane Growth Strategies as well as new high impact policy measures taken since Brisbane.

Please include both macroeconomic and structural policy responses.

Fiscal policy

Japan has been flexibly responding to economic developments, while paying due attention to fiscal sustainability.

Last November, the government decided to postpone the consumption tax rate increase to 10% for 18 months to April 2017 in order to overcome deflation and achieve sustainable growth under Abenomics. The government also formulated the supplementary budget in FY2014 in order to implement the economic stimulus package, formulated in last December. This package is expected to push up the real GDP by 0.7%.

The FY2015 budget was the largest-ever budget, where its revenue and expenditure of the central government amounted to 96.3 trillion yen. This budget aimed at achieving both economic revitalization and fiscal consolidation. Specifically, it put special emphasis on vitalizing local economies, where the benefits of Abenomics were not necessarily spread out. The budget also focuses on the measures to support future growth, including enhancement of childcare support. This budget was approved by the Diet in April.

The government has embarked on corporate tax reform, aiming at (i) reducing the effective corporate tax rate from the current 34.62% to the twenties in several years and (ii) securing permanent revenues through broadening the tax base and so forth. As the first step, the government has decided more than 3% rate reduction, the magnitude of which will exceed the amount of alternative revenue sources, resulting in front-loaded tax reduction of over 400 billion yen for the first two years.

According to the “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2015), the FY2015 target to halve the primary deficit to GDP ratio from the ratio of FY2010 is expected to be achieved. The government formulated the economic revitalization and fiscal consolidation plan (“The Plan to Advance Economic and Fiscal Revitalization”) on June 30th, 2015, in which a primary surplus by FY2020 remains targeted.

Based on this plan, the government will formulate FY2016 budget. In the FY2016 budget request process, the Cabinet approved “Basic policy of budget requests for FY2016” on July 24, 2015. This policy stipulates that when the line ministries request discretionary expenditures in FY 2016, they have to decrease those expenditures by 10% from FY2015, but they can make “additional requests to address priority areas for new Japan”. Those requests shall be in line with the objectives listed in “the Basic Policies for Economic and Fiscal Management and Reform 2015” and “the Japan Revitalization Strategy Revised in 2015”, etc.

Monetary policy

The Bank of Japan introduced Quantitative and Qualitative Monetary Easing (QQE) in April 2013 with the aim of overcoming deflation. It has worked well since its introduction, and Japan has made a steady progress toward achieving the 2 percent price stability target. In October 2014, in light of the increased downward risk for inflation, the Bank of Japan pre-emptively expanded its monetary easing to achieve the 2 percent price stability target.

Achieving the 2 percent price stability target and anchoring inflation expectations at that level will elicit pro-active behaviors from firms and households, and will contribute to raising the growth potential of the economy.

Structural policy

The new growth strategy, “Revised Growth Strategy 2015”, was published on June 30, 2015. It has dual engine: the first component is “Revolution in productivity” through pro-active investment, i.e., drastically boosting productivity in an unprecedented manner through aggressive investment. The second component is “Local Abenomics”, which intends to spread the positive impact of Abenomics into local areas and revitalize local areas across the country. The first component aims to enhance productivity and encourage companies to make more investment to such productive areas. The strategy includes a set of policies in this regard, focusing on corporate climate, new technology, and labor market. At the same time, the second component’s goal is to revitalize local areas, where labor

productivity remains low and population is declining, by improving profitability, boosting service industry, and strengthening existing industries.

The strategy includes promotion of a number of leading projects under “Reform 2020”, to showcase and share the success of the strategy. Such areas include automated vehicles, eco-friendly energy sector, advanced robots, tourism, medical sector, and FDI policy.

A list of major policy measures are as follows:

1. Revolution in productivity through pro-active investment

a. Changing corporate climate

(i) Further promote growth-oriented corporate governance

Key policy measures:

- | | |
|----|---|
| 1) | Enhance “growth-oriented” corporate governance system |
| 2) | Promote constructive dialogue between companies and investors |
| 3) | Further promote strengthening financial institutions’ capacity to provide support to business enterprises |
| 4) | Pro-growth corporate tax reform |

1) Enhance “growth-oriented” corporate governance systems

- In order to make supervision on management by the board of directors more effective, formulate and publish an interpretative guideline of the Companies Act, which will cover (i) the scope of mandate for which the board of directors can delegate decisions to the management (i.e., matters which do not need to be presented to the board of directors), and (ii) the scope of actions that outside directors can take while still remaining external.

[formulate/publish by summer of this year]

2) Promote constructive dialogue between companies and investors

- Consider a possible way of integrating respective corporate disclosure rules set out by the Companies Act, the Financial Instruments and Exchange Act, and the Japan Exchange Regulation through review of such rules, in order for companies to provide investors with necessary information more efficiently and effectively. A conclusion will be reached by the end of this fiscal year.

[Reach conclusion by the end of this fiscal year]

- Discuss issues and necessary measures towards in-principle digitization of documents that are attached to shareholder meeting notices (e.g., business reports, financial statements, etc.), with a view to expediting information provision to shareholders. A conclusion will be reached by the end of next year.

[Reach conclusion by the end of next year]

3) Further promote strengthening financial institutions’ capacity to provide support to business enterprises

- Continue to monitor various developments, such as (i) selection of independent outside directors and (ii) scaling down of their cross-stockholdings, in order to help financial institutions enhance their governance and management capacity. Further, as far as Global Systemically Important Financial Institutions (G-SIFIs) are concerned, request G-SIFIs to

reduce stock price volatility risks, so that they can provide sufficient management support to business enterprises.

- 4) Reform corporate tax with the intent to pursue growth
 - Complete the ongoing growth-oriented corporate tax reforms as soon as possible.
 - (ii) Encourage innovation and ventures
 - Establishment of a “Venture Ecosystem”

Key policy measures:

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

- 1) Establish new undergraduate and graduate school systems towards formulation of international hubs for innovation and venture creation

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

[Submit a bill at the next ordinary Diet session]

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

[Commence concrete initiatives starting next fiscal year]

- 2) Silicon Valley-Japan Bridge Project (the *Kakehashi* Project)

- Send Japanese corporations and personnel with competitive technology to Silicon Valley and support their activities in finding partners and/or investment, through collaboration local venture support organizations and similar bodies.

[Implement starting this fiscal year]

- 3) Interlink with the global venture ecosystem

- Hold a large-scale “Global Venture Summit (tentative name)” in Japan in 2020, in coordination with the above-mentioned “Silicon Valley-Japan Bridge Project” and other initiatives,. To this end, organically integrate and coordinate venture-related policies and formulate the “Venture Challenge 2020” as the roadmap to 2020.

[Formulate by the end of this year]

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

Key policy measures:

- 1) Promote competition among universities by introducing prioritization of allocation of operation cost subsidies
- 2) Reform competitive grants for maximizing the results of research

1) Promote competition among universities by introducing prioritization of allocation of operation cost subsidies

- Differentiate allocation of national universities' operation cost subsidies based on the results of the evaluation of self-reform, within the newly-established three frameworks¹ for the focused support for national universities.

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

2) Reform competitive grants for maximizing the value of research outcome

- Allocate 30% of funds as indirect costs for competitive grants to universities by the Cabinet Office and the Ministry of Education, Culture, Sports, Science and Technology, in order to promote university reform and research grant reform in an integrated manner.

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

(iii) Facilitate corporates' embarks on overseas market

Key policy measures:

- 1) Promote economic partnership negotiations such as TPP and Japan-EU EPA
- 2) Implement the "Partnership for Quality Infrastructure"
- 3) Help promote comprehensive region-wide development of overseas infrastructure

2) Implement the "Partnership for Quality Infrastructure"

- Cooperate with the Asian Development Bank (ADB) and undertake the "Quality Infrastructure Investment" of 110 billion US dollars in the Asian region over the next five years, which is approximately 30% higher compared to the previous period. Strengthen the functions of JBIC, establish a new system for provision of risk money, and implement proactive investments and loans for projects with relatively high risk profiles.

3) Help promote comprehensive region-wide development of overseas infrastructure

- Strengthen project finding activities, by enhancing cooperation and coordination overseas among Japanese enterprises, relevant Japanese governmental institutions, and other related bodies. For future development projects, strengthen cross-governmental planning and coordination functions, in order to present a proposal packages that respond to local challenges and demands.

b. Seizing opportunities brought by new technology

(i) Respond to changes in Internet of Things (IoT), Big data, artificial intelligence

Key policy measures:

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

¹ Three frameworks, chose by each national university: (i) Contribution to regional economy and promotion of nationally/internationally competitive education and research in specific field(s), (ii) Promotion of nationally/internationally competitive education and research in specific field(s) without the aspect of regional economy., and (iii) University-wide promotion of distinguished education and research.

1) Consider changes in industrial and employment structures due to IoT, BigData, and artificial intelligence

- Immediately advance consideration of the impact of Internet of Things (IoT), Big Data, and artificial intelligence on industrial and employment structures, as well as necessary responses by the public and private sectors, as a common compass for both private and public sectors to help accelerate private investment and public policies in order to address the huge departure from the past brought by these new changes.

[Consider by around spring of next year]

(ii) Promote cybersecurity

Key policy measures:

- 1) Drastic reinforcement of cybersecurity
- 2) New legislative measures to promote IT utilization
- 3) Expansion of the scope for My Number utilization

1) Drastic enforcement of cybersecurity

- Drastic enforcement of capacity of the governmental bodies and government-related entities to respond to cyber security issues

- Ensure that incorporated administrative agencies and special corporations which are closely related to operations of the government bodies, in addition to the government bodies, are subject to monitoring and inspection by the National Center for Incident Readiness and Strategy for Cybersecurity (NISC).

- Further strengthen the organizational structures and functions, both quantitatively and qualitatively, based on the wisdom of experts in Japan and abroad; and hence build and strengthen their capacities to detect, analyze, and respond to cyberattacks as well as auditing capabilities.

- As for the information systems of the governmental bodies and government-related entities that handle important information, establish governmental cybersecurity guidelines in a timely manner, for the purpose of achieving efficient operations on one hand and mitigating cybersecurity risks on the other. Such guidelines include separation of information systems from the Internet and the full transition to cloud services in the future.

- Promote security measures taken by private enterprises

- Establish guidelines that clarify measures which enterprises should follow in the context of their business management, in order to safeguard cybersecurity. Further, promote the use of third-party evaluation on cybersecurity activities, and establish information disclosure guidelines in relation to cybersecurity measures taken by private enterprises.

[Establish the guidelines by the end of this fiscal year].

- Consider and decide the concrete measures in order to further enhance cybersecurity with regard to the social (and important) infrastructure that is essential for daily lives and economic activities of the general public.

[Decide by the end of this year]

- Enhancement resources necessary for ensuring cybersecurity

- Towards the development of cybersecurity industry, promote relevant research and

development (R&D), investment, education, and human resources development etc.

2) New legislative measures to promote the utilization of IT

- Shift the general rules from face-to-face and/or written procedures to use of IT in principle. Moreover, take legislative measures that are necessary to achieve “one-stop” public administrative services and to vitalize the “Sharing Economy” and other new markets.

- In medical care and health services, establish a system of “Agency Service Institutions” (tentative name), i.e., those that collect and manage personal information from various institutions. Utilize this system as infrastructure to create new services offered by private-sector businesses.

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

3) Expand the scopes for “My Number” utilization

- Safeguard security of the My Number system by taking necessary measures, such as the establishment of monitoring and detection mechanisms that oversee both the national and regional systems.

- Expand the scope of My Number utilization from tax and social security to various services that are of high public nature, including family registers, passports, information management for overseas Japanese, and securities.

[Take legislative measures at the earliest opportunity possible]

c. ***Developing quality and quantity of labor***

(i) Address declining population, facilitate labor participation by women and foreigners

Key policy measures:

- 1) Correct prolonged working hours via thorough information disclosure by corporations
- 2) Maintain a number of nursery teachers at adequate level to resolve childcare waiting problems
- 3) Promote more active roles by played seniors by strengthening job matching functions
- 4) Utilize foreign human resources

1) Correct prolonged working hours via thorough information disclosure by corporations

- Upon the approval of the bill for promoting a more active role by women and the bill to promote the employment of young workers, ensure that the working hours and other conditions at corporations are visualized through platforms such as employer action plans and the workplace information provision schemes.

2) Maintain a number of nursery teachers at adequate level to resolve childcare waiting problems

- Promote further use of part-time nursery workers and spread the best practices of childcare facilities with low employee turnover rates nation-wide. Moreover, upon the approval of the revised National Strategic Special Zones bill, hold the nursery teacher examinations twice annually in Nation Strategic Special Zones (“region-limited nursery teacher system”), starting this fiscal year.

3) Promote a more active roles played by seniors by strengthening job matching functions

- Create a social environment where seniors who are willing to work can continue to play an active role without retirement, by utilizing their skills and experience regardless of their ages. To this end, aim to provide a wider variety of employment/work opportunities to seniors and strengthen job matching functions for seniors in an expeditious fashion.

4) Utilize foreign human resources

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

[Aim to implement by the end of this year]

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

(ii) Integrate employment and education

Key policy measures:

- 1) Undertake a set of initiatives for enhancing the capabilities of human resources who will help Japan achieve a sustainable path over the long-run (employment/education measures)
- 2) Institutionalize new higher education facilities that provide practical vocational education
- 3) Create a highly predictable labor dispute resolution system

- 1) Undertake a set of initiatives for enhancing the capabilities of human resources who will help Japan achieve a sustainable path over the long-run (employment/education measures)

- Establish an opportunity for individuals to know career paths, i.e., roadmap of working experiences toward achievement of future goal of occupations and works (“Self Career Dock (tentative name)”). Moreover, provide support for middle-aged and senior human resources with abilities, experience, and the willingness to work who endeavor to start a new career.

- 2) Institutionalize new higher education facilities that provide practical vocational education

- Establish new higher education institutions that offer practical vocational training, thus enabling workers to enhance and relearn their skills, in order to respond to the changes to industrial structure and business models.

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

- 3) Create a highly predictable labor dispute resolution system

- Aim to establish a labor dispute resolution system that is transparent, fair, objective, and globally accepted, through consideration to its concepts.

2. Promoting Local Abenomics

a. Increasing profitability of small- and medium-sized enterprises

Key policy measures:

- 1) "Visualize growth strategy" for business operators
- 2) Strength business support system for SMEs

1) Visualize growth strategy for business operators

- Compile key factors to successes and provide them to businesses and SME organization. These key factors are expected to serve as a guide for business operators who will be endeavoring to development of new products and markets. Provide them to businesses and SME organizations.

[Provide it by around summer of this year]

2) Strength business support system for SMEs

- Create a system that offer tailored support to core enterprises in the regions toward further growth, which will cover R&D, overseas expansion, and establishment of standards. Also, dramatically enhance the function and systems of the current one-stop consultation service centers for SMEs and micro enterprises (“Yorozu Support Centers”).

[Execute starting this fiscal year]

- Consider a credit guarantee system, in order to encourage financial institutions to support SMEs and micro enterprises in improving their management and productivity .

[Aim to finalize considerations by the end of this year and take necessary measures immediately thereafter]

b. Boosting service industry’s productivity across regions

Key policy measures:

- 1) Enhance regional business support by SME organizations and financial institutions
- 2) Develop activities to improve productivity of each service industry by public-private joint effort

1) Enhance regional business support by SME organizations and financial institutions

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

[Formulate and provide by the end of this year]

2) Develop activities to improve productivity of each service industry by public-private joint efforts

- Promote cross-industry initiatives between the service industry and manufacturing industry, etc. At committees established by the retail, food service, accommodation, nursing

care, and cargo road transportation industries (respectively), implement initiatives to improve productivity in the service industry.

c. ***Transforming agriculture, health care, and tourism into key industries***

(i) Agriculture, forestry, and fishery

Key Policy Measures:
1) Establish a support system to uplift management capabilities of agriculture, forestry, and fisheries
2) Accelerate efforts toward farmland consolidation
3) Promote exports of agricultural, forestry and fishery products as well as foods

1) Establish a support system to uplift management capabilities in agriculture/forestry/fisheries

- Set targets for establishment of corporations in agriculture sector at the prefectural level. In order to promote establishment of corporations further, establish a support system with management specialists such as licensed tax accountants, SME consultants, and regional financial institutions.

[Establish targets by the end of this fiscal year]

2) Accelerate efforts toward farmland consolidation

- Publish each prefecture’s performance (with ranking) of farmland consolidation through the Public Corporation for Farmland Consolidation to Core Farmers through Renting and Subleasing (Farmland Bank). If prefectures are deemed to achieve sufficient performance, such achievements will be taken into consideration in applying further measures.

[Implement measures sequentially starting this year]

- Consider schemes on the strengthening/mitigating of tax on possession of farmland.

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

3) Promote exports of agricultural, forestry and fishery products as well as foods

- Implement priority initiatives for the promotion of the exports of rice, beef, and other items that have substantial growth potential. Aim to achieve the export target of “one trillion yen in 2020” ahead of the current schedule.

(ii) Healthcare, medicare, nursing

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

1) Support for the creation of next-generation health care industry

- Promote establishment of local versions of the Next-Generation Health Care Industry Council. Create a network of such councils and spread successful business models and initiatives in each region throughout the nation. In addition, establish platforms which promote (i) formulation of business models that include human resources development from the pre-investment stage; and (ii) supply of risk money, by cooperating with the Regional Economy Vitalization Corporation of Japan (REVIC) and other institutions.

[Execute by the end of this fiscal year]

2) International promotion of medical services

- Implement initiatives to attract foreign patients to Japan. This includes (i) certifying corporations that provide comprehensive support for the acceptance and care of foreign patients, and (ii) providing (to overseas) easy-to-understand information about “Japan International Hospitals” (tentative name), which are domestic medical institutions that possess the willingness and abilities to accept foreign patients.

[Carry out consideration by the end of this fiscal year]

3) Introduction of a numbering system in healthcare related areas

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

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

- Consider specific designs for the numbering system in the medical area and rules for managing personal information associated with specific numbers, in order to achieve (i) information sharing among regional medical institutions, (ii) promotion of R&D, and (iii) improvement of the quality of medical care.

[Reach certain conclusion by the end of this year]

4) Promotion and widespread introduction of Regional Medical Information Cooperation Networks/Electronic health record

- Achieve nationwide expansion of the regional medical information sharing network by fiscal year 2018. Then, by fiscal year 2020, raise the national usage rate of electronic medical records to 90% at general hospitals with 400 or more beds, which are expected to play a central role in medical care in each region.

- To achieve the objective above, take measures to provide financial support for creating network through the fund for specialization/coordination of hospital beds. Additionally, at the time of the next revision of remuneration for medical services, discuss how to evaluate medical information sharing that utilizes ICT.

5) Further promotion of data utilization for medical and nursing care policies

- Formulate a program which will include specific policy measures and their implementation schedules for promoting the application of medical and nursing care data in policy-making.

[Formulate by the end of this fiscal year]

(iii) Tourism

Key policy measures:

- 1) Establish Japanese version of Destination Management/Marketing Organizations (DMOs) with intensive input of policy resources
- 2) Improve the tourism environment for the purpose of accepting an increasing number of foreign visitors to Japan, including by securing capacities of airports, transportations and accommodation facilities in each region

1) Establish Japanese version of Destination Management/Marketing Organizations (DMOs) with intensive input of policy resources

- Select one or two model regions for the establishment of Japanese version of DMOs and put policy responses to these regions intensively. These regions will serve as central organizations in carrying out the functions for the development of tourism areas. These functions will include (i) enhancing regional tourism resources, (ii) improving the tourism environment to accept foreign visitors, and (iii) disseminating tourism information to the world.

[Select by the end of this fiscal year]

2) Improve the tourism environment for the purpose of accepting an increasing number of foreign visitors to Japan, including by securing capacities of airports, transportations and accommodation facilities in each region

- Utilize “the regional liaison committees geared toward accepting 20 million foreign visitors to Japan” to compile information on the status of regions’ tourism environments, as well as any challenges and related policy responses to address them. Information to be compiled should include airport/seaport CIQ systems, capacity of airports, public transport and accommodation facilities.

[Aim for interim report by summer of this year]

d. ***New roles played by municipalities***

Key policy measures:

Promotion of PPP/PFI

1) Promotion of PPP/PFI

- Revise the project scale target (12 trillion yen within 10 years) set in the “*Action Plan Toward the Fundamental Reform of PPP/PFI*” (decided on June 6, 2013 by Council for the Promotion of Private Finance Initiatives) and reach a conclusion on measures to achieve this objective through consideration.
- In order to enhance the promotion of PFI concession projects, promote deregulation relating to proposals from the operators and others, including through special zones.

3. Promoting leading projects to showcase the success of the strategy – “Reform 2020”

The Olympics/Paralympics in 2020 will attract attention to Japan from all over the world. Japanese government will use the Olympics/Paralympics as leverage for promoting core projects that are completed by 2020. These core projects are envisaged to accelerate the progress of various policies that are incorporated in the growth strategy and constitute a

legacy for future generations.

Specifically, the government will implement the following six projects in three key policy areas (See below). These are expected to:

- a. achieve high policy impacts through increasing global attention
- b. achieve social implementation and showcase Japan's strengths in order to appeal to international community; and
- c. lead to future economic growth.

Reform 2020 Projects:

Policy area I: Provide high technology solutions to social problems and export system solution technologies

Project I. Use of next-generation transportation systems and automated driving technology

Project II. Solutions to energy/environmental problems through distributed energy resources

Project III. Realization of a universal future society through leading-edge robotic technology

Project IV. International implementation of high-quality Japanese medical services and technologies (inbound use of medical care)

Policy area II: Develop an environment to increase the number of foreign tourists to Japan

Project V. Showcasing Japan as a country of tourism

Policy area III: Expand foreign direct investment to Japan and improve business environments

Project VI. Policies to attract more foreign direct investment in Japan

ANNEX 1: NEW AND ADJUSTED POLICY COMMITMENTS FOR 2015

New and Adjusted Commitments since Brisbane

This annex is for describing new measures introduced since Brisbane or Brisbane commitments that have been adjusted or modified.

Please complete a table for each new or adjusted commitment put forward in 2015. We would expect each policy commitment table to be no longer than 1 page.

Same as Section C.

ANNEX 2: PAST COMMITMENTS – ST. PETERSBURG FISCAL TEMPLATE – UPDATE

Please update as necessary. In particular, please update tables as follows:

Medium-term projections, and change since last submission (*required for all members*):

The Japanese government continues to be firmly committed to its fiscal consolidation targets.

In the “Medium-term Fiscal Plan” (approved by the Cabinet on August 2013), the government aimed at (i) halving the primary deficit of the central and local governments from FY 2010 to FY 2015 (in GDP terms), (ii) achieving a primary surplus by FY2020, and (iii) thereafter steadily reducing the public debt to GDP ratio. Also in this Plan, the government presented intermediate objectives, i.e., improve the primary balance in the general account of the central government by at least approximately 8 trillion yen in FY2014 and in FY2015 (4 trillion yen each). Moreover, for the FY2014 and FY2015 budgets, the government determined to make its utmost efforts to keep the amount of newly issued central government bonds lower than that of the previous year.

In November 2014, the government decided to postpone the second consumption tax rate increase from 8% to 10% for 18 months to April 2017. At the same time, following messages were clearly stated, in order to secure confidence in Japan’s fiscal sustainability:

- The rate of the consumption tax will be raised with absolute certainty in April 2017;
- The government’s commitment to achieve a primary surplus by FY2020 is firmly maintained; and
- The government will formulate a concrete fiscal consolidation plan to achieve this target by the summer of 2015.

Then, the FY2015 budget was approved by the Diet in April 2015. In the FY2015 budget, the primary balance in the general account of the central government will be improved by 4.6 trillion yen, which exceeds the target set out in the “Medium-term Fiscal Plan”. Further, the amount of newly-issued government bonds will be reduced by 4.4 trillion yen, compared to FY 2014. According to the “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2015), the FY2015 target to halve the primary deficit to GDP ratio from the ratio of FY2010 is expected to be achieved.

On June 30th, 2015, the government formulated the economic revitalization and fiscal consolidation plan (“The Plan to Advance Economic and Fiscal Revitalization”), which stipulates concrete measures to achieve a primary surplus by FY2020. Moreover, in this plan, the government will assess the progress of reforming both expenditure and revenue

measures by using benchmarks, such as the primary deficit of approximately 1% of GDP in FY 2018.

Based on this plan, the government will continue and strengthen measures that have been implemented during the past 3 years, with a view to achieving both economic revitalization and fiscal consolidation.

Estimate Projections

	FY2013*	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Gross Debt	191.8	195.6	195.1	193.7	192.7	189.1	186.6	184.2
<i>ppt change</i>	1.2	4.2	4.7	5.1	4.8	-	-	-
Fiscal Balance	-7.5	-6.0	-5.0	-4.2	-4.1	-3.7	-3.7	-3.8
<i>ppt change</i>	1.6	0.4	0.4	0.7	1.0	-	-	-
Primary Balance	-5.7	-4.4	-3.0	-2.5	-2.3	-1.7	-1.4	-1.0
<i>ppt change</i>	1.3	-0.1	0.3	0.1	0.1	-	-	-

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

Note: “ppt change” means the change from the data presented in the St. Petersburg Fiscal Template (September 2013).

Sources: “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2015) and “Mid-Year Economic Projection for FY2015” (Cabinet Office, July 2015).

Estimate Projections

	FY2013*	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Real GDP growth	2.1	-0.9	1.5	1.7	0.6	2.6	2.1	2.2
<i>ppt change</i>	-0.7	-1.9	-0.5	-0.2	-1.4	-	-	-
Nominal GDP growth	1.8	1.6	2.9	2.9	2.7	3.9	3.5	3.6
<i>ppt change</i>	-0.8	-1.5	-0.8	-1.0	-0.8	-	-	-
LT interest rate	0.7	0.4	0.9	1.4	1.9	2.7	3.4	3.9
<i>ppt change</i>	-0.4	-1.0	-1.4	-1.3	-1.1	-	-	-

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

Note: “ppt change” means the change from the data presented in the St. Petersburg Fiscal Template (September 2013).

Sources: “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2015) and “Mid-Year Economic Projection for FY2015” (Cabinet Office, July 2015)

ANNEX 3: PAST COMMITMENTS – BRISBANE COMMITMENTS

Key Commitments for Monitoring Purposes

The numbers indicated in the “Detailed implementation path and status” refers to the corresponding numbers enclosed with brackets in the commitment

<ul style="list-style-type: none"> Enhance corporate governance through the Corporate Governance Code which will be drafted by the Tokyo Stock Exchange: 	<p>The Tokyo Stock Exchange (TSE) will draft the Corporate Governance Code, which outlines the principles of corporate governance. A council of experts of which FSA and TSE will jointly act as a secretariat, will aim to prepare key elements of the Code by around this fall so that TSE can newly draft the Code in time for the season of general shareholders’ meetings in (June,) 2015.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>All the necessary interim steps have been completed</p>	<p>June 2015</p>	<p>The Corporate Governance Code entered into force on June 1, 2015.</p>
<p>Impact of Measure</p>	<p>Through enhanced corporate governance and other relevant efforts, Japan aims to restore the annual level of business investment at pre-Lehman shock (70 trillion yen) by FY2015 (64.6 trillion yen in FY2012).</p> <p>The entry and closing rates of companies have increased from 4.6% and 3.8% to 4.8% and 4.0% in FY2013 in FY2012, respectively. ROE has been risen from 5.8% in 4Q 2012 to 8.7% in 1Q 2015. Two independent outside directors will be obliged to be appointed after the enforcement of Corporate Governance Code from June 2015. The number of investors which adopt Japan’s Stewardship code has been attained to 197 in September 2015, including GPIF.</p>		

<p>• Improve the business environment by providing risk money to new technologies and ideas through security based crowd-funding or making regulatory restrictions transparent to enterprises:</p>	<p>[1] In order to reduce regulatory uncertainty surrounding new business activities, the government has put in place a new mechanism under which enterprises are able to check in advance whether any regulatory restrictions apply to their business plans.</p> <p>[2] At the same time, the government is working toward strengthening financial and capital markets to promote the provision of risk money to growing businesses. A wider variety of financial products and a broader range of investors can stimulate private investment. For example, a bill was approved by the Diet which promotes the use of security based crowd-funding, aiming to provide risk money to new technologies and ideas.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>All the necessary interim steps have been completed.</p>	<p>These measures do not have specific deadlines.</p>	<p>1. The government established the new system in January 2014. Under this system, individual enterprises are able to check in advance whether any regulations are applied to their new business, and 36 enterprises used this system as of 31 May 2015. For example, a private company has successfully introduced a blood test service after clarifying if this service is not recognized as a “medical practice” which only medical doctors can provide.</p> <p>2. The law for institutional preparation of crowd-funding was enforced in May 2015.</p>
<p>Impact of Measure</p>	<p>Through them, Japan aims to restore the annual level of business investment at pre-Leman shock (70 trillion yen) by FY2016 (64.6 trillion yen in FY2012).</p>		

<p>• Reinvigorate the financial and capital markets and reform the management of public and quasi-public funds:</p>	<p>[1] The government aims for building the best financial and capital market in Asia, including through promotion of infrastructure fund and healthcare REIT, improvement in securities and fund settlement, enhancement in transparency of investment trust, and further promotion of the NISA (tax-exempt individual investment accounts). [2] The government will also support Japanese firms' and financial institutions' activities in Asia. [3] The Government Pension Investment Fund (GPIF) will appropriately revise its policy asset mix as quickly as possible, following based on this year's revaluation of pension finance. It will enable the GPIF to respond to the long-term changes in the economic and investment environment, such as changes from deflation to moderate-inflation environment, in order to secure sound pension finance over an extended period of time. In addition, initiatives for strengthening the governance structure of the GPIF will be immediately promoted, such as (i) the improvement of the investment committee structure, (ii) the securement of investment professionals, (iii) accelerating discussion on other necessary measures including the necessity of law amendments etc.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p> <p>1-2. All the necessary legislative processes have been completed. Steps such as further popularization of the measures are necessary.</p> <p>3. The GPIF revises its policy asset mix and initiates its discussions on strengthening the governance structure.</p>	<p>Deadline</p> <p>1-2. These measures do not have specific deadlines.</p> <p>3. These measures do not have specific deadlines.</p>	<p>Status</p> <p>1. The guideline for healthcare REIT was established in June 2014.</p> <p>The upper limit on annual investment of NISA accounts will be increased from 1 million yen to 1.2 million yen in January 2016. Investment in "Junior NISA" (for aged less than 20 years old) will start from April 2016.</p> <p>The ordinance for promoting infrastructure fund was enforced in September, 2014.</p> <p>The ordinance for improving investment reports for investment trusts was enforced in December, 2014.</p> <p>The Japanese Bankers Association reached conclusion on concrete proposal and schedule to enhance</p>

		<p>fund settlement in December 2014.</p> <p>2. Standardization of document format for bonds issuance among ASEAN+3 countries is underway in cooperation with ADB.</p> <p>3. The GPIF adopted its new asset allocation policy and established the governance committee in October 2014. It established a new investment committee which consists of seven full-time investment experts, with a mandate to advice the investment advisory committee for its decision making. The GPIF Act was amended in May 2015, by which governance is strengthened by adding one director who is responsible for asset management.</p>
<p>Impact of Measure</p>	<p>The government aims for building the best financial and capital market in Asia through these measures. The number of account of NISA has been increased 8.25 million (3.33 million increase compared to last year) as of December 2014. Two brands of healthcare REIT have been listed.</p>	

<p>• Enhance the competitiveness of Japanese companies through promotion of a pro-growth corporate tax reform:</p>	<p>The government will strengthen Japan’s locational attractiveness and enhance competitiveness of Japanese companies. In this context, the government aims to reduce the effective corporate tax rate to the internationally-comparable level and embarks on corporate tax reform to be more growth-oriented. To that end, the government aims to reduce the percentage level of the effective corporate tax rate down to the twenties in several years. The government will start the first phase reduction from the next fiscal year.</p> <p>As regards the revenue sources to fund such rate reduction, including the fact that the Japanese economy is pulling out of the deflation and showing structural improvements, in order to be consistent with the FY2020 target to achieve primary surplus, permanent revenues will be secured through such measures as broadening the tax base and so forth. The government will continue to discuss this issue towards the end of this year when we will reach conclusions on the specifics.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p> <p>Legislative process will be necessary before the decision of additional reduction of effective corporate tax rate.</p>	<p>Deadline</p> <p>The percentage level of the effective corporate tax rate will be reduced down to the twenties within several years.</p>	<p>Status</p> <p>The law was approved in the ordinary Diet session in 2015 which determined to reduce the level of the effective corporate tax rate from 34.62% to 32.11% (-2.51%) in FY2015 and 31.33% (-3.29%) in FY2016 while permanent revenues are secured through broadening the tax base and so forth. The government will continue to consider additional measures for subsequent years.</p>
<p>Impact of Measure</p>	<p>By strengthening Japan’s locational competitiveness in combination with other measures, Japan aims to be among top 3 developed countries in the ranking of the World Bank’s “Doing Business” by 2020 (ranked 19th in 2015).</p>		

<p>• Attract foreign enterprises and promote business start-ups through measures such as providing clarification on employment rules or acceptance of the foreign people in National Strategic Special Zones:</p>	<p>In order to strengthen Japan's competitiveness as a business hub, the government further introduce regulatory reforms in National Strategic Special Zones. Specifically, it would consider introducing [1](i) simplified and accelerated incorporation procedure, [2](ii) more convenient information services in English regarding financial administration, [3](iii) relaxation of bus-related regulations for improvement of airport access, and [4](iv) acceptance of the entrepreneurial people in National Strategic Special Zones as well as establishment of new scheme for accepting diverse foreign people. The government will soon conclude its consideration on these potential reforms and submit laws to the next Diet session, if necessary.*</p> <p>The government will also implement following reforms to utilize foreign human resources.</p> <p>- [5] accepting foreign housekeeping support workers in National Strategic Economic Special Zones.*</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>All the necessary legislative processes have been completed.</p>	<p>The government will submit laws to this Diet session, if necessary.</p>	<p>The revised law to call in foreign enterprises and promote entrepreneurs in National Strategic Special Zones was passed in the ordinary Diet session in 2015.</p> <ol style="list-style-type: none"> 1. "Tokyo One-Stop Business Establishment Center" has been established in order to provide one-stop service for incorporation procedures. 2. One stop desk for inquiries in English about laws and regulations has been established. The English translation of laws and regulations is underway. 3. The regulation on the upper limit of fare was abolished for airport access buses. 4. The revised law includes provisions to abolish regulations which foreign entrepreneurs must hire two full-time employees and invest at least 5 million yen. 5. The revised law includes provisions which foreign housekeeping support workers can be accepted.
<p>Impact of Measure</p>	<p>Through these reforms and other measures, Japan aims to double the inward FDI stocks to 35 trillion yen in 2020 (18.0 trillion yen at end-2013). At end-2014, inward FDI stocks are estimated to amount to 20.7 trillion yen.</p>		

<p>• Enhance women's participation by measures such as raising childcare leave benefits:</p>	<p>In order to reduce the number of women who leave workforce due to childbirth/child rearing and to increase the percentage of women in leadership position, the government is taking following measures.</p> <p>-[1] raising childcare leave benefits from 50% to 67% of wages prior to leave for the initial 6 months of leave period.</p> <p>In addition, the government added the following new commitments in June 2014 in order to enhance women's participation and advancement in job market.</p> <p>- [2] introducing over 10,000 integrated after-school childcare services/programs and securing the capacity of after-school childcare centers for about 300,000 children by the end of March 2020.*</p> <p>- [3] obliging listed companies to disclose the number of women in executive positions in their financial reports before by March 2015.*</p> <p>- [4] reviewing tax and social security system to be neutral with regard to how women choose to work by the end of 2014.*</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p> <p>1-2. All the necessary interim steps have been completed.</p> <p>3-4. Legislative process including passage of the law will be necessary.</p>	<p>Deadline</p> <p>1. This measure does not have specific deadline.</p> <p>2. By the end of March 2020.</p> <p>3. By March 2015.</p> <p>4. By the end of 2014.</p>	<p>Status</p> <p>The law to promote women's participation was already approved in the ordinary Diet session in 2015.</p> <p>1. This measure has been activated since April 2014.</p> <p>2. The government established the comprehensive plan for introducing integrated after-school childcare service/programs toward the goal set by March 2020 in July 2014. The number of integrated after-school childcare services/programs is still under examination.</p> <p>3. The amendment of the ordinance for obliging listed companies to disclose the number of women in executive positions in the financial reports has been</p>

		<p>enforced in March 2015.</p> <p>4. Reports on personal income tax and on social security system were published in November 2014 and January 2015, respectively. The former report spells out possible options and relevant issues on personal income tax system, while the latter argues the importance of extending the coverage of employee insurance to part-time workers, which include a number of women.</p>
<p>Impact of Measure</p>	<p>Together with other measures to facilitate women-friendly work places such as disseminating good practices and promoting disclosure of company information on female participation, the government aims to raise the employment rate of women (aged 25-44) from 68 percent (in 2012) to 73 percent in 2020 and to increase women occupying leading positions to 30 percent in 2020.</p> <p>In 2014, the employment rate of women (aged 25-44) has been raised to 70.8%.</p>	

<p>• Develop the agriculture industries as new growth engines through measures such as encouraging the diversification of distribution channels for dairy farmers:</p>	<p>- [1] The government has taken measures to facilitate the participation of various entities, including private companies, into agriculture sector by establishing “Farmland consolidation banks” to consolidate the fragmented farmland ownerships.</p> <p>- [2] The government will undertake integrated regulatory reform of Agricultural Committee and others so that highly-motivated and business-minded farmers can pursue more dynamic production and operation with taking advantage of knowledge of corporations. Related bills will be submitted to the ordinary Diet session in 2015.*</p> <p>-[3] The government will also encourage diversification of distribution channels for dairy farmers through establishing a system where farmers can select and sell their products not only to the conventional designated vendors but others from 2015.</p> <p>Furthermore, [4] it would promote the “AFFrinnovation (sixth industry)” and exports through reviewing the current capital contribution percentage rule to A-FIVE recipients by December 2015 and creating export promotion groups respectively for such products as beef, Japanese tea and fishery products from FY2015.*</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p> <p>Legislative process including passage of the law will be necessary.</p>	<p>Deadline</p> <p>1. “Farmland consolidation banks” for all 47 prefectures in Japan should be established by November 2014.</p> <p>2-4. These measures do not have specific deadlines.</p>	<p>Status</p> <p>1. “Farmland consolidation banks” was established for all 47 prefectures in Japan. Renting of farmlands has been implemented.</p> <p>2. A draft law for the reform of agricultural cooperatives, agricultural committee and agricultural production corporation was submitted to the ordinary Diet session in 2015.</p> <p>4. Continue review until December 2015, while taking full account of the policy objectives and monitoring the implementation of the current system.</p>
<p>Impact of Measure</p>	<p>Through these measures, the government aims to quadruple the number of farms run by corporate farmers over the next ten years.</p> <p>Through these measures, the government aims to expand the size of “AFFrinnovation” market from 1 trillion yen to ten trillion yen in 2020, and increase the size of export of agricultural and food products up to one trillion yen in 2020 (about 0.45 trillion yen in 2012).</p>		

<p>• Develop health care industries as new growth engines through measures such as establishing a non-profit holding company system in 2015:</p>	<p>[1] The government aim for establishing non-profit holding company system in 2015. It would allow multiple medical and social welfare corporations to be managed in an integrated manner. It will also design a system, required to allow university hospitals to be spun off as separate entities in order to be managed in an integrated manner with other hospitals under the new holding company system.</p> <p>[2] The government will significantly expand the system for mixed use of medical treatments covered and uncovered by public insurance (the mixed medical treatment system).</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>Legislative process including passage of the law will be necessary.</p>	<p>1. The Institutional establishment is planned to be finished by the end of FY2015</p> <p>2. This measure does not have a specific deadline.</p>	<p>1. The law for creating hospitals that promote regional coordination was approved in the ordinary Diet session in 2015.</p> <p>2. The law to provide the mixed medical treatment system based on offers from patients was passed in the ordinary Diet session in 2015.</p>
<p>Impact of Measure</p>	<p>These measures will develop health care industry as a new growth engine.</p>		

<p>• Expand trade openness through trade facilitation measures:</p>	<p>The government will take trade facilitating measures such as streamlining trade-related procedures and extending opening hours of ports and harbors.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>All the necessary interim steps have been completed.</p>	<p>These measures do not have specific deadlines.</p>	
<p>Impact of Measure</p>	<p>These measures will contribute to economic growth through the acceleration of trade.</p>		

Other Brisbane Commitments

This table is for the monitoring of other Brisbane commitments (non key commitments). Please complete a table for each commitment.

<p>• Making progress on fiscal consolidation and economic revitalization:</p>	<p>The government will make its utmost efforts both on the expenditure and revenue sides to ensure that the current extremely deteriorated fiscal situation will not hinder progress in economic revitalization. The government will prioritize and streamline public expenditures so that they will contribute to economic growth and development more effectively.</p>
<p>Implementation path and expected date of implementation</p>	<p>The government formulated the economic revitalization and fiscal consolidation plan (“The Plan to Advance Economic and Fiscal Revitalization”) on June 30th, 2015, which stipulates concrete measures to achieve a primary surplus by FY2020.</p> <p>In this plan, the government will assess the progress of reforming expenditure and revenue measures by using benchmarks such as the primary deficit of approximately 1% of GDP in FY2018.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track. The government formulated, as scheduled, the economic revitalization and fiscal consolidation plan (“The Plan to Advance Economic and Fiscal Revitalization”) on June 30th, 2015.</p> <p>The fiscal consolidation target for FY2015, which is to halve the primary deficit to GDP ratio from the ratio of FY2010, is expected to be achieved.</p> <p>Based on this plan, the government will continue and strengthen measures that have been implemented during the past 3 years, with a view to achieving both economic revitalization and fiscal consolidation.</p>

<p>• Promoting Innovation and “Robot Revolution”:</p>	<p>The government promote innovation of science and technology and develop infrastructure that links innovation technology with new business through following measures.</p> <p>- [1] establishing a “National System” that create business from innovative technology seeds, including through (i) reforming functionality of R&D institutes to enhance activities to link universities with business, (ii) allowing researchers to hold concurrent posts at universities and R&D institutes, and (iii) reforming employee invention system in order to incentivize both employees and companies (related bill will be submitted to the next ordinary session.).</p> <p>- [2] setting up the “Robotic Revolution Initiative Council” to create a 5 year plan by the end of 2014 with the aim of addressing social challenges by robots and new industrial revolution.</p>
<p>Implementation path and expected date of implementation</p>	<p>1. The system for advanced R&D institutes should be established by the end of FY2014.</p> <p>2. “Robotic Revolution Initiative Council” should be set up by the summer in FY2014.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track.</p> <p>1. (i) National Institute of Advanced Industrial Science and Technology (AIST), which is one of the major national R&D institutions of Japan, set a medium-term goal of this reform, such as utilizing outside human resources for reinforcing technology marketing function from FY2015. (ii) A new framework was published which enables researchers to take several positions at universities and/or research institutions. Then, a new cross-appointment system was activated in January of 2015. (iii) The bill to reform the Patent Act was submitted to the ordinary Diet session in 2015, which will achieve a win-win scenario between employers and employees, where the former utilizes the employee’s inventions while the latter can obtain benefits if agreed by both in advance.</p> <p>2. “Robot New Strategy” was created with a 5-year-plan in January 2015. Based on this strategy, “Robot Revolution Initiative” was introduced in May 2015.</p>
<p>• Making more use of PPP/PFI:</p>	<p>The government is planning to make use of PPP in repairing the Metropolitan Expressway in Tokyo, and introduce concession contracts in the government-owned airports. It also established “Private Finance Initiative Promotion Corporation of Japan” in October 2013.</p>
<p>Implementation path and expected date of implementation</p>	<p>With regard to PFI projects for private entities awarded with infrastructure concession, the government set numerical targets for the number of projects (six airports, six water system, six sewage and one road project) as well as the size of projects (2 to 3 trillion yen), accelerated from the previous deadline of FY2022 by the end of FY2016.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track. Among six airports, Sendai and Osaka-Kansai Airport are now in the process of public subscription of operators.</p>

• Reinforcing Workforce and Reforming the Employment System:

The government will also implement following reforms to utilize foreign human resources.

- [1] reviewing current Technical Intern Training Systems, which invite trainees from abroad with the aim to support technology transfer, by implementing measures such as expanding job categories and extending training period from 3 years to 5 years, possibly starting from FY2015, while drastically strengthening management and supervision schemes.*

- [2] considering schemes by the end of FY 2014 to accept foreign workers at overseas subsidiaries of Japanese corporations in manufacturing sector.*

- [3] designing a system by the end of this year to enable foreign nationals, who obtained the national qualifications such as “certified care worker” by learning at Japanese higher education institutions, to work in the field of nursing care after graduation.*

[4] The government is shifting budget allocation from employment adjustment subsidies to labor mobility support subsidies to realize the labor mobility without unemployment.

[5] In order to improve working conditions of part-time workers, the government has recently submitted a bill which expands the scope of part-time workers deemed equivalent to ordinary workers whose discriminately treatment is to be prohibited and requires employers to be accountable about the concrete measures to ensure adequate employment management (approved in April 2014).

[6] The government has formulated a plan to increase "Career Consultant", who provides professional advices for career-formulation on July 2014.

Through these measures and other efforts, the government aims to increase ratio of hires who had changed jobs to 9% in five years (7.4% in 2011).

[7] In terms of improving non-regular workers' careers and their working conditions and promoting workers' work-life balance, it will also consider support measures in FY2014 and implement them in FY2015 in order to spread and promote “diversified regular worker”, which is different from usual regular workers in terms of definition for his or her duty, working place or working hours.*

In order to realize flexible and diversified ways of working, the government will also pursue following initiatives.

- [8] In order to meet the needs of workers who would like to be evaluated not based on working hours but on performance, a new working hour system to break the link between wages and the length of time spent at work will be created, while protecting workers' health and achieving a better work-life balance for workers who have

	<p>a specific scope of duties and advanced professional skills, and meet a certain annual income requirement (e.g., a minimum of ¥10 million). After the Labor Policy Council has completed its deliberations and reached a conclusion on the system, the Government will take the necessary legislative measures during the next ordinary Diet session. *</p> <p>- [9] Given that major industrial countries have developed mechanisms for pecuniary remedies provided to workers through court decisions in line with their respective employment systems, the government will survey relevant systems and their operation at home and abroad. Base on the finding of the survey, the government will widely study the shape of globally accepted, transparent, fair and objective labor dispute resolutions systems in 2015. *</p>
<p>Implementation path and expected date of implementation</p>	<ol style="list-style-type: none"> 1. The bill on this reform was submitted to the ordinary Diet session in 2015. It is still under review by the Diet. 2. The schemes will be considered by the end of FY 2014. 3. The system will be designed by the end of 2014. 4. The budget allocation for employment adjustment subsidies will be overwhelmed by that for labor mobility support subsidies by FY2015. 5. All the necessary interim steps have been completed. 6. Concrete measures for institutional establishment for “Career Consultant” will be decided by the middle of 2015. 7. The government will put together <i>the Points of Attention Regarding Employment Management</i> and publish it in July 2014. Also, the government will announce the interpretation of the Labour Contract Act by the end of 2014. Furthermore, the government will consider the policy support of introduction of “diversified regular worker” by FY2014 and implement it in FY2015. 8. The government will take the necessary legislative measures during the ordinary Diet session in 2015. 9. The government will widely study the shape of globally accepted, transparent, fair and objective labor dispute resolutions systems in 2015
<p>Status of Implementation and Impact</p>	<p>Implementation is on track.</p> <ol style="list-style-type: none"> 1. The draft law which enables this reform was submitted to the ordinary Diet session in 2015. 2. The government is designing concrete schemes toward implementation from FY2015. 3. The draft law which enables this reform has been submitted to the ordinary Diet session in 2015. 4. The government has succeeded in the shift of budget allocation from employment adjustment subsidies to labor mobility support subsidies in FY2015 budget: employment adjustment subsidies (19.3 billion yen), labor mobility support subsidies (34.9 billion yen).

	<p>5. This reform has been implemented since April 2015 through the approval of the law in 2014.</p> <p>6. The action plan which aims to raise the number of “Career Consultants” up to 0.1 million was developed in July 2014. A law which obliges “Career Consultants” to be registered was promulgated in September 2015. A cabinet order and a ministerial ordinance that elaborate the registration system will be in force in April 2016.</p> <p>7. The Points of Attention Regarding Employment Management was published in July 2014. Also, the interpretation of the Labour Contract Act was notified to all the Prefectural Labour Bureaus in July 2014. Furthermore, the government implemented necessary measures in the FY2015 budget, such as dispatch of consultants to companies which are considering the introduction of “diversified regular workers”.</p> <p>8. The bill on this reform was submitted to the ordinary Diet session in 2015. It is still under review by the Diet.</p> <p>9. The government published the results of the survey on relevant systems and their operation at home and abroad in June 2015.</p>
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<ul style="list-style-type: none"> • Energy Sector: 	<p>Japan has taken measures to liberalize fully the retail electricity market by around 2016 to encourage entry of diverse players.</p> <p>The government plans to submit a bill to the next ordinary Diet session , which secures further neutrality of electricity transmission and distribution sectors from generation and retail sectors by legal unbundling.*</p>
<p>Implementation path and expected date of implementation</p>	<p>The government has set specific schedule for three stages of the Electricity System Reform, namely (i) establishment of the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) in 2015, which is aiming at providing the electricity transmission network and strengthening the capacity for demand-supply balance across all areas in Japan, (ii) full retail competition in 2016, and (iii) legal unbundling of transmission and distribution sectors in 2020. It intends to complete entire electricity reforms in 2020.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track. Among three stages, (i) OCCTO has been founded on April 2015 as an institute in which all electricity operators must engage, (ii) the law for full retail competition was enacted on June 2014, and (iii) the law was enacted in June 2015 which determined to deregulate energy sector through abolition of (a) price regulation and (b) restrictions for market entrants.</p>

<p>• Promoting economic partnership negotiations, taking trade facilitating measures, and resisting protectionism:</p>	<p>Japan will continue to promote economic partnership negotiations, including TPP (Trans-Pacific Partnership), RCEP (Regional Comprehensive Economic Partnership), the Japan-China-ROK FTA, and the Japan-EU EPA.</p> <p>Japan will resist protectionism in all its forms including export restrictions and local content requirements, amongst others through complying with the G20 standstill and rollback commitments.</p>
<p>Implementation path and expected date of implementation</p>	<p>The government will continue to participate in economic partnership negotiations.</p> <ul style="list-style-type: none"> ➤ Japan aims to reach agreement in principle on the Japan-EU EPA during 2015. ➤ Japan intends to continue cooperating closely with the other participating countries to aim for the TPP (Trans-Pacific Partnership) Agreement to be signed and to enter into force as soon as possible. <p>Furthermore, we are continuing negotiations on RCEP, the Japan-China-ROK FTA, AJCEP, the Japan-Canada EPA, the Japan-Colombia EPA, and the Japan- Turkey EPA.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track.</p> <ul style="list-style-type: none"> ➤ The Japan-Australia EPA entered into force in January 2015. ➤ Japan signed the Japan-Mongolia EPA in February 2015. ➤ Japan reached an agreement in principle on TPP with the other participating countries on October 5, 2015.

<p>• Revitalization and structural reform of local area *:</p>	<p>The government will amend the Local Revitalization Law and establish a one-stop platform for planning and implementing regional revitalization efforts. The amendment of the law will be submitted to the next ordinary Diet session.</p> <p>In order to overcome demographic challenges and aging society as well as build dynamic local economic structure, it is necessary to present a long-term and comprehensive vision for local economy. In this respect, the government established a headquarter function to promote various policies in comprehensive manner. The new headquarter's objectives include (i) maintaining regional economy's vitality through consolidation, integration, and networking of industry, employment, and urban functions in order to slow the outward migration to Tokyo, and (ii) overcoming the declining population and birth rate.</p>
<p>Implementation path and expected date of implementation</p>	<p>The bill to amend the Local Revitalization Law was submitted to the extraordinary Diet Session in 2014.</p> <p>Every prefecture and municipality will make efforts to formulate a "Regional Population Vision" and "Regional Comprehensive Strategy" during fiscal 2015.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track. The amendment bill was already approved in the extraordinary Diet Session in 2014. Accordingly, a one-stop platform for planning and implementing regional revitalization efforts has been established.</p> <p>The Cabinet approved the "Long-term Vision for Overcoming the Population Decline and Vitalizing Local Economy in Japan" and "Comprehensive Strategy" for FY2015 to FY2019 in December 2014.</p>

ANNEX 4: PRE-BRISBANE COMMITMENTS

Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane. Please also include all relevant monetary and exchange rate commitments. Fiscal commitments will be accounted for in the St. Petersburg Fiscal Template in Annex 2.

The Bank of Japan will continue quantitative and qualitative monetary easing (QQE) as long as necessary for achieving the price stability target of 2 percent in a stable manner.	
monetary & exchange rate policies	
St. Petersburg Action Plan	
Rationale for carrying forward	Achieving 2 percent price stability target will contribute to the recovery of Japanese economy and also to G20's collective goal of strong, sustainable and balanced growth.
Update on Progress	QQE has been exerting its intended effects, and conversion of the deflationary mindset has been progressing steadily.

Create new industries and new markets through innovation in the areas such as environment and health care	
Structural reform	
Los Cabos Action Plan	
Rationale for carrying forward	This measure will contribute to strong, sustainable and balanced growth by creating new growth engines.
Update on Progress	In order to promote introduction of renewable energy, the government amended regulations, which includes to accelerate environmental assessment process and to rationalize safety regulations. In health care sector, implemented reforms include clarification of "gray zone" in health care industry's regulation and to allow sales via Internet for non-prescription drugs.

Promoting R&D investments on the medical technologies, including through establishing a new institution which will play a "Control Tower" function for managing research programs (relevant bills to be submitted to the Diet)	
Structural reform	
St. Petersburg Action Plan	
Rationale for carrying forward	This measure will contribute to strong, sustainable and balanced growth by accelerating R&D investments in the medical area.
Update on Progress	The law to establish a new institution (Japan Agency for Medical Research and Development) was approved by the Diet in May 2014. The new institution started its operation from April 2015.

Speeding up government's assessment procedures for new pharmaceutical products and medical devices, including through strengthening the government unit responsible for the assessment.	
Structural reform	
St. Petersburg Action Plan	
Rationale for carrying forward	This measure will contribute to strong, sustainable and balanced growth by strengthening pharmaceutical, medical device and regenerative medicine industry sectors through the faster utilization of newly invented pharmaceuticals, medical devices and regenerative medicine products.

Update on Progress	<p>The law to revise Pharmaceutical Affairs Law was enforced in November 2014, which is expected to contribute to expedite approval of new pharmaceuticals, medical devices and regenerative medicine products as well as to ensure patient safety. The Pharmaceuticals and Medical Devices Agency, which is responsible for the assessment of those medicinal products, will be strengthened by the end of the FY 2018 with 314 additional regular personnel, leading the total number of personnel to 1,065.</p>
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